NEW ISSUE | **Ratings: Moody's: "Aa1"**
S&P: "AA+"

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

Minnesota Housing Finance Agency

$3,265,000
MINNESOTA HOUSING FINANCE AGENCY
$2,040,000 Rental Housing Bonds, 2013 Series B-1 (Non-AMT)†
$1,225,000 Rental Housing Bonds, 2013 Series B-2 (Non-AMT)†

Dated: Date of Delivery | **Due: as shown on inside front cover**

Tax Exemption	Interest on the above-captioned bonds (collectively, the "Series Bonds") is not includable in gross income for federal income tax purposes or taxable net income of individuals, trusts and estates for Minnesota income tax purposes. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)
Redemption	The 2013 Series B-1 Bonds are subject to sinking fund, special and optional redemption as described under "The Series Bonds" herein. The 2013 Series B-2 Bonds are subject to special and optional redemption as described under "The Series Bonds" herein.
Security	The Series Bonds are secured on a parity with Outstanding Bonds heretofore or hereafter issued under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")
Interest Payment Dates	February 1 and August 1, commencing February 1, 2014.
Denominations	$5,000 or any integral multiple thereof.
Closing/Settlement	On or about August 23, 2013 through the facilities of DTC in New York, New York.
Bond Counsel	Kutak Rock LLP, Atlanta, Georgia.
Underwriter's Counsel	Dorsey & Whitney LLP, Minneapolis, Minnesota.
Trustee	Wells Fargo Bank, National Association, in Minneapolis, Minnesota.
Book-Entry-Only System	The Depository Trust Company. (See Appendix F herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is August 16, 2013.

† Interest not included in the calculation of adjusted current earnings of corporations for purposes of the federal alternative minimum tax. (See "Tax Exemption and Related Considerations.")

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

$2,040,000 Series B-1 Bonds

$320,000 3.65% Series B-1 Term Bonds Due August 1, 2023 (CUSIP 60416SDC1*)

$570,000 5.00% Series B-1 Term Bonds Due August 1, 2033 (CUSIP 60416SDD9*)

$1,150,000 5.30% Series B-1 Term Bonds Due August 1, 2044 (CUSIP 60416SDE7*)

$1,225,000 Series B-2 Bonds

Maturity Date	Principal Amount	Interest Rate	CUSIP
February 1, 2015	$1,225,000	0.75%	60416SDF4*

Price of all Series Bonds — 100%

*CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

No dealer, broker, salesman or other person has been authorized by the Minnesota Housing Finance Agency or the Underwriter to give any information or representations, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been an offer to buy nor shall there be any sale of the Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, rhe Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AGENCY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

relating to
$3,265,000
MINNESOTA HOUSING FINANCE AGENCY
$2,040,000 Rental Housing Bonds, 2013 Series B-1 (Non-AMT)
$1,225,000 Rental Housing Bonds, 2013 Series B-2 (Non-AMT)

The purpose of this Official Statement (which includes the cover page, inside front cover and Appendices) is to set forth information concerning the Minnesota Housing Finance Agency (the "Agency"), created by Minnesota Statutes, Chapter 462A, as amended (the "Act"), and its Rental Housing Bonds, 2013 Series B-1 in the principal amount of $2,040,000 (the "Series B-1 Bonds") and Rental Housing Bonds, 2013 Series B-2 in the principal amount of $1,225,000 (the "Series B-2 Bonds" and, together with the Series B-1 Bonds, the "Series Bonds"), in connection with the sale of the Series Bonds by the Agency. The Series Bonds are being issued pursuant to the Act, a resolution of the Agency adopted on February 25, 1988, as heretofore and hereafter amended and supplemented (as so amended and supplemented, the "Bond Resolution"), and a series resolution of the Agency adopted May 23, 2013 relating to the Series Bonds, as amended by a resolution adopted July 25, 2013 (as so amended, the "Series Resolution"); the Bond Resolution and the Series Resolution are herein sometimes called the "Resolutions." The Series Bonds and any Rental Housing Bonds heretofore and hereafter issued and Outstanding pursuant to the Bond Resolution will be equally and ratably secured under the Bond Resolution and are herein sometimes called the "Bonds." Bonds Outstanding under the Bond Resolution as of June 30, 2013 aggregated $71,765,000 in principal amount.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota.

The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making long-term mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income upon the determination by the Agency that such loans are not otherwise available from private lenders upon equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement and home energy loans and to finance multifamily housing developments. In addition to those programs, which are financed through the issuance of debt, the Agency finances grants and loans through State and Federal appropriations and through its assets in its Alternative Loan Fund in the Residential Housing Finance Program Fund. Please refer to the "Net Assets Restricted by Covenant" footnote included in the notes to the financial statements of the Agency included in Appendix B.

The proceeds of Bonds issued pursuant to the Bond Resolution are used to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the "Program"). The Program is administered by the multifamily division of the Agency. The purpose of the Program is to increase the supply of and to maintain and improve the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Program is intended generally to provide long-term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans ("Mortgage Loans"), and, under certain circumstances, subordinate mortgage loans ("Subordinate Mortgage Loans"), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the "Developments"). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments which it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to such Developments. The procedures presently employed by the Agency to reduce such risks are described more fully herein. (See "The Rental Housing Program.")

The Agency intends to use the proceeds of the Series Bonds for the following purposes: (i) proceeds of the Series B-1 Bonds will be used primarily to fund a long-term first lien mortgage loan, and (ii) proceeds of the Series B-2 Bonds will be used to fund a short-term second lien mortgage loan, both to a private owner, that will finance a portion of the costs of the acquisition and rehabilitation of a multifamily housing development in Rochester, Minnesota. (See "The Development.") The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net assets of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See "The Agency — Net Assets Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.")

There are further pledged as security for the payment of the Series Bonds (on a parity with the Outstanding Bonds issued and to be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts which may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See "Security for the Bonds.")

Although the State has appropriated amounts to the Agency for various specific purposes (see "The Agency — State Appropriations"), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or shall be obligated to pay the principal or redemption price of or interest on the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to such payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce such housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for such housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

Kenneth R. Johnson, Chairman – Term expires January 2015, Woodbury, Minnesota – Retired Economic Development Executive

The Honorable *Rebecca Otto — Ex officio*, St. Paul, Minnesota – State Auditor

Joseph Johnson III, Vice Chairman — Term expires January 2017, Duluth, Minnesota – Banker

Steven Johnson, Member — Term expires January 2014, Apple Valley, Minnesota – Chief Financial Officer

Gloria J. Bostrom, Member — Term expires January 2016, Roseville, Minnesota – Retired

John DeCramer, Member — Term expires January 2016, Marshall, Minnesota – Magnetics Engineer

Stephanie Klinzing, Member – Term expires January 2015, Elk River, Minnesota – Writer and Publisher

Staff

The staff of the Agency presently consists of approximately 220 persons, including professional staff members who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint such permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Mary Tingerthal — Commissioner. Ms. Tingerthal was appointed Commissioner effective February 2011. Before her appointment, Ms. Tingerthal was President of Capital Markets Companies for the Housing Partnership Network where she coordinated the work of the Housing Partnership Fund, which provides acquisition and predevelopment financing; Housing Partnership Ventures, which serves as the Network's investment vehicle; the Charter School Financing Partnership, a new conduit for charter school loans; and the Network's housing counseling intermediary and neighborhood stabilization programs. In 2008, she was instrumental in establishing the National Community Stabilization Trust -- a nationwide company dedicated to helping local organizations put vacant and foreclosed properties back into productive reuse. Prior to that, Ms. Tingerthal held senior management positions with the National Equity Fund, GMAC Residential Funding, the City of Saint Paul, and the Community Reinvestment Fund. She worked for the Agency beginning in the late 1970s when she spent 10 years working with the Agency's home improvement division. Ms. Tingerthal holds a Master's Degree in Business from Stanford Graduate School of Business, and a Bachelor of Arts Degree from the University of Minnesota. She serves as the vice chair of the Consumer Advisory Council to the Federal Reserve Board and serves on the Boards of the National Housing Trust, the National Community Investment Fund, and on the investment committee of the Calvert Foundation.

Barbara Sporlein — Deputy Commissioner, appointed effective November 2011. Her primary responsibilities are talent management, agency-wide planning, inter-agency collaboration, and credit risk management. Prior to this position, Ms. Sporlein was the Director of Planning for the City of Minneapolis between 2004 and 2011. As Planning Director she was responsible for the City's long range planning, transportation planning, development consultation and review, heritage preservation, environmental review, public art program, and zoning administration and enforcement. Prior to that position, Ms. Sporlein served as the Deputy Director of the Saint Paul Public Housing Agency between 1994 and 2004, and as a City Planner for the City of Saint Paul from 1990 to 1994. Ms. Sporlein has a Bachelor of Science Degree in Geography from the University of Wisconsin-Madison, a Master of Planning Degree from the Humphrey School of Public Affairs at the University of Minnesota, and a Certificate in Advanced Studies in Public Administration from Hamline University. Ms. Sporlein serves on the Board of Directors for the Daniel Rose Center for Public Leadership in Land Use, and is a member of the Citizens League, the Urban Land Institute, the Minnesota Chapter of National Association of Housing and Redevelopment Organizations, and the American Planning Association. Ms. Sporlein is a Certified Public Housing Manager and Housing Finance Professional.

Don Wyszynski — Chief Financial Officer, appointed effective September 2011. Mr. Wyszynski has served as the Agency's Director of Financial Strategy since September 2006, and has previous experience working for the Agency as Finance Director (1976-1978) and Deputy Director (1978-1981). In between, he was an investment banker for RBC Capital Markets, LLC and its predecessor companies from 1991 to 2006 working with various municipal issuers and housing finance agencies in the Midwest, and from 1981 to 1991 he served as a municipal financial advisor for Evensen Dodge Inc. Mr. Wyszynski started his professional career as a public accountant, and has a Bachelors degree in Business Administration from the University of Minnesota.

William Kapphahn — Director of Finance effective September 2008. Mr. Kapphahn has managed debt and investments for the Agency since September 2007. Previously Mr. Kapphahn was Controller for the Agency from November 1998 to September 2007. From June 1996 to October 1998, he was Director of Finance and Administration at Children's Home Society and Family Services with responsibility for accounting, information systems, and facility management. Previous to that, he held various accounting positions of increasing responsibility at The Saint Paul Foundation, Amherst H. Wilder Foundation, Servomation Corporation, and Land O' Lakes, Inc. Mr. Kapphahn holds a Masters degree in Business Administration with a concentration in Finance and a Bachelor of Arts degree in Business Administration from the University of St. Thomas, St. Paul, Minnesota.

Paula Beck — General Counsel, appointed effective October 2011. Ms. Beck's previous experience with the Agency includes her role as Counsel from 2009 until her General Counsel appointment and as an Assistant Attorney General representing the Agency from 1999 to 2004. From 2004 to 2009, Ms. Beck served as Associate General Counsel for Sherman Associates, Inc., a Minneapolis-based developer of residential and commercial real estate, including affordable housing, and from 1997 to 1999, she was an associate at the Minneapolis-based law firm of Leonard, Street and Deinard. Ms. Beck earned her law degree from Harvard Law School and holds a Bachelor of Arts degree from Swarthmore College in Pennsylvania.

Marcia Kolb — Assistant Commissioner, Multifamily, effective May 2012. Prior to that appointment, Ms. Kolb served the Agency for 28 years in a variety of progressively more responsible positions in Single Family, Multifamily and Finance and Operations. From 1990 to 2010 Ms. Kolb was the manager of the Multifamily underwriting staff responsible for underwriting, tax credit allocation, supportive housing, rental rehabilitation loans and real estate closings. She also served as an agency-wide coordinator of a talent and strategy management initiative. Before her work at the Agency, she was a partner in a general contracting and real estate development company. Ms. Kolb holds a Bachelor of Arts degree from Metropolitan State University and a Masters degree in Business Administration from Bethel University.

The Agency's offices are located at 400 Sibley Street, St. Paul, Minnesota 55101, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the Agency's general telephone number. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2012, included in this Official Statement as Appendix B have been audited by CliftonLarsonAllen LLP (formed as a result of the merger of LarsonAllen LLP and Clifton Gunderson LLP on January 2, 2012), independent auditors, as stated in their report appearing herein.

The auditors have not performed any agreed-upon procedures in respect of any financial statements of the Agency after June 30, 2012.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B as of and for the fiscal year ended June 30, 2012 are presented in combined "Agency-wide" form followed by "fund" financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board.

In Appendix C to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the nine months ended March 31, 2013. The information in Appendix C has been prepared by the Agency and, in the opinion of the Agency, reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of those Funds for the period, subject to year-end adjustments. The information in Appendix C is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Holders and Beneficial Owners (as defined in Appendix D hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the "Agency Annual Report") and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency Annual Report is to be filed by the Agency no later than 120 days after the close of each fiscal year, commencing with the fiscal year ended June 30, 2013, with the Municipal Securities Rulemaking Board, at its internet repository named "Electronic Municipal Market Access" ("EMMA"). The notices of the occurrence of events, if any, are also to be filed with EMMA. (See "Appendix D — Summary of Continuing Disclosure Undertaking.")

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which such materials are to be filed, are summarized in "Appendix D — Summary of Continuing Disclosure Undertaking." These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). During the past five years, the Agency has not failed to comply in any material respect with any previous undertakings it has entered into with respect to the Rule.

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency's website at http://www.mnhousing.gov/investors, but no information on the Agency's website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency's request.

Net Assets Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as "Pool 1") and the Agency's net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as "Pool 2") and the Housing Affordability

Fund (also referred to as "Pool 3"). The net assets of the General Reserve and the Alternative Loan Fund are not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other respective bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit such excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only for the administration and financing of programs in accordance with the policy and purpose of the Act, including the creation of reserves for the payment of bonds and for loans made from the proceeds thereof, and to accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency's bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the investment guidelines effective July 1, 2007 (as amended by a resolution adopted September 24, 2009), the required size of Pool 1 (which is intended to be a liquidity reserve) is 1% of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net assets (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be the greater of $615 million or the combined net assets of the same funds as of the immediately preceding fiscal year end. Currently, this amount is $675.36 million, representing the combined net assets of these funds so calculated as of June 30, 2012. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. All interfund transfers are approved by the Agency. A further discussion of Pools 1, 2 and 3 and the amounts credited thereto as of June 30, 2012 appears in the notes to the financial statements of the Agency included in Appendix B to this Official Statement under the heading "Net Assets Restricted by Covenant" at pages 54 and 55 therein (however, the amounts of the Pool 2 requirement as of June 30, 2012 and June 30, 2011 on page 54 therein stated as combined net assets fail to exclude unrealized gains and losses as described above and thus overstate the Pool 2 requirement).

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the nine-month period ended March 31, 2013 (unaudited) (in thousands):

	Nine Months Ended March 31, 2013 (unaudited)	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
Revenues			
Fees earned and other income[(1)]	$6,936	$ 8,865	$10,289
Interest earned on investments	93	63	292
Unrealized gain (loss) on investments	--	70	(95)
Administrative reimbursement[(2), (3)]	14,570	21,622	20,733
Total revenues	21,599	30,620	31,219
Expenses			
Salaries and benefits	14,102	17,541	17,716
Other general operating expenses	4,326	5,236	5,714
Total expenses	18,428	22,777	23,430
Revenues over expenses	3,171	7,843	7,789
Non-operating transfer of assets between funds[(4)]	(4,305)	(9,659)	(10,029)
Change in net assets	(1,134)[(5)]	(1,816)[(5)]	(2,240)[(5)]
Net assets beginning of period	20,113	21,929	24,169
Net assets end of period	$18,979	$20,113	$21,929

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) Reimbursement from bond funds are transferred to the General Reserve in accordance with the Agency's Affordable Housing Plan based on adjusted assets. Adjusted assets are defined generally as total assets excluding the reserve for loan loss, unearned discounts on loans, premiums on loans, unamortized bond issuance costs, unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. Costs associated with administering state appropriations are recovered only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) Excess assets from bond funds may be transferred to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, funds in excess of the requirement for Pool 1 may be transferred from the General Reserve to the Alternative Loan Fund. See the comments under the heading "Net Assets Restricted by Covenant" in the notes to the financial statements of the Agency in Appendix B to this Official Statement for additional information.

(5) The significant reductions in net assets for fiscal years 2011 and 2012 and the first nine months in fiscal year 2013 reflect the reduction in the amount required to be retained in Pool 1 under the investment guidelines described above due to the fact that the Agency's whole loan single family mortgage loan portfolio is in runoff (as a result of transition to a mortgage-backed securities model). In addition, for each period there has also been a reduction in the carrying amount of certain net assets invested in capital assets.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. Most of the appropriations have been expended or committed by the Agency.

Over the biennial periods ending June 30, 2009, 2011 and 2013, the total appropriations to the Agency aggregated approximately $305.5 million. This total amount of appropriations includes special appropriations for disaster recovery of approximately $36.9 million and reflects unallocations and budget reductions of approximately $8.9 million. Reductions in appropriations during these periods did not adversely affect the Agency's ability to operate its programs. For the current biennium ending June 30, 2015, the Legislature appropriated approximately $101.5 million to the Agency, including an increase of approximately 28% to the Agency's base budget for state appropriations.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency which are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to $5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of June 30, 2013:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	13	2048	$ 136,110	$ 71,765
Residential Housing Finance Bonds	63	2048	2,231,295	1,352,605
Homeownership Finance Bonds	16	2043	739,324	681,867
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	14,910
Totals	93		$3,121,729	$2,121,147

*Does not include series of bonds or the original principal amount of any bonds that had been, as of June 30, 2013, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See "Net Assets Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund" above.)

The Agency has entered into certain liquidity facilities and interest rate swap agreements in respect of certain of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate and are subject to optional and mandatory tender. Certain information related to such variable rate bonds and swap agreements is included in the notes to the audited financial statements contained in Appendix B to this Official Statement and in the unaudited financial statements contained in Appendix C to this Official Statement. No representation is made as to the creditworthiness of any provider or counterparty on such facilities and agreements.

In 2009, the Agency issued $13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued $21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

In 2012, the Legislature authorized the Agency to issue $30,000,000 in aggregate principal amount of housing infrastructure bonds (the "Housing Infrastructure Bonds") for various purposes, payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The Agency expects to issue a substantial portion of such bonds in the next six months.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series B-1 Bonds to make a long-term first lien Mortgage Loan and the proceeds of the Series B-2 Bonds to make a short-term second lien Mortgage Loan that will finance a portion of the costs of the acquisition and rehabilitation of a multifamily housing development. The Development, known as The Square on 31st, is a two-building rental family development having a primary address of 310-320 31st Street NE, Rochester, Minnesota 55906, and was substantially completed and originally placed in service in 1971. The Development has a total of 104 residential units (95 of which are subject to a U.S. Department of Housing and Urban Development Section 8 Housing Assistance Payment Contract). The total development cost, including acquisition and rehabilitation, is estimated to be approximately $10.2 million, including total rehabilitation costs of approximately $4.7 million. The rehabilitation is expected to be completed by April 2014.

The Agency expects to use the proceeds of the Series B-1 Bonds to be deposited in the Mortgage Loan Account to make a fully amortizing first lien Mortgage Loan with respect to the Development in August 2013. The first Mortgage Loan, in the principal amount of approximately $2.038 million, will be insured upon completion of rehabilitation under the HUD Risk-Sharing Program, with HUD through the Federal Housing Administration insuring 100% of any loss less certain deductions and the Agency reimbursing HUD for 50% of any loss. (See "The Rental Housing Program—Low and Moderate Income Rental Program.") The first lien Mortgage Loan will be amortized in level monthly payments of principal and interest over a term of 30 years, commencing on August 1, 2014 and concluding on July 1, 2044. The first lien Mortgage Loan has been established in an amount estimated to be supported by the net operating income of the Development. The Agency will also make a non-amortizing second lien bridge Mortgage Loan with respect to the Development, which is expected to close in August 2013 and will mature in full on January 1, 2015 in the total principal amount of approximately $1.225 million, from the proceeds of the Series B-2 Bonds. The bridge Mortgage Loan will not be insured, but is expected to be repaid from equity contributions from the tax credit investor and will be secured in part by a guaranty from an affiliate of the general partner of the borrower and in part from proceeds of the deferred interest loan described in the next sentence. The Agency will also make a subordinate non-amortizing deferred interest loan in the principal amount of approximately $0.735 million for this Development from Agency resources and a non-amortizing forgivable loan in the principal amount of approximately $4.168 million from a portion of the proceeds of the Housing Infrastructure Bonds.

The Development is benefited by a project-based Section 8 Housing Assistance Payments Contract (the "HAP Contract") originally entered into with HUD in 1971, which expired in 1991 and has been followed by successive HAP Contracts currently renewable annually. The borrower will enter into a covenant with the Agency under which it agrees to take all actions necessary to maintain housing assistance benefits for the Development during the life of the Mortgage Loans, to the extent housing assistance benefits are available from HUD or other sources. The borrower has submitted a request for a 15-year extension of the HAP Contract. There is no assurance that housing assistance benefits will be made available after the expiration of the existing HAP Contract or that the available housing assistance benefits will provide assistance at rent levels equal to the levels provided under the existing HAP Contract. (See "The Rental Housing Program—Section 8 Housing Assistance Payment Program.")

As a result of the issuance of the Series Bonds and the Housing Infrastructure Bonds referred to above, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in these units will be limited to households with incomes at initial occupancy at or below 60% of the area median income, adjusted for household size, with six of the units further restricted to households with incomes at or below 30% of area median income.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds provided by or through the Agency are as follows:

Sources:	
Principal Amount of Series Bonds	$3,265,000
Funds Available to the Agency..	336,254
Total Sources of Funds..	$3,601,254
Uses:	
Series B-1 Mortgage Loan Account	$2,037 ,860
Series B-2 Mortgage Loan Account	1,224,839
Debt Service Reserve Fund	145,767
Revenue Fund	60,000
Costs of Issuance	132,788
Total Uses of Funds	$3,601,254

THE SERIES BONDS

The Series Bonds are issuable only as fully registered bonds and will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota, serves as Trustee under the Bond Resolution.

The Series B-1 Bonds are issuable as term bonds in the denominations of $5,000 or any integral multiple thereof each of a single stated maturity. The Series B-2 Bonds are issuable as bonds of a single stated maturity in the denominations of $5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the dates and in the amounts set forth on the inside front cover hereof.

The Series Bonds bear interest from their respective dated dates, payable semiannually thereafter on February 1 and August 1 of each year, commencing February 1, 2014, at the respective rates set forth on the inside front cover hereof until payment of the principal or redemption price on such Bonds. As long as a series of the Series Bonds is in book-entry form, interest on such Series Bonds is payable by moneys wired by the Trustee to DTC, or its nominee, as registered owner of such Bonds, which interest is to be redistributed by DTC. (See Appendix F – "Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

Sinking Fund Redemption of Series B-1 Bonds

The Series B-1 Bonds maturing on August 1, 2023 are subject to mandatory redemption in part on each February 1 and August 1, commencing February 1, 2015 and concluding February 1, 2023, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
February 1, 2015	$15,000	August 1, 2019	$20,000
August 1, 2015	15,000	February 1, 2020	20,000
February 1, 2016	15,000	August 1, 2020	20,000
August 1, 2016	15,000	February 1, 2021	20,000
February 1, 2017	15,000	August 1, 2021	20,000
August 1, 2017	15,000	February 1, 2022	20,000
February 1, 2018	15,000	August 1, 2022	20,000
August 1, 2018	15,000	February 1, 2023	20,000
February 1, 2019	20,000	August 1, 2023 (maturity)	20,000

The Series B-1 Bonds maturing on August 1, 2033 are subject to mandatory redemption in part on each February 1 and August 1, commencing February 1, 2024 and concluding February 1, 2033, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
February 1, 2024	$25,000	February 1, 2029	$25,000
August 1, 2024	25,000	August 1, 2029	30,000
February 1, 2025	25,000	February 1, 2030	30,000
August 1, 2025	25,000	August 1, 2030	30,000
February 1, 2026	25,000	February 1, 2031	30,000
August 1, 2026	25,000	August 1, 2031	30,000
February 1, 2027	25,000	February 1, 2032	35,000
August 1, 2027	25,000	August 1, 2032	35,000
February 1, 2028	25,000	February 1, 2033	35,000
August 1, 2028	25,000	August 1, 2033 (maturity)	40,000

The Series B-1 Bonds maturing on August 1, 2044 are subject to mandatory redemption in part on each February 1 and August 1, commencing February 1, 2034 and concluding February 1, 2044, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

Date	Principal Amount	Date	Principal Amount
February 1, 2034	$40,000	August 1, 2039	$55,000
August 1, 2034	40,000	February 1, 2040	55,000
February 1, 2035	40,000	August 1, 2040	55,000
August 1, 2035	40,000	February 1, 2041	55,000
February 1, 2036	40,000	August 1, 2041	60,000
August 1, 2036	45,000	February 1, 2042	60,000
February 1, 2037	45,000	August 1, 2042	65,000
August 1, 2037	45,000	February 1, 2043	65,000
February 1, 2038	45,000	August 1, 2043	65,000
August 1, 2038	50,000	February 1, 2044	65,000
February 1, 2039	50,000	August 1, 2044 (maturity)	70,000

Upon optional redemption of Series B-1 Bonds or any purchase and cancellation thereof by the Agency, the principal amount of such Series B-1 Bonds so redeemed or purchased may be credited toward one or more Sinking Fund Installments thereafter to become due on Series B-1 Bonds in the manner specified by the Agency. The portion of any Sinking Fund Installment remaining after the deductions credited to such payments is the unsatisfied balance of such Sinking Fund Installment with respect to the Series B-1 Bonds for the purpose of calculating the payment due on or scheduled for a future date.

Special Redemption at Par

The Series Bonds are subject to special redemption, at the option of the Agency, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with amounts allocable to the Development on deposit in the Debt Service Reserve Fund; (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix E) relating to the Development; and (iii) with respect to the Series B-1 Bonds, in the event the Agency receives a Prepayment relating to the Development upon a determination by HUD that such Prepayment will avoid a mortgage insurance claim and is therefore in the best interests of the federal government. The Agency will apply any such unexpended proceeds, Recovery Payments or Prepayments to the redemption of Series Bonds, as determined by the Agency. If such Recovery Payments or Prepayments are not sufficient to redeem all Outstanding Series Bonds as aforesaid, the Agency reserves the right to apply other funds to the special redemption of the Series Bonds, in addition to the Recovery Payments or Prepayments.

Optional Redemption

The Series B-1 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after August 1, 2023, in such amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium. The Series B-2 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after August 1, 2014, in such amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed other than upon mandatory sinking fund redemption shall be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency and stating the series, principal amount and maturity of the Series Bonds to be redeemed. If less than all Series Bonds of a maturity are to be redeemed, the Series Bonds of such maturity to be redeemed are to be selected in $5,000 principal amounts at random by the Trustee. The Agency shall not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after such redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption shall not affect the validity of any proceedings for the redemption of Series Bonds not affected by such defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from such proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution shall be for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property or leasehold interest of the Mortgagor under a lease with a term at least twice the length of the term of the Bonds which is the site of the Development financed by such Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure such additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, but solely from amounts which would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions are to be based upon the Agency's reasonable expectations as of the date of such determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to such reduction and all similar reductions then in effect, the Agency continues to comply with such covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income which, together with any applicable subsidies, is expected to be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption "Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments" in Appendix E hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of March 31, 2013, that have been financed by Bonds and that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Requirement for the Series B-1 Bonds is $145,767.50, which is equal to the maximum annual debt service payable on Outstanding Series B-1 Bonds in any future fiscal year of the Agency. Upon issuance of the Series B-1 Bonds, cash or Investment Obligations valued at not less than $145,767.50, as calculated under the Bond Resolution, and acquired with Agency funds, not proceeds of the Series Bonds, will be deposited into the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement for the Series B-1 Bonds.

No funds will be credited to the Debt Service Reserve Fund with respect to the Series B-2 Bonds (and the Debt Service Reserve Requirement in respect of the Series B-2 Bonds will be $0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the bridge loan funded by the Series B-2 Bonds will be secured as described under "The Development."

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately $7,328,212 and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on a parity basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The moneys held in or credited to a debt service reserve fund shall be used solely for the payment of principal of bonds of the Agency as the same mature, the purchase of such bonds, the payment of interest thereon or the payment of any premium required when such bonds are redeemed before maturity, provided that the moneys in such fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency shall not issue any additional bonds or notes which are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of such issuance does not equal or exceed the minimum amount required by the resolution creating such fund unless the Agency shall deposit in each such fund at the time of such issuance from the proceeds of the bonds or otherwise an amount which, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

> In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency . . . .

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated,* to appropriate such amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix E – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be on a parity with the Series Bonds and the Outstanding Bonds, and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are loaned by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding which were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program. Recently originated loans have included the acquisition and rehabilitation of existing market rate rental properties, and loans for the preservation of existing Federal subsidies under the Section 8 and Section 236 programs.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)

—Section 236 Interest Reduction Payments New Construction Program

—Market Rate Mortgage Loan Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Apartment Renovation Mortgage Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of March 31, 2013 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of March 31, 2013

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments Program*	88	4,391	$68,678,524	40.234%
Apartment Renovation Mortgage Program	6	177	1,367,759	0.801
Low and Moderate Income Rental Program**	44	3,234	96,181,531	56.345
Market Rate Mortgage Loan Program	6	265	3,224,862	1.889
Section 236 Interest Reduction Payments Program***	7	313	1,247,865	0.731
	151	8,380	$170,700,541	100.00%

*Includes five HUD Risk-Sharing loans for Developments with 450 aggregate units and an aggregate outstanding loan amount of $15,651,051. Also includes one FHA-insured loan for a Development with 31 units and an outstanding loan amount of $61,126. Also includes two loans shown on Appendix A in the aggregate outstanding principal amount of $142,898 which were paid in full after March 31, 2013.

**Includes 17 HUD Risk-Sharing loans for Developments with 1,890 aggregate units and an aggregate outstanding loan amount of $58,208,942. Also includes five FHA-insured loans for Developments with 403 units and an aggregate outstanding loan amount of $4,879,355. Also includes one loan shown on Appendix A in the outstanding principal amount of $4,255,844 which was paid in full on July 31, 2013.

***Includes one FHA-insured loan for a Development with 31 units and an outstanding loan amount of $90,123.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the "LMIR Program") is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project based assistance and Interest Reduction Payments Contracts under Section 236, both of which subsidy programs are described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use its general reserves to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or reserves are loaned by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans financed under the LMIR Program have one or more low or non-interest bearing, non-amortizing subordinate mortgages that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100% of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

The HUD Risk-Sharing Program requires that an interested HFA first be approved as a qualified housing finance agency. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement between the Commissioner of FHA and the HFA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans, and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50% or from 10% to 50% of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. "Level I" approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Substantially all of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses which occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and such default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after such grace period and monthly thereafter, unless waived by HUD, until such default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA's reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the mortgage note and risk-sharing agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6% to 15%, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80% of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration (TCA) Annual Contributions Contracts ("ACC"s) with HUD and Section 8 Housing Assistance Payments Contracts ("HAP Contracts") with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. Some of these Developments received the benefit of a 20-year HAP Contract directly between the owner and HUD. For 74 of these Developments, the original HAP Contracts have expired. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. Such information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See "Certain Recent Developments.")

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of such maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes "the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts." Based on this guidance, HUD does not increase annual contributions contract authority until such time as the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the "Old Regulation HAP Contract"). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate such termination. All of the first mortgage loans with this form of HAP Contract in the Agency's TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency's understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In addition, the Agency's interpretation of the relevant language in the Old Regulation HAP Contract is that the HAP Contract will continue until the last payment under the original Agency Mortgage Loan would have been due.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation of HUD's programs and the transfer of certain administrative responsibilities for HUD programs to state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See "Adjustments in Contract Rents.") It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to "market rents," but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development.

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Such legislation could significantly change HUD's structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any such legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the "overall limitation" provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract shall not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units which are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year's rent levels through the use of comparability studies, and that the "initial difference" referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD's Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) may have their contract rents reduced to "market rents." This Guidebook also provides the opportunity for debt restructuring by HUD's Office of Affordable Housing Preservation in conjunction with the reduction in contract rents.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to such rent adjustments. Future policy changes for rent increases may be impacted by federal budget constraints. For federal fiscal year 2012, HUD has implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. For federal fiscal year 2013, HUD is proposing to expand its cost cutting measures to Old Regulation HAP Contracts as well. These cost cutting measures include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, offering automatic Operating Cost Adjustment rent adjustments for or budget based rent adjustments that are limited to market rents for option 4 multi-year annual renewals, and short funding HAP Contracts. As noted above under "Adjustments in Contract Rents," Congress has passed legislation and HUD has implemented procedures to restrict contract rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 30- or 40-year term. HUD's Section 8 Renewal Policy Guidebook, as amended, and HUD's Handbook 4350.1, Chapter 7 do not allow for the use of initial differences when determining rent adjustments. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. Actions by HUD that limit options for contract renewals and restrict the definition of market rents may result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the Low and Moderate Income Rental Program (LMIR). Under this program, approximately 20% of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent ("FMR") or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded a contract with HUD to perform project-based HAP Contract administration, as a Performance-Based Contract Administrator (PBCA), for a portion of HUD's Section 8 portfolio. Under these contracts, HUD partners with qualified entities through an umbrella ACC for the administration of HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. Due to legal challenges to HUD's competitive bidding process, PBCA contracts were awarded only in states, such as Minnesota, where there was only one bid for the PBCA work. The Agency was awarded a new two-year PBCA contract, which was originally set to expire on September 30, 2013. On June 26, 2013, HUD extended the Agency's ACC for three months, until

December 31, 2013. HUD has indicated its intention to amend and further extend the ACC through December 31, 2015.

Section 236 Interest Reduction Payments Program

Under the Section 236 program, HUD makes monthly interest reduction payments directly to the Agency as mortgage lender on behalf of the Mortgagor. The amount of the monthly HUD payment is calculated as the difference between the monthly payment that would be required for principal, if any, interest (not in excess of the maximum rate approved by HUD for loans insured by FHA as of the date of the agreement plus one half of one percent per annum) and fees and charges (not in excess of one half of one percent per annum of the principal amount of the Mortgage Loan) which the Mortgagor is obligated to pay with respect to the subsidized dwelling units and the monthly payment that would be required for principal, if any, and interest which the Mortgagor would be required to pay with respect to the subsidized dwelling units if the Mortgage were to bear interest at the rate of 1% per annum. The Section 236 program requires that the Mortgagor covenant, among other things, that (1) the Mortgagor will establish basic (subsidized) rents and fair market rents for each subsidized dwelling unit, (2) the rent for each subsidized dwelling unit shall be equal to 30% of the tenant's income or the basic rent, whichever is greater, up to a maximum of the fair market rent, (3) the Mortgagor will limit admission to subsidized dwelling units to families whose incomes do not exceed the federal income limits, and (4) the Mortgagor will remit to HUD monthly the amount by which the total rents collected on all subsidized dwelling units exceed the sum of the approved basic rents for all such units.

Beginning in 1999, the Agency has made loans to new and existing owners of Developments originally financed under the Section 236 program to refinance the original Mortgage Loan and make additional Mortgage Loans for rehabilitation and other project purposes in order to maintain the Developments as subsidized housing. For the Section 236 refinancings, the interest reduction payments are continued after the refinancing in various forms in accordance with the original payment schedule through the scheduled maturity date of the original Mortgage Loan. Since the new Mortgage Loans have had 30-year maturities, the term of the interest reduction payments is less than the term of the new Mortgage Loan. The reduction in project revenue at the end of the term of the Section 236 contract has been taken into account in the underwriting of the new Mortgage Loans. In the one instance where a Section 236 mortgage was refinanced for an existing owner, the loan was financed from Agency resources and not financed or pledged under the Bond Resolution.

For Developments with uninsured first mortgage loans or loans made under the HUD Risk-Sharing Program, the Agency enters into agreements for interest reduction payments among HUD, the Agency and the Mortgagor which provide for administration of the Section 236 program by the Agency and interest reduction payments by HUD. HUD shall terminate payments under the agreement if the Development is acquired by the Agency or any owner not eligible under Section 236(b) of the National Housing Act. HUD shall have discretion to terminate payments at any time under the agreement (1) upon default by the Mortgagor or the Agency under any provision of the agreement; or (2) if any action of foreclosure is instituted by the Agency, unless the Agency (i) gives to HUD in advance written notice of its intention to institute such foreclosure, and (ii) submits to HUD in advance a plan acceptable to HUD providing for continuity of the eligibility of the Development for receiving the benefits of Section 236. If payments are terminated or to be terminated pursuant to the agreement, such payments may be reinstated or continued by HUD at its discretion and on such conditions as it may prescribe. The rights and obligations under the agreement are not assignable by the Agency or by the Mortgagor without prior written approval by HUD; except that, in connection with the issuance of its notes and bonds for the purpose of providing financing under the Development's Mortgage, the Agency may assign or pledge the Development's Mortgage and its rights thereunder as security to its note or bond holders or to a trustee without such prior written approval of HUD.

Apartment Renovation Mortgage Program

The purpose of this Program is to maintain and improve the rental housing in Minnesota that is affordable to low and moderate income households. Developments were financed under this Program from 1987 to 1991 using taxable bond financing, all of which has since been redeemed. The Agency is not presently making any Mortgage Loans pursuant to this Program.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are loaned by the Agency to nonprofit or limited profit sponsors which agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency's Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency's Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing and continuing through the new construction or rehabilitation stages. During the latter stages of construction or rehabilitation, the Asset Management Section works with sponsors and their marketing agents in reviewing marketing plans. The Section's primary responsibility is to assist in the preparation of the management plan and to monitor the implementation of the management plan. The management plan is prepared prior to occupancy of a Development and includes information on the management agent's proposed method of operating the Development. Such information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting budget and energy conservation information.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections*. After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements*. Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

  The Agency generally receives the following financial information related to each Development:

  (i) Monthly Operating Report—due the 15th day of the following month;

  (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;

  (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;

  (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and

  (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions*. The Agency holds training sessions for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Sessions are held for each Development prior to occupancy and periodically thereafter.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of a qualified residential rental property issue, such as the Series Bonds. (See "Tax Exemption and Related Considerations.")

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B.

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained or occurs.

The Bond and Series Resolutions, and loan documentation pertaining to the Developments financed by the Series Bonds, contain provisions (the "Tax Covenants"), including covenants of the Agency and the owner, pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Series Bond for any period during which the Series Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix G.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon such owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds. Interest on the Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

The foregoing is a brief discussion of certain collateral Federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the Series Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Agency will covenant that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing Federal tax requirements with the issuance of the Series Bonds which will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require owners to make certain covenants in the Mortgage Loan documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for Federal income tax purposes. Such Federal tax compliance covenants will be subordinate to the rights of FHA under the Mortgage Loan documents and the enforcement of such covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Agency or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on the Series Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements under the Code

Each series of bonds issued under the Bond Resolution with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("Tax-Exempt Bonds"), including the Series Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code of August 16, 1986, are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The Series Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements and other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20% of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size), or (ii) at least 40% of the completed units in a project to be financed with the proceeds of the Series Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to the Development expected to be financed with the proceeds of the Series Bonds prior to the issuance date of the Series Bonds. In addition, all of the units in the Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50% of the residential units in such project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to such project is outstanding, or (iii) the date upon which any assistance provided with respect to such project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant's income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable Development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140% of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Expenditures for Rehabilitation

The Code requires that the owner of the Development spend a minimum sum of money for rehabilitation expenditures with regard to the Development. The minimum amount of rehabilitation expenditures that must be incurred is equal to 15% of the amount of Series Bond proceeds applied to pay for the cost of acquiring the existing building (including the building fixtures and equipment within, but not including the cost of land). Such minimum amount of rehabilitation expenditures must be incurred no later than 2 years after the later of the date of issuance of the Bonds or the date that the building is acquired by the owner. The Code also requires less than 25% of the net proceeds of the Bonds be used to acquire land.

Certain State Tax Legislation

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky's taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of "so-called 'private-activity,' 'industrial-revenue,' or 'conduit' bonds . . . used to finance projects by private entities" violate the Commerce Clause, adding that "we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally."

Since the Series Bonds are "private activity bonds" and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any such challenge. If Minnesota's treatment of such bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series Bonds to become taxable by Minnesota and the market value of the Series Bonds to decline.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds, or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix G hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP, Minneapolis, Minnesota.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the "Financial Advisor") is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated "Aa1" by Moody's Investors Service, Inc., and "AA+" by Standard & Poor's Ratings Services. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of such rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. There can be no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date hereof, investors should not assume that such ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of such rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix D to this Official Statement), or to contest any such revision or withdrawal.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") will purchase the Series Bonds. The Underwriter is to be paid a fee of $62,787.65 with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By /s/ Mary Tingerthal
Commissioner

August 16, 2013.

APPENDIX A

DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION INCLUDING THOSE INTENDED TO BE FINANCED WITH PROCEEDS OF THE SERIES BONDS

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DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF MARCH 31, 2013

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
ABBEY FIELD	St. Francis	5.23 %	$ 48,070	-	$ 187,990	08/01/13	HAP	01/31/14	42	42
BIRCHWOOD EAST	Virginia	6.75	448,280	-	17,841	05/01/18	HAP	06/01/17	30	60
BLACKDUCK	Blackduck	7.50	208,245	-	222,125	12/01/17	HAP	10/01/16	30	30
BOARDWALK	Wayzata	6.50	784,204	-	236,236	12/01/19	HAP	10/23/18	77	77
BOSSEN PARK APTS	Minneapolis	6.68	2,191,802	-	301,958	02/01/30	LMIR/HRS	N/A	0	110
CAMBER HILL	So. St. Paul	5.23	70,398	-	172,682	09/01/13	HAP	04/30/24	44	44
CANADIAN TERRACE	Minneapolis	7.55	115,902	-	289,599	09/01/16	MR	(A)	19	19
CASCADE	Fergus Falls	0.00	314,434	-	81,484	01/01/19	HAP	05/31/18	36	36
CASCADE	Fergus Falls	0.00	130,179	-	See above	12/01/21	HAP	See above	See above	See above
CEDAR HILLS	Minnetonka	5.23	64,840	-	228,507	10/01/13	HAP	(B)	30	30
CEDAR VILLAS	Eagan	6.00	10,694,344	-	302,872	12/01/44	LMIR/HRS	N/A	0	104
CEDAR VILLAS	Eagan	6.00	356,009	-	See above	01/01/21	LMIR/HRS	See above	See above	See above
CENTENNIAL PLAZA	Le Center	7.50	218,928	-	141,362	12/01/17	HAP	12/10/16	40	40
CLOVERDALE	St. Joseph	7.25	664,082	-	350,888	10/01/21	HAP	03/28/20	36	36
COLONY APTS	North Mankato	6.30	1,259,254	-	133,002	05/01/30	LMIR/HRS	N/A	0	120
COUNTRYSIDE T.H.	Fairmont	6.50	775,073	-	541,907	12/01/19	HAP	09/22/18	71	71
CROSSROADS	New Brighton	5.87	6,445,685	-	599,278	07/01/28	HAP	08/30/19	172	172
DOVER HILL	Golden Valley	6.07	7,838,104	-	813,147	03/01/41	LMIR/HRS/236	12/01/16	196	234
EASTGATE	Montevideo	0.00	685,997	-	102,988	09/01/21	HAP	07/31/20	46	46
ELLIOT PARK APTS	Minneapolis	8.15	58,158	-	130,880	12/01/13	HAP	03/16/33	30	30
ENDION SCHOOL	Duluth	8.15	56,796	-	25,098	11/01/13	HAP	12/20/32	26	26
FAIRVIEW APTS (3)	St. Peter	7.00	64,283	-	9,356	06/01/14	LMIR/HRS/236	06/01/14	48	48
FAIRVIEW APTS	St. Peter	7.55	403,611	-	See above	05/01/30	LMIR/HRS	See above	See above	See above
FIFTEEN HUND PERKINS	Windom	0.00	637,988	-	243,202	03/01/21	HAP	11/27/19	48	48
FONTAINE TOWERS	Rochester	8.15	1,450,444	-	923,915	12/01/15	HAP	06/30/13	151	151
FRANKLIN LANE (3)	Anoka	7.17	738,915	-	230,842	05/01/27	LMIR/FHA/236	05/01/15	66	66
FRANKLIN LANE	Anoka	7.35	132,089	-	See above	05/01/15	LMIR/FHA	See above	See above	See above
FRANKLIN LANE	Anoka	7.35	521,944	-	See above	05/01/27	LMIR	See above	See above	See above
GARDEN COURT	Winnebago	0.00	245,746	-	96,809	01/01/19	HAP	05/01/18	36	36
GENEVA VILLAGE	Oakdale	7.21	3,339,443	-	446,659	01/01/28	LMIR	N/A	0	175
GRAHEK APTS.	Ely	7.25	478,735	-	229,342	11/01/19	HAP	03/30/19	42	42
GREYSOLON PLAZA	Duluth	6.50	5,969,649	-	1,653,545	05/01/47	HAP/HRS	11/25/20	150	150
HEIGHTS MANOR	Columbia Heights	6.50	762,872	-	743,310	12/01/19	HAP	09/22/18	85	85
HERITAGE PRAIRIE	Wabasso	6.50	203,774	-	376,370	01/01/19	HAP	06/15/18	28	28
HICKORY RIDGE	Maple Grove	8.15 %	224,562	-	4,050	03/01/15	HAP	02/27/14	32	32
HILLSIDE HOMES	Spring Valley	2.00	319,446	-	92,379	12/01/21	HAP	12/14/18	37	37
HILLSIDE TERRACE	Long Lake	6.72	1,714,544	-	289,044	08/01/34	LMIR/HRS	01/15/31	44	44
HOLMES GREENWAY	Minneapolis	5.23	114,858	-	230,529	10/01/13	HAP	04/03/23	50	54
HOMESTEAD APTS (3)	Mankato	7.00	172,874	-	70,883	06/01/14	LMIR/HRS/236	06/01/14	120	120
HOMESTEAD APTS	Mankato	7.55	1,141,010	-	See above	05/01/30	LMIR/HRS	See above	See above	See above
HOPKINS VILLAGE (3)	Hopkins	7.12	1,751,295	-	859,595	09/01/24	LMIR/FHA/236	12/31/24	64	161
HOPKINS VILLAGE	Hopkins	5.20	662,522	-	See above	09/01/24	LMIR/FHA	See above	See above	See above
HOPKINS VILLAGE	Hopkins	5.20	267,947	-	See above	09/01/24	LMIR	See above	See above	See above
HUNTERS RIDGE	Minnetonka	6.50	1,646,636	-	662,247	08/01/21	HAP	09/04/20	25	123
INNSBRUCK	Rochester	8.15	86,743	-	157,596	10/01/13	HAP	12/31/17	40	40
JACKSON PLACE	Elk River	5.63	1,017,199	-	68,484	04/01/38	LMIR	N/A	0	32

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF MARCH 31, 2013

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
KENTUCKY LANE	Crystal	7.29	2,432,459	-	144,267	12/01/31	LMIR/HRS	N/A	0	67
KINGSWAY ESTATES	LeSueur	8.15	47,623	-	54,121	10/01/13	HAP	11/07/17	24	24
LAKE CRYSTAL	Lake Crystal	7.25	653,382	-	456,611	03/01/21	HAP	06/12/19	43	43
LANESBORO HTS.	Elk River	8.15	61,248	-	214,758	10/01/13	HAP	10/14/13	30	30
LARSON COMMONS	Cloquet	6.52	2,464,381	-	330,448	06/01/37	HAP/HRS	03/07/20	85	85
LORING TOWERS APARTMENTS (3)	Minneapolis	6.14	6,571,091	-	1,024,599	04/01/35	LMIR/HRS	12/31/32	230	230
LYNDALE GREEN	Minneapolis	6.05	3,353,325	-	176,181	03/01/52	HRS	N/A	0	63
MANITOU RIDGE (3)	White Bear Lake	6.63	3,261,152	-	319,225	03/01/33	LMIR/HRS/236	10/01/14	118	118
MAPLE GROVE ESTATES	Hermantown	8.15	16,375	-	194,343	11/01/13	HAP	11/29/17	48	48
MAPLE RIDGE MANOR	Alexandria	0.00	487,463	-	314,955	11/01/20	HAP	07/31/18	40	40
MAPLE RIDGE MANOR	Alexandria	0.00	460,000	-	See above	12/31/21	AMP	See above	See above	See above
MARSHALL SQUARE APTS	Marshall	6.45	1,471,574	-	144,775	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
MATTHEWS PARK	Minneapolis	0.00	203,231	-	195,545	12/01/17	HAP	09/28/16	24	24
MEDLEY PARK	Golden Valley	8.15	106,441	-	113,325	03/01/14	HAP	12/29/13	30	30
MERIDIAN APTS	Duluth	0.00	391,463	-	567,670	12/01/21	HAP	07/20/18	39	39
MILACA PARK	Milaca	0.00	1,161,508	-	342,675	03/01/22	HAP	11/14/20	71	71
MILL POND VIEW	Pelican Rapids	7.25	932,134	-	715,513	09/01/20	HAP	09/20/19	66	66
MILLIE BENEKE	Glencoe	0.00	289,761	-	172,603	08/01/19	HAP	08/07/18	41	41
MISSION OAKS	Plymouth	8.15	85,413	-	250,480	02/01/14	HAP	12/31/13	26	26
MORGAN PARK	Duluth	8.15	49,886	-	77,882	09/01/13	HAP	09/14/17	24	24
MOWER COUNTY	LeRoy	6.50	360,080	-	929,665	10/01/20	HAP	06/30/19	30	30
MUNGER TERRACE	Duluth	0.00	666,732	-	141,510	12/01/21	HAP	01/24/19	45	45
MUNGER TERRACE	Duluth	0.00	177,516	-	See above	12/01/21	HAP	See above	See above	See above
NEVADA SQUARE	Benson	7.25	581,132	-	259,006	04/01/20	HAP	03/30/19	40	40
NORTH 44 fka TODD 27	Long Prairie	2.00	579,555	-	118,305	12/01/21	HAP	06/25/20	44	44
NORTH MORA	Mora	0.00	459,873	-	119,373	05/01/21	HAP	12/06/19	35	35
NORTH STAR	Roseau	7.25	610,796	-	404,826	02/01/20	HAP	05/14/19	51	51
NORTHWOOD COMMONS	Baudette	0.00	244,826	-	108,897	05/01/19	HAP	12/19/18	32	32
OAKLAND SQUARE	Minneapolis	7.05 %	102,636	-	61,759	07/01/16	HAP	11/30/14	31	31
OAKWOOD HOMES	Karlstad	7.25	183,129	-	36,524	12/01/21	HAP	03/12/20	45	45
OAKWOOD HOMES	Karlstad	0.00	255,282	-	See above	12/01/21	HAP	See above	See above	See above
OKABENA	Worthington	7.25	595,021	-	430,828	07/01/19	HAP	11/30/18	60	60
OTTERKILL GARDEN	Bagley	7.50	215,181	-	112,554	02/01/18	HAP	05/01/17	30	30
PARK HAVEN	Brooklyn Park	8.02	1,594,534	-	858,832	01/01/25	LMIR/FHA/236	06/30/14	123	176
PARK VIEW TERRACE-M	Moorhead	7.50	869,213	-	1,184,655	12/01/17	HAP	05/15/17	120	121
PENNEL PARK APARTMENTS	Duluth	6.20	2,662,575	-	203,116	07/01/35	LMIR/HRS	05/31/24	100	101
PINE RIDGE	Grand Rapids	5.75	703,160	-	639,916	11/01/18	HAP	02/15/18	60	100
PRINCETON	Princeton	7.25	569,172	-	411,561	04/01/20	HAP	04/12/19	48	48
RIVERSIDE MANOR	Dawson	0.00	303,273	-	139,927	09/01/20	HAP	11/30/19	24	24
RIVERTOWN COMMONS	Stillwater	6.15	3,286,188	-	176,525	03/01/38	LMIR/HRS	04/03/20	96	96
RIVERVIEW APTS	Appleton	6.50	315,067	-	328,518	12/01/19	HAP	10/13/18	37	37
RIVERVIEW MANOR	Floodwood	7.25	393,963	-	288,299	01/01/20	HAP	04/13/19	35	35
ROSEMOUNT PLAZA	Rosemount	8.15	115,638	-	224,484	12/01/13	HAP	01/20/14	39	39
ROSEMOUNT TOWNHOUSES	Rosemount	1.00	413,878	-	62,218	10/01/21	LMIR	01/31/28	28	28
ROSEVILLE SENIORS	Roseville	6.50	1,092,536	-	814,283	02/01/19	HAP	09/21/18	127	127
SOUTHVIEW TERRACE	Hibbing	2.00	1,035,048	-	182,992	12/01/21	HAP	08/01/17	43	145
STONE CREEK TH fka ROCK MANOR	Luverne	8.15 %	114,346	-	38,407	02/01/14	HAP	10/26/17	24	24

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF MARCH 31, 2013

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
SUNRISE ESTATES	Jackson	0.00	97,719	-	201,659	12/01/14	HAP	12/11/13	40	40
SUNRISE ESTATES	Jackson	0.00	550,000	-	See above	01/01/22	AMP	See above	See above	See above
THE CROSSROADS fka SOUTH PARK MANOR	Dodge Center	0.00	603,794	-	68,824	05/01/22	HAP	09/12/20	37	37
THE CROSSROADS fka SOUTH PARK MANOR	Dodge Center	0.00	260,000	-	See above	05/01/22	AMP	See above	See above	See above
THIRTYONE HUND FOURTH AVENUE	Minneapolis	7.50	82,490	-	20,491	01/01/24	LMIR	N/A	0	10
TOWN SQUARE	East Grand Forks	2.00	1,356,124	-	366,475	12/01/21	HAP	10/08/19	81	81
VADNAIS HIGHLANDS	Vadnais Heights	6.60	1,570,447	-	218,895	03/01/34	LMIR/HRS/HAP	07/31/23	35	35
VALLEY VIEW MANOR	Ada	6.50	295,145	-	574,818	04/01/19	HAP	06/28/18	40	40
VALLEYVIEW COMMONS	Mahnomen	0.00	240,095	-	166,606	04/01/19	HAP	10/13/18	32	32
WARROAD	Warroad	0.00	466,238	-	16,262	12/01/21	HAP	12/17/20	30	30
WAYBURY APARTMENTS	Chaska	6.35	4,331,766	-	562,946	08/01/37	LMIR/HRS	10/01/13	114	114
WESTGATE	Gaylord	6.50	223,809	-	89,008	03/01/19	HAP	07/01/18	31	31
WESTGATE-HIBBING	Hibbing	7.50	646,255	-	804	12/01/17	HAP	11/24/16	30	100
WESTGATE-HIBBING	Hibbing	0.00	1,036,427	-	See above	12/1/2017	HAP	11/24/16	See above	See above
WESTGATE-NEW PRAGUE	New Prague	7.05	55,462	-	175,849	08/01/13	HAP	07/14/16	37	37
WHISPERING PINES	Caledonia	0.00	333,003	-	92,330	09/01/19	HAP	12/14/18	37	37
WHITTIER COMMUNITY HOUSING	Minneapolis	0.00	494,533	-	58,363	12/01/21	HAP	09/14/30	45	45
WHITTIER COMMUNITY HOUSING	Minneapolis	0.00	944,000	-	See above	12/01/21	AMP	See above	See above	See above
WOODCREST MANOR	Mora	1.00	580,506	-	74,254	08/01/21	HAP	03/07/20	42	42
WOODLAND PARK APTS (3)	St. Cloud	7.29	1,203,786	-	135,859	12/01/31	LMIR/HRS/236	05/31/15	34	86
YORKDALE	Edina	5.00	4,175,000	-	365,542	06/01/48	HAP/HRS	01/07/19	90	90
YORKDALE	Edina	0.75	4,790,000	-	See above	07/01/14	BRIDGE	See above	See above	See above
Subtotal			$ 124,834,772	$ -	$ 29,543,942				5,122	6,389

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF MARCH 31, 2013

MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

Development Name	Location	Mortgage Loan Interest Rate	Outstanding Mortgage Loan Balance (1)	Undisbursed Mortgage Amount	Development Reserves (2)	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
116,118,120 S HOLMES	Shakopee	9.50 %	$ 64,780	$ -	$ 6,914	03/01/19	ARM	N/A	0	7
380-400 W LARPENTEUR	St. Paul	9.75	256,862	-	126,474	11/01/21	ARM	N/A	0	34
924 WASHINGTON	Bemidji	9.50	32,234	-	540	08/01/19	ARM	N/A	0	8
CAPITOL CITY	St. Paul	5.15	1,199,714	-	123,745	11/01/37	LMIR	N/A	0	69
CARRIAGE HOUSE	Moorhead	6.50	550,365	-	51,661	07/01/21	MR	N/A	0	36
CEDARVIEW COMMONS	North St. Paul	5.18	4,747,899	-	470,415	11/01/25	LMIR	N/A	0	204
CHESTER TERRACE	Duluth	5.00	268,987	-	199,957	03/01/19	ARM	N/A	0	42
CITY FLATS	Shakopee	5.86	458,174	-	117,620	06/01/37	LMIR	N/A	0	27
CLIFTON	Shakopee	7.25	126,523	-	119,169	03/01/21	HAP	11/19/19	56	56
CORNERSTONE VILLAGE	St. Michael	5.63	2,059,560	-	104,203	10/01/28	LMIR	N/A	0	42
DELANCEY & SELBY STONE APTS. Fka 700-716	St. Paul	5.50	120,235	-	125,993	11/01/18	ARM	N/A	0	38
DELTON MANOR (3)	Bemidji	6.75	231,640	-	156,960	12/01/16	236	08/01/15	27	60
EAST VILLAGE NORTH	Minneapolis	7.00	2,144,373	-	0	01/01/21	LMIR	N/A	0	70
GEORGETOWNE HOMES	Shakopee	6.50	4,083,475	-	218,508	08/01/31	LMIR	N/A	0	100
HIDDEN PONDS (5)	Shakopee	6.50	4,255,844	-	712,495	11/01/32	LMIR	N/A	0	29
HYLANDS	Rochester	7.25	2,022,481	-	376,600	11/01/21	HAP	06/02/20	100	100
LIBERTY PLAZA	St. Paul	6.50	4,599,174	-	1,079,035	02/01/34	LMIR/HRS	09/30/14	78	173
MESABA VILLAS (3)	Duluth	6.75	149,058	-	328,126	12/01/16	236	12/01/16	27	27
MILWAUKEE AVE (3)	Minneapolis	6.75	65,433	-	149,350	12/01/16	236	06/01/15	12	12
MORNINGSIDE TH	St. Joseph	5.74	836,810	-	48,662	07/01/36	LMIR	N/A	0	32
NORTH RIDGE ESTATES	No. Mankato	7.50	570,721	-	49,714	07/01/22	MR	N/A	0	30
NORTHWOOD APTS. (3)	Glencoe	6.75	168,588	-	1,899	12/01/16	236	06/01/15	31	39
OAK GLEN OF EDINA	Edina	5.75	5,259,681	-	132,611	11/01/32	LMIR	06/30/13	26	64
PARK PLAZA St. fka 830 13th STREET	St. Cloud	8.50	624,660	-	20,185	02/01/21	ARM	N/A	0	48
PASSAGES (4)	Minneapolis	5.00	195,818	-	139,395	09/01/21	MR	N/A	0	17
SIBLEY COVE	Maplewood	5.72	4,074,931	-	215,766	08/01/34	LMIR	N/A	0	81
SLATER SQUARE	Minneapolis	5.00	1,100,312	-	273,653	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.00	691,744	-	See above	11/01/36	MR	See above	See above	See above
THREE LINKS (3)	Northfield	6.75	283,608	-	104,161	12/01/16	236	08/01/15	80	84
UNION SQUARE	Detroit Lakes	3.50	18,758	-	79,628	01/01/14	LMIR	N/A	0	24
VIKING TERRACE (3)	Worthington	6.75	259,416	-	136,415	12/01/16	236	08/01/15	40	60
VIRGINIA ROTARY (3)	Virginia	7.25	90,123	-	57,151	11/01/15	LMIR/FHA/236	06/30/14	20	31
WASHINGTON CROSSING	Winona	5.75	1,620,766	-	147,986	01/01/36	LMIR/HRS	N/A	0	62
WATERFORD	Oakdale	7.09	61,126	-	47,336	10/01/13	HAP/FHA	04/30/14	31	31
WESTVIEW APARTMENTS	Forest Lake	6.50	2,560,984	-	356,844	06/01/33	LMIR	10/28/14	32	64
WOODFIELD APARTMENTS	Lexington	3.50	10,913	-	131,355	04/01/14	LMIR	N/A	0	27
Subtotal			$ 45,865,770	$ -	$ 6,410,526				560	1,991
Total			$ 170,700,542	$ -	$ 35,954,468				5,663	8,380

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS INTENDED TO BE FINANCED WITH PROCEEDS FROM THE RENTAL HOUSING BONDS 2013 SERIES B-1 AND B-2

Development Name	Location	Estimated Mortgage Rate	Estimated Mortgage Amount	Estimated Development Reserves	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
The Square on 31st	Rochester	5.75%	$2,037,860		7/1/2044	LMIR/HUD Risk Share	11/17/2013	95	104
		1.75%	$1,224,839	-	1/1/2015	LMIR/ Bridge Loan			

Notes:

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(1) All loans can be prepaid subject to Agency approval.

(2) Amounts listed under the heading "reserves" are pledged by the project owner under the project regulatory agreement. The reserve can be applied for project purposes under the regulatory agreement, and are paid to the owner when the mortgage loan is paid or prepaid in full. The reserves are not pledged as security under the Bond Resolution. The real estate tax and insurance reserves are excluded.

(3) Refinancings of existing 236 projects: The original interest reduction payments have not been increased to cover the additional debt service and are for less than the maximum term of the mortgage.

(4) This loan was originated under the Market Rate program. After a November 2007 loan modification and assumption, however, the development became permanent supportive housing.

(5) This loan paid off on July 31, 2013.

(A) Initial 20 year Section 8 contracts expired, contracts renewed in one to five year increments.

(B) The original Section 8 contract for this development had expired and was in the process of renewal. It has subsequently been renewed to 2/23/2033.

***Program Type Legend**

236 = Section 236 Interest Reduction Payment Program
AMP = Asset Management Program
ARM = Apartment Renovation Mortgage Program
FHA = FHA Insured
HAP = Section 8 Housing Assistance Payment Program (Uninsured Developments)
HRS = FHA Risk Share Insurance
LMIR = Low And Moderate Income Rental Program
MR = Market Rate Loan Program

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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MINNESOTA HOUSING FINANCE AGENCY
Annual Financial Report as of and for the year ended June 30, 2012

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MINNESOTA HOUSING FINANCE AGENCY
Commissioner's Report

At Minnesota Housing, we are pleased to have completed another year with strong financial and programmatic results.

As housing and financial markets begin a slow recovery nationally, conditions in Minnesota are slightly ahead of the national average with unemployment at 5.6% (compared to 8.2% nationally) and with average home prices increasing 14.3% since February of 2012. The median home sales price increased 14 percent from $157,500 in July 2011 to $179,950 in July 2012. Foreclosure sales are down 19% in Minnesota from an annual peak of 26,251 in 2008 to 21,298 this year. In this marketplace environment, Minnesota Housing has capitalized on improving conditions to improve both its product offerings and its financial condition:

- With the conclusion of the U.S. Treasury Department's New Issue Bond Program at the end of 2011, Minnesota Housing has taken numerous steps to continue its single family mortgage lending programs. The Agency continues to use several mortgage-backed securities executions to access capital at rates that are attractive for borrowers. The Agency completed a highly successful tax-exempt bond refunding transaction early in the year. This was followed by a tax-exempt bond offering that featured an innovative monthly GNMA pass-through structure that was extremely well received in the marketplace. The Agency is also participating in a new risk-share program with Fannie Mae that is available in only a few states. By the end of 2012, the Minnesota Housing will also be positioned to sell securities directly in the GMNA TBA market.

- By increasing its options for accessing capital markets, Minnesota Housing has both simplified and improved its single family mortgage lending products. Beginning in the fourth quarter of 2012, Minnesota Housing will offer loans not only for its traditional first-time homebuyer customers, but will also offer loans for low and moderate income homeowners who need to refinance or purchase homes. Minnesota Housing will also expand its closing cost assistance programs by offering an amortizing closing cost loan for the first time. The Agency has also simplified its home improvement loan products, introducing them to the market in June of this year.

- Mortgage loan delinquency and foreclosure rates have continued to improve for the Minnesota Housing portfolio. The Agency saw improving delinquency rates during the fiscal year, declining from 5.70% for 60+ days in June of 2011 to 5.63% in June of this year. Real Estate Owned (REO) also declined from 186 properties to 135 properties during that same period. As a result of these trends, the Agency's allowance for loan loss has decreased by more than $2 million since last year.

- With economic conditions improving in Minnesota, the state legislature passed a $500 million capital investment bill in early 2012, which included two allocations of funding for Minnesota Housing. Minnesota Housing received authorization for an additional $30 million to be used primarily for multifamily rental developments that are focused on preservation of existing federally-subsidized properties, supportive housing for households that have experienced homelessness or redevelopment of foreclosed properties. The Agency will also administer a $5.5 million program for the renovation of existing public housing properties that will be funded with the proceeds of state general obligation bonds. With these resources, Minnesota Housing projects that it will help with development or rehabilitation of nearly 1,000 units of housing that would not otherwise have received complete funding packages this year.

During the fiscal year, Minnesota Housing achieved the following programmatic results:

- Purchased 2,263 new home mortgages for first time homebuyers, of which 23.4% were to emerging market households.

- Closed 58 loans and grants on 44 multifamily properties totaling nearly $50 million and providing affordable housing to 1,525 households (units), 157 of which were designated to serve long-term homeless households.

- Continued a strong commitment to foreclosure prevention, winning an allocation of nearly $1.2 million in counseling resources under the National Foreclosure Mitigation Counseling program that will serve an estimated 3,600 households. Historically, 60% of families receiving foreclosure counseling in Minnesota have avoided foreclosure, with 89% of those households able to remain in their home.

- Opened the doors to nearly 300 units of supportive housing for families and individuals who experienced long term homelessnes.

Minnesota Housing took other important steps during the year to set our course for the future:

- Adopted a new Strategic Plan for 2013 – 2015 that articulates the Agency's strategic priorities and strategies to address those priorities. The strategic priorities are:
    - To promote and support successful homeownership
    - To preserve federally subsidized rental housing
    - To address specific and critical needs in rental housing
    - To prevent and end homelessness
    - To prevent foreclosures and support community recovery
- Adopted a set of work force recruitment, development and retention practices to attract and retain an outstanding workforce.
- Adopted a roadmap for technology development that will guide significant investment in the Agency's business processes and the technology to support them over the next 2 to 3 years.

We are proud that Minnesota Housing is an organization that is driven by both our mission and our strategies. We are committed to building and maintaining the elements that have sustained our work for more than 40 years – our people, our partners, our community support and our financial strength.

Mary Tingerthal, Commissioner

Minnesota Housing
August 29, 2012

Independent Auditors' Report

Members of the Board of Directors
Minnesota Housing Finance Agency
St. Paul, Minnesota

We have audited the accompanying financial statements of the business-type activities and each major fund (General Reserve, Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance, Multifamily Housing, State Appropriated, and Federal Appropriated) of the Minnesota Housing Finance Agency (the Agency), a component unit of the State of Minnesota, as of and for the year ended June 30, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Agency's 2011 financial statements and, in our report dated August 24, 2011, we expressed unqualified opinions on the respective financial statements of the business-type activities and each major fund.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund (General Reserve, Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance, Multifamily Housing, State Appropriated, and Federal Appropriated) of the Agency, as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 29, 2012

MINNESOTA HOUSING FINANCE AGENCY
Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations is not audited. However, it is supplementary information required by accounting principles generally accepted in the United States of America. This discussion should be read in conjunction with the financial statements and notes thereto.

Introduction

The Minnesota Housing Finance Agency (Minnesota Housing or the Agency) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. Minnesota Housing is a component unit of the State of Minnesota and receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified state-defined programs and to pay debt service and related expenses on state appropriation-backed nonprofit housing bonds. Minnesota Housing also receives funds appropriated by the federal government for similar program purposes. The Agency's mission is to finance and advance affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster strong communities.

Minnesota Housing is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

Minnesota Housing operates three program divisions — Multifamily, Single Family and Community Development — which offer housing programs with funding from the sale of tax-exempt and taxable bonds, state and federal appropriations, the Housing Trust Fund and the Alternative Loan Fund. The federal Low Income Housing Tax Credit is another resource the Agency allocates. The members of Minnesota Housing (the Board) consist of six public members appointed by the Governor with the advice and consent of the state senate and the State Auditor as an ex-officio member.

Discussion of Financial Statements

The Financial Section of this report consists of three parts: the independent auditors' report, management's discussion and analysis (this section), and the basic financial statements. The basic financial statements are prepared on an accrual basis and presented on an Agency-wide basis and by fund.

- Agency-wide financial statements provide information about Minnesota Housing's overall financial position and results of operations. These statements consist of the Statement of Net Assets and the Statement of Activities. Significant interfund transactions have been eliminated within the Agency-wide statements. Assets and revenues of the separate funds that comprise the Agency-wide financial statements are generally restricted as to use and the reader should not assume they may be used for every corporate purpose.
- The fund financial statements provide information about the financial position and results of operations for Minnesota Housing's eight proprietary funds.
- The financial statements also include "Notes to Financial Statements" which provide more detailed explanations of certain information contained in the Agency-wide and fund financial statements.

Supplementary Information is presented following the Notes to Financial Statements for certain funds of Minnesota Housing, which have been established under the bond resolutions under which Minnesota Housing issues bonds and other debt for its programs. These funds consist of General Reserve and the bond funds, which are Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing.

The basic financial statements also include comparative totals as of and for the year ended June 30, 2011. Although not required, these comparative totals are intended to facilitate an understanding of Minnesota Housing's financial position and results of operations for fiscal year 2012 in comparison to the prior fiscal year.

Discussion of Individual Funds

General Reserve

The purposes of General Reserve are to maintain sufficient liquidity for Minnesota Housing operations, to hold escrowed funds and to maintain the Housing Endowment Fund (also referred to as Pool 1). The costs of administering Minnesota Housing programs are captured on the Statement of Revenues and Expenses for General Reserve. The fees earned are generally related to the administration of the federal Low Income Housing Tax Credit program, administration of the federal Housing Assistance Payment program, and contract administration of the Section 8 program for developments not financed by Minnesota Housing.

Rental Housing

The majority of the developments with a first mortgage loan presently held in Rental Housing receive Section 8 payments under contracts that are for substantially the same length of time as the mortgage loans.

Inherent risks remain in these portfolios, especially for multifamily developments without project-based tenant subsidies. Maintaining asset quality is a high priority for Minnesota Housing; therefore, this portfolio receives a significant amount of oversight.

All of Minnesota Housing's bond-financed multifamily loans, except one loan financed under Multifamily Housing, are financed in Rental Housing as of June 30, 2012. Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Residential Housing Finance

Included within Residential Housing Finance are the bonds issued and outstanding under the Residential Housing Finance bond resolution, the limited obligation notes issued under separate resolutions, and the restricted by covenant Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), the Housing Affordability Fund (Pool 3) and limited obligation note accounts.

Bonds have been issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, certain entry cost housing assistance loans, and subordinated home improvement mortgage loans. The majority of the single family loans financed by these bond issues are insured by private mortgage insurance or the Federal Housing Administration (FHA), or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). While mortgage insurance and guarantees help mitigate the risk of loss to the Agency, inherent risks remain including the impact of declining home values on default recoveries and the risk of deterioration to the credit worthiness of insurers. The Agency's collection experience among mortgage insurers has been generally favorable.

This bond resolution was the principal source of financing for bond-financed homeownership programs from fiscal year 2002 until fiscal year 2010 (see Homeownership Finance, below). Minnesota Housing may also issue bonds for its home improvement loan program under this bond resolution although no bonds were issued to support home improvement lending during fiscal year 2012.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2012 this fund provided capital for several Agency programs including its home improvement loan program and its multifamily first-mortgage loan program, for warehousing purchases of mortgage-backed securities secured by single family first mortgage loans, for tax credit bridge loans, loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, loans to facilitate transfers of ownership of manufactured home parks to resident owners, contributions for limited obligation note expenses and bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans, loans at

Discussion of Individual Funds (continued)

interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2012 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, and deferred, subordinated multifamily loans.

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Single Family

This fund was the principal source of financing for Minnesota Housing's bond-financed homeownership programs until fiscal year 2002 when Minnesota Housing began using the more flexible Residential Housing Finance fund as its principal source of financing for these programs. To take advantage of favorable refunding opportunities, all outstanding bonds in the Single Family resolution were defeased on April 26, 2012. By June 30, 2012 all remaining Single Family assets and liabilities were transferred to the Residential Housing Finance fund.

Homeownership Finance

This bond resolution was adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program (NIBP), although non-NIBP mortgage revenue bonds may be issued under this resolution if they meet resolution requirements. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association. Mortgage-backed securities were funded for the first time by bonds issued under this resolution during fiscal year 2011. The Agency used its remaining NIBP authority to issue bonds during fiscal year 2012. Further issuance by the Agency under the NIBP cannot take place unless the United States Treasury extends the program.

Funds in excess of bond resolution requirements may be withdrawn and used to redeem any Agency bonds, to fund housing programs and for Agency operations.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds were issued for a rental housing project. The mortgage loan closed during fiscal 2011 and was funded during fiscal year 2012.

State and Federal Appropriated Funds

The appropriated funds are maintained by Minnesota Housing for the purpose of receiving and disbursing monies appropriated by the state and federal government for housing. All of the appropriated funds' net assets are restricted by law for specified uses set forth in the state appropriations or federal contracts and are not pledged or available to secure the bondholders or creditors of Minnesota Housing.

The State Appropriated fund was established to account for funds received from the state legislature, which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of low-interest loans, no-interest deferred loans, low-interest amortizing loans, debt service and other costs associated with appropriation-backed bonds, and other housing-related program costs.

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families and multifamily housing developments in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs.

General Overview

Minnesota Housing financial statements are presented in two formats: agency-wide and by fund. Funds include Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing (collectively the bond funds); State and Federal Appropriated (collectively the appropriated funds) and General Reserve. Agency-wide financial statements are provided to display a comprehensive view of all Minnesota Housing funds as required by accounting principles generally accepted in the United States of America applicable to governmental entities under accounting standards promulgated from time to time by the Governmental Accounting Standards Board. Agency-wide financial statements reflect totals of similar accounts for various funds. However, substantially all of the funds in these accounts are restricted as to use by Agency covenants or legislation as further described below.

Assets and revenues of the bond funds are restricted to uses specifically set forth in the respective bond resolutions and are pledged for the primary benefit of the respective bondholders and swap counterparties. General Reserve is created under the Minnesota Housing bond resolutions as part of the pledge of the general obligation of Minnesota Housing. Minnesota Housing covenants in the bond resolutions that it will use the assets in General Reserve only for administration and financing of programs in accordance with the policy and purpose of the Minnesota Housing enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose.

Minnesota Housing has no taxing power and neither the State of Minnesota nor any political subdivision thereof is legally obligated to pay the principal of or interest on bonds or other obligations issued by Minnesota Housing. The state has pledged to and agreed with bondholders that it will not limit or alter the rights vested in Minnesota Housing to fulfill the terms of any agreements made with bondholders or in any way impair the rights and remedies of the bondholders.

Public funds directly appropriated to Minnesota Housing by the State of Minnesota or made available to Minnesota Housing from the federal government are restricted by law to specified uses set forth in the state appropriations or federal contracts. Assets and revenues of State Appropriated and Federal Appropriated funds are not pledged or available to secure bonds or other obligations of Minnesota Housing or its general obligation pledge in respect thereof.

In addition to its audited annual financial statements, Minnesota Housing has published unaudited quarterly disclosure reports for Single Family, Residential Housing Finance, and Homeownership Finance bond resolutions and unaudited semiannual disclosure reports for the Rental Housing bond resolution. The Single Family disclosure report of March 31, 2012 is the final report since those bonds were defeased in April, 2012. Recent disclosure reports can be found in the "Investors" section on Minnesota Housing's web site at www.mnhousing.gov.

Condensed Financial Information

Selected Elements from Statement of Net Assets (in $000s)

		Agency-wide Total		
		As of June 30, 2012	As of June 30, 2011	Change
Assets	Cash and Investments	$1,317,483	$1,449,604	$(132,121)
	Loans receivable, Net	1,845,098	2,065,339	(220,241)
	Interest Receivable	16,296	17,601	(1,305)
	Total Assets	3,260,458	3,614,326	(353,868)
Liabilities	Bonds Payable	2,170,089	2,555,414	(385,325)
	Interest Payable	42,987	46,799	(3,812)
	Accounts Payable and Other Liabilities	12,503	17,062	(4,559)
	Funds Held for Others	76,887	96,996	(20,109)
	Total Liabilities	2,347,578	2,750,720	(403,142)
Net Assets	Restricted by Bond Resolution	331,630	281,199	50,431
	Restricted by Covenant	468,735	469,496	(761)
	Restricted by Law	110,578	111,466	(888)
	Total Net Assets	912,880	863,606	49,274

Selected Elements From Statement of Revenues, Expenses, and Changes in Net Assets (in $000s)

		Agency-wide Total		
		Fiscal 2012	Fiscal 2011	Change
Revenues	Interest Earned	$151,289	$151,328	$ (39)
	Appropriations Received	243,882	303,615	(59,733)
	Fees and Reimbursements	13,712	18,855	(5,143)
	Total Revenues (1)	470,311	491,613	(21,302)
Expenses	Interest Expense	99,320	97,189	2,131
	Appropriations Disbursed	230,921	286,572	(55,651)
	Fees and Reimbursements	5,855	6,203	(348)
	Payroll, General & Admin.	26,621	32,753	(6,132)
	Loan Loss/Value Adjustments	38,535	71,089	(32,554)
	Total Expenses (1)	421,037	513,055	(92,018)
	Revenues over (under) Expenses	49,274	(21,442)	70,716
	Beginning Net Assets	863,606	885,048	(21,442)
	Ending Net Assets	912,880	863,606	49,274

(1) Agency-wide totals include interfund amounts

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
As of June 30, 2012							
Excluding Pool 3	Pool 3	Total	As of June 30, 2011	Change	As of June 30, 2012	As of June 30, 2011	Change
$1,203,559	$31,561	$1,235,120	$1,353,655	$(118,535)	$ 82,363	$ 95,949	$(13,586)
1,782,556	28,572	1,811,128	2,030,451	(219,323)	33,970	34,888	(918)
15,851	212	16,063	17,365	(1,302)	233	236	(3)
3,082,933	60,346	3,143,279	3,481,623	(338,344)	117,179	132,703	(15,524)
2,170,089	-	2,170,089	2,555,414	(385,325)	-	-	-
42,987	-	42,987	46,799	(3,812)	-	-	-
9,759	74	9,833	15,019	(5,186)	2,670	2,043	627
73,562	-	73,562	78,206	(4,644)	3,325	18,790	(15,465)
2,358,835	(17,858)	2,340,977	2,729,483	(388,233)	6,601	21,237	(14,636)
331,630	-	331,630	281,199	50,431	-	-	-
390,531	78,204	468,735	469,496	(761)	-	-	-
-	-	-	-	-	110,578	111,466	(888)
724,098	78,204	802,302	752,140	50,162	110,578	111,466	(888)

Combined General Reserve and Bond Funds					Combined State and Federal Appropriations Funds		
Fiscal 2012							
Excluding Pool 3	Pool 3	Total	Fiscal 2011	Change	Fiscal 2012	Fiscal 2011	Change
$148,861	$ 1,146	$150,007	$149,462	$ 545	$ 1,282	$ 1,866	$ (584)
-	-	-	-	-	243,882	303,615	(59,733)
13,916	(936)	12,980	14,209	(1,229)	732	4,646	(3,914)
220,650	2,195	222,845	180,821	42,024	247,466	310,792	(63,326)
99,320	-	99,320	97,189	2,131	-	-	-
-	-	-	-	-	230,921	286,572	(55,651)
23,701	1,069	24,770	24,192	578	68	64	4
22,777	2,217	24,994	27,214	(2,220)	1,627	5,539	(3,912)
17,392	6,207	23,599	36,814	(13,215)	14,936	34,275	(19,339)
163,190	9,493	172,683	185,409	(12,726)	248,354	327,646	(79,292)
57,460	(7,298)	50,162	(4,588)	54,750	(888)	(16,854)	15,966
683,638	68,502	752,140	756,728	(4,588)	111,466	128,320	(16,854)
724,098	78,204	802,302	752,140	50,162	110,578	111,466	(888)

FINANCIAL HIGHLIGHTS

The following financial highlights section refers to the General Reserve and bond funds. The reader is encouraged to review the Fund Financial Statements included as supplementary information in this 2012 Financial Report.

General Reserve and Bond Funds — Statement of Net Assets

Loans receivable, investments, cash and cash equivalents, deferred loss on interest rate swap agreements, real estate owned, and interest receivable comprise the majority of assets in the General Reserve and bond funds. Equipment, fixtures, furniture, capitalized software costs, and other assets continue to be insignificant in relation to the total General Reserve and bond fund assets.

Loans receivable, net is the largest single category of bond fund assets. Loans are limited to housing-related lending for low- and moderate-income individuals and families and multifamily housing developments. Loans receivable, net decreased 11% to $1,811.1 million at June 30, 2012 as a result of repayments, prepayments, and loss reserves net of new loan purchases and originations. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, continue to be the dominant loan product offered by Minnesota Housing. In the last half of 2009, the Agency changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans. The reduction in loans receivable during fiscal year 2012 was attributable to the runoff of the homeownership loan portfolio. The reserve for loan loss for the homeownership loan portfolio increased due to an increase in the estimated loss per delinquent loan. Minnesota Housing also has amortizing home improvement and rental rehabilitation loans which are no-interest, low-interest, and market-rate loans generally secured with second or subordinate mortgages. The reserve for loan loss for the home improvement loan portfolio decreased due to runoff in the portfolio (as displayed in the following Home Improvement Loan Portfolio Delinquency table). Amortizing multifamily loans at fixed interest rates, secured by first mortgages (referred to as the multifamily portfolio) exhibited little change in delinquency rate and the aggregate loan receivable balance. The reserve for loan loss methodology for the multifamily portfolio was changed during fiscal year 2012. The new methodology more accurately reflects financial risk and responds to economic and market changes that alter the Agency's risk from these loans. This replaced the establishment of reserves at a certain predetermined fixed rate by multifamily loan type. The effect of implementing this change as of June 30, 2012 was to reduce the reserve by $12.756 million from the amount it would have been if the reserve had been calculated under the old methodology. Minnesota Housing's primary loan programs offer fixed interest rate financing and therefore differ from the high risk characteristics associated with some adjustable payment loan products.

Homeownership Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2012		June 30, 2011	
Current and less than 60 days past due	13,455	91.93%	15,299	92.00%
60-89 days past due	280	1.91%	310	1.90%
90-119 days past due	140	0.96%	149	0.90%
120+ days past due and foreclosures (1)	761	5.20%	862	5.20%
Total count	14,636		16,620	
Total past due (1)	1,181	8.07%	1,321	7.95%

(1) In addition to loans customarily included in foreclosure statistics, "foreclosures" include homeownership loans for which the sheriff's sale has been held and the redemption period (generally six months) has not yet elapsed. This causes the delinquency rates in the table not to be directly comparable to delinquency rates reported by the Mortgage Bankers Association of America.

General Reserve and Bond Funds — Statement of Net Assets (continued)

Home Improvement Loan Portfolio Delinquency
Actual Loan Count

	June 30, 2012		June 30, 2011	
Current and less than 60 days past due	7,701	96.96%	8,798	97.14%
60-89 days past due	83	1.05%	57	0.63%
90-119 days past due	45	0.57%	38	0.42%
120+ days past due	113	1.42%	164	1.81%
Total count	7,942		9,057	
Total past due	241	3.03%	259	2.86%

The 60+ day delinquency rate as of June 30, 2012 for the entire Minnesota Housing homeownership loan portfolio, excluding those loans not customarily included in foreclosure statistics, exceed by approximately four percentage points the delinquency rates of similar loan data available as of March 31, 2012 from the Mortgage Bankers Association of America for loans in Minnesota (as adjusted to reflect the proportions of insurance types in the Agency's loan portfolio).

Due to the unique program characteristics of the Minnesota home improvement loan portfolio, the Agency has determined that comparable delinquency data from other available sources is not directly comparable. The table above excludes inactive home improvement loans defined as delinquent loans for which the Agency has a valid lien but active collection efforts have been curtailed.

FHA/VA insurance claims, net consist of non-performing homeownership loans that are FHA insured or VA guaranteed. These loans are reclassified as claims receivable at the time the Agency files a claim. FHA/VA insurance claims, net increased 20% to $9.321 million at June 30, 2012 as a result of an increase in the amount of loans with outstanding claims.

Real estate owned, net consists of properties acquired upon foreclosure of homeownership loans. Real estate owned decreased 37% to $15.566 million at June 30, 2012 as a result of a decreased amount of foreclosure properties held within the homeownership portfolio on June 30, 2012.

While the delinquency rates and foreclosures in the Agency's loan portfolio remained above historical norms during fiscal year 2012, the combined net total of FHA/VA insurance claims and real estate owned remains immaterial compared to total loans receivable at June 30, 2012, being less than 1.35% of total net loans receivable. Management believes that reserves for loan losses are adequate based on the current assessment of asset quality.

There are no loans in General Reserve.

Investments, cash, and cash equivalents are the next largest categories of assets and are carefully managed to provide adequate resources for future debt service requirements and liquidity needs. The combined investments, cash, and cash equivalents decreased 9% to $1,235.1 million at June 30, 2012. The decrease is principally a result of two items. First, loans receivable decreased $219.3 million during fiscal year 2012 which resulted in an increase in cash and investments. Second, that increase was reduced by the cash and investments required to pay down bonds payable by a net $385.3 million. Certain mortgage-backed securities are pledged as security for the payment of certain Agency bonds and are held in an acquisition account. Mortgage-backed securities with these two characteristics are classified on the statement of net assets as "Investments- program mortgage-backed securities." All other mortgage-backed securities, including those held in anticipation of the Agency issuing mortgage revenue bonds (warehoused mortgage-backed securities), are classified as "Investment securities- other."

Interest receivable on loans and investments is a function of the timing of interest payments and the general level of interest rates. Combined loan and investment interest receivable decreased 7% to $16.063

General Reserve and Bond Funds — Statement of Net Assets (continued)

million at June 30, 2012. The decrease is mainly a result of a decrease in interest receivable on loans due to a decrease in bonds payable, net during fiscal year 2012.

While there is no debt issued in General Reserve, there is a significant liability for funds held for others. These funds are routinely collected and held in escrow on behalf of multifamily borrowers pursuant to loan documents and are used for future periodic payments of real property taxes, casualty insurance premiums, and certain capital expenditures. Funds held for others in General Reserve decreased 6% to $73.562 million at June 30, 2012 as multifamily escrows decreased.

Accounts payable and other liabilities decreased to $9.834 million at June 30, 2012. The two largest components of accounts payable continue to be: arbitrage rebate liability on tax-exempt bonds calculated pursuant to federal law and payable to the United States Treasury, which decreased $1.721 million; and yield compliance liability, which decreased $2.550 million. Minnesota Housing obtains from independent calculation specialists annual calculations of its arbitrage rebate liability. Other accounts payable items decreased a net $0.915 million.

Interfund payable/receivable exists primarily as a result of interfund borrowing and pending administrative and program reimbursements between funds. Most administrative expenses are paid from General Reserve, with the bond funds and appropriated funds owing an administrative reimbursement to General Reserve for the respective fund's contribution to those administrative expenses.

Net assets of General Reserve and bond funds are divided into two primary categories. Net Assets Restricted by Bond Resolution are pledged to the payment of bonds, subject to bond resolution provisions that authorize Minnesota Housing to withdraw funds in excess of the amounts required to be maintained under the bond resolutions. Net Assets Restricted by Covenant are subject to a covenant with bondholders that the Agency will use the money in General Reserve and money that would otherwise have been released to General Reserve only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including the creation of reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for the purpose. The Board of the Agency has established investment guidelines for these funds to implement this covenant. Net assets increased 7% to $802.302 million at June 30, 2012

General Reserve and Bond Funds — Revenues Over Expenses

Revenues over expenses of General Reserve and bond funds increased 1,193% from fiscal year 2011 when considering Pool 3 net expenses and the net effect of unrealized gains and losses that resulted from market valuation adjustments to certain investment assets. Ignoring the effects of unrealized gains and losses on investments, total revenues were essentially unchanged. Total expenses, excluding Pool 3, decreased 2% compared to the prior fiscal year. The largest revenue component, interest earned, decreased during fiscal year 2012. Loan interest revenue decreased 7% in fiscal year 2012 as repayments and prepayments decreased the size of the homeownership loan portfolio. That portfolio is in runoff because of the change to the mortgage-backed securities business model during fiscal 2010. Investment interest revenue increased 34% in fiscal year 2012 because of the continued purchase of program mortgage-backed securities.

Administrative reimbursements to General Reserve from bond funds were $18.983 million in fiscal year 2012 compared to $18.053 million during the prior fiscal year. The increase is a result of an increase in the average balance of total assets of the bond funds upon which the administrative reimbursement is calculated, mainly within Homeownership Finance Bonds resolution. General Reserve also incurs overhead expenses to administer state and federal appropriated housing programs. General Reserve received overhead reimbursements of $2.638 million from the State and Federal Appropriated funds to recover certain overhead expenses incurred during fiscal year 2012 compared to $2.680 million during the prior fiscal year. The decrease is mainly a result of decreased overhead reimbursement from State Appropriated during fiscal year 2012 which more than offset an increase from Federal Appropriated. Investment earnings within the State Appropriated fund were insufficient to reimburse $9.008 million of cumulative overhead expense.

General Reserve and Bond Funds — Revenues Over Expenses (continued)

Other fee income to General Reserve and bond funds of $10.341 million decreased by $1.188 million compared to the prior fiscal year. The primary components are fees earned from the federal low income housing tax credit program, Section 8 contract administration, federal Housing Assistance Payments administration, and various loan programs. The decrease is due mainly to a $0.521 million reduction in revenue received as a result of penalties that were imposed on former guaranteed investment contract bidders by the United States Department of Justice and a $0.656 million reduction in Section 8 contract administration fees as a result of the new contract with HUD.

Minnesota Housing recorded $40.875 million of unrealized gains on investment securities during fiscal year 2012, compared to $0.903 million of unrealized losses during the prior year, an increase of $41.778 million.

Interest expense of the bond funds increased 2% to $99.320 million compared to the prior year as a result of a larger amount of long-term outstanding debt during fiscal year 2012.

Combined expenses for loan administration, trustee fees and administrative reimbursements in the bond funds increased by 2% to $24.770 million compared to the prior fiscal year. Of the total administrative reimbursement revenue in General Reserve of $18.983 million, an interfund charge to the bond funds was eliminated for purposes of financial reporting in the Agency-wide financial statements.

Salaries and benefits in General Reserve of $17.541 million decreased 1% from the prior year. Other general operating expense in General Reserve and bond funds decreased 22% to $7.453 million compared to the prior fiscal year, mostly as a result of a decrease in foreclosure-related technical assistance provided to the Agency's nonprofit housing partners. Reductions in carrying value of certain low interest rate deferred loans in the bond funds decreased 68% to $4.640 million. The decrease related to decreased disbursements of deferred subordinated multifamily loans.

Provision for loan loss expense in the bond funds decreased $3.468 million or 15% to $18.959 million. The provision for loan loss expense for the homeownership loan portfolio increased $6.993 million because the average loss per delinquent loan and per foreclosed loan increased. The provision for loan loss expense for the home improvement loan portfolio increased $0.648 million as a result of increased loan delinquencies during the year, a portion of which became inactive loans. The provision for loan loss expense for the homeownership down payment assistance loan portfolio decreased $0.341 million. The provision for loan loss expense for the multifamily loan portfolio decreased $10.863 million mainly due to the implementation of a new loan loss reserve methodology during fiscal 2012. The Agency's previous practice was to assign a general loss provision for newly originated multifamily loans. The new methodology more accurately reflects financial risk on a loan-by-loan basis and responds to economic and market changes that alter the Agency's risk from each loan. Please refer to the loans receivable comments in the Financial Highlights section of the Management's Discussion and Analysis of Financial Condition and Results of Operations for more information regarding loan asset quality.

Non-operating transfers occur as a result of bond sale contributions related to new debt issues, the periodic transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement, periodic fiscal year end transfers to the Housing Affordability Fund (Pool 3), if any, and periodic transfers from the bond funds of amounts in excess of bond resolution requirements. All bonds in the Single Family fund were defeased in April, 2012. The remaining Single Family assets and liabilities, a net amount of $58.510 million, were transferred to the Residential Housing Finance bond fund and the Housing Investment Fund (Pool 2). During fiscal year 2012, $9.659 million of Pool 1 funds in excess of requirements were transferred to Pool 2. Revenues over expenses in General Reserve that are in excess of the Pool 1 requirement are transferred periodically to Pool 2 for use in housing programs. Pool 2 also recorded a $17.000 million contribution to Pool 3 to be used for highly subsidized housing programs. Revenues over expenses plus non-operating transfers in Pool 2 may be transferred periodically, with approval of the Board, to Pool 3 for use in more highly subsidized housing programs. Board investment guidelines establish required balances for Pool 1 and Pool 2. In addition, Pool 2 made $9.085 million in bond sale contributions, as follows: Homeownership Finance bond fund $8.642

General Reserve and Bond Funds — Revenues Over Expenses (continued)

million and Rental Housing bond resolution $0.443 million. Single Family made a $13.960 million bond sale contribution to the Residential Housing Finance bond fund.

Combined revenues over expenses, including unrealized gains and losses for General Reserve and the bond funds, increased $54.750 million to $50.162 million compared to the prior fiscal year. After removing the effects of unrealized gains and losses and Pool 3 revenues and expenses, the combined revenues over expenses increased 25% to $17.513 million.

Total combined net assets of General Reserve and bond funds increased 7% to $802.302 million as of June 30, 2012 as a result of revenues exceeding expenses for fiscal year 2012. The net assets of each individual bond fund increased, except for Single Family which was extinguished, as a result of net revenues over expenses by fund and non-operating transfers of assets between funds. After the $9.659 million transfer of Pool 1 excesses to Pool 2, the net assets of General Reserve decreased $1.816 million mainly as a result of a $2.308 million decrease in the Pool 1 requirement (which resides in General Reserve) caused by a decrease in the balance of outstanding loans on which its requirement is based, netted against a $0.492 million increase in net assets invested in capital assets.

State and Federal Appropriated Funds — Statement of Net Assets

Assets of the appropriated funds are derived from the appropriation of funds by the State of Minnesota and funds made available to Minnesota Housing by the federal government for housing purposes. Housing preservation and development ordinarily requires appropriations received in the current period to be expended over several future years of planned development. This timing difference is the primary reason for the presence of investments, cash, and cash equivalent assets in the appropriated funds and for the balance of net assets restricted by law.

Investments, cash, and cash equivalents are the largest categories of assets in the appropriated funds. The June 30, 2012 combined balance decreased 14% to $82.363 million as a result of combined disbursements for programs, loans and expenses exceeding the combined appropriations received and revenues during the fiscal year.

Certain state appropriations are expended as housing loans with near- or below-market interest rates, resulting in net loans receivable. At June 30, 2012 State Appropriated fund net loans receivable decreased 3% to $33.970 million, reflecting lower net loan program activity.

Interest receivable in appropriated funds is a function of the timing of interest payments and the general level of interest rates on investments. Interest receivable on appropriated funds at June 30, 2012 decreased 1% to $0.233 million.

Accounts payable and other liabilities represent amounts payable for HUD's share of savings from certain debt refinancing activities and accrued expenses for federal and state housing programs. The balance payable at June 30, 2012 was $2.670 million compared to $2.043 million at June 30, 2011. The increase in accounts payable and other liabilities is largely attributable to a $1.607 increase in State Appropriated housing trust fund accrued year-end expenses partially offset by a $0.870 million decrease in year-end accrued expenses for the federal HOME program.

Interfund payable occurs in the Federal Appropriated fund as a result of overhead expense and indirect cost recoveries owed to General Reserve. Interfund payable occurs in the State Appropriated fund because of accrued overhead expense payable to General Reserve. At June 30, 2012 the combined net interfund payable was $0.606 million.

At June 30, 2012 the balance of funds held for others was $3.325 million. In February 2011 the Agency issued nonprofit housing bonds under an indenture of trust. The indenture permits capital funding for long-term homeless households and other purposes through the issuance of Agency bonds secured solely by state appropriations. The proceeds of these bonds provide capital funding for permanent supportive housing in five multifamily housing developments. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008. The bonds are not

State and Federal Appropriated Funds — Statement of Net Assets

recorded as a liability by the Agency since they are not an obligation of the Agency (see Appropriation Debt Obligation in notes to financial statements). The balance of the undisbursed proceeds of the issued bonds in the amount of $2.954 million is recorded as funds held for others. Excess federal housing assistance payments received for administration of the Section 8 program and the interest income earned on those unexpended funds in the amount of $0.299 million is also recorded as funds held for others.

All of the net assets of the appropriated funds are restricted by law for use with housing programs only and are not pledged or available to secure the bonds or other obligations of Minnesota Housing or its general obligation pledge in respect thereof. The combined net assets of the appropriated funds decreased to $110.578 million as of June 30, 2012, reflecting combined revenues less than disbursements and expenses during fiscal year 2012.

State and Federal Appropriated Funds — Revenues Over Expenses

State and Federal Appropriated funds are recorded as revenue in the period in which such appropriations are earned. Funds are spent for eligible program activities as defined by Minnesota Housing, the State of Minnesota or agencies of the federal government. Unexpended appropriations are invested and the interest income on the investments is recorded as it is earned, except for interest earned on certain unexpended federal appropriations, which is recorded as funds held for others. Similarly, interest income on certain State Appropriated fund loan receivables is recorded as it is earned.

The largest revenue category is appropriations received, and is a function of the fiscal, legislative, and political environment of the State of Minnesota and the federal government. The combined appropriations received decreased from $303.615 million in fiscal year 2011 to $243.882 million in fiscal year 2012. Federal appropriations received decreased by $52.771 million, mostly due to a $56.047 million decrease in funding for the National Stabilization Program (NSP), the Tax Credit Assistance Program (TCAP), and the Section 1602/ Exchange Program. These decreases were partially offset by a $3.958 million increase in National Foreclosure Mitigation Counseling program and Housing Assistance Payments program funds. State appropriations received decreased by $6.962 million, due to decreased appropriations received for almost all state-funded programs.

Interest income from investments decreased as investment yields in general were below previous levels and the average balance of investment assets was less than the prior fiscal year. The combined interest income from investments decreased 30% to $1.111 million for fiscal year 2012.

Loan interest income from State Appropriations loan assets continues to be minimal at $0.171 million as relatively few loans bear interest.

Fees earned and other income in the amount of $1.521 million were recorded in the State Appropriated fund during fiscal year 2012. This consisted mainly of private donations and interagency transfers of funds to support certain state housing programs. Fees earned and other income of $0.013 million were recorded in the Federal Appropriation fund in fiscal year 2012. These were Energy Saver Rebate Program funds received from a Minnesota state agency to reimburse homeowners for qualifying energy improvements.

Unrealized gains or losses on investments are recorded to reflect current market valuations of investments, and may be reversed over time as investments are held. Combined unrealized gains of $0.768 million were recorded at June 30, 2012 compared to $0.531 million unrealized losses at June 30, 2011.

Administrative reimbursements to General Reserve of overhead expenses to administer State Appropriated fund programs decreased 33% to $0.802 million compared to the prior fiscal year. The Agency incurs the overhead expense in General Reserve. General Reserve is reimbursed for these overhead expenses by the State Appropriated fund to the extent of investment earnings on unexpended state appropriations. During fiscal year 2012 investment earnings in the State Appropriated fund were insufficient to reimburse $9.008 million of overhead expenses incurred in General Reserve during this fiscal year and unreimbursed expenses for prior fiscal years. Combined appropriations disbursed decreased 19% to $230.921 million compared to the prior fiscal year, reflecting State Appropriations disbursed of $26.111 million and federal appropriations disbursed of $204.810 million.

State and Federal Appropriated Funds — Revenues Over Expenses (continued)

Decreased expenditures of State Appropriated funds for fully-reserved below-market and zero-percent interest rate loans resulted in higher expense from reductions in carrying value of certain loans. Net reductions of carrying value decreased 59% to $13.498 million compared to the prior fiscal year.

Other general operating expenses in the State Appropriation fund represent fees for professional and technical support to implement and administer certain housing programs. Other general operating expenses in the State Appropriation fund decreased 14% to $1.614 million at June 30, 2012. Other general operating expenses in the Federal Appropriation fund of $0.013 million are homeowner reimbursement for qualifying energy improvements from the Energy Saver Rebate Program.

Combined revenues were less than combined expenditures of the appropriated funds by $0.888 million at June 30, 2012. Ultimately, the entire State and Federal Appropriated funds' net assets will be expended for housing programs.

Significant Long-Term Debt Activity

Minnesota Housing issues a significant amount of bonds, having outstanding at June 30, 2012 long-term bonds totaling $2,164.4 million. Bond proceeds and related revenues are held by trustees, who are responsible for administration of bond resolution requirements including payment of debt service. The bond resolutions may require funding debt service reserve accounts and insurance reserve accounts. At June 30, 2012, amounts held by the respective trustees in principal, interest, redemption, and reserve accounts represented full funding of those requirements as of that date.

Minnesota Housing continually investigates and utilizes financing and debt management techniques designed to achieve its goals of reducing interest expense and efficiently utilizing bonding authority while managing risk and responding to changing capital markets. During fiscal year 2012, Minnesota Housing issued eleven series of bonds and notes aggregating $309.4 million, compared to the issuance of eleven series totaling $1,391.1 million the previous fiscal year. Long-term debt issuance to finance mortgage lending was again aided this year by the United States Treasury's New Issue Bond Program. Long-term bonds are issued as capital is needed for program purposes and as opportunities arise to economically refund outstanding bonds. Short-term bonds and notes and other indebtedness are issued to preserve tax-exempt bonding authority for future program use and to warehouse purchases of mortgage-backed securities in advance of permanent financing.

A total of $698.0 million in principal payments and $99.3 million of interest payments were made during fiscal year 2012. Of the total principal payments, $265.9 million retired short-term debt and $380.8 million were payments made prior to the scheduled maturity date using a combination of optional and special redemption provisions.

Most of the bonds issued by Minnesota Housing bear interest that is not includable in gross income for federal and State of Minnesota income taxation, in accordance with requirements of the federal Internal Revenue Code and Treasury regulations governing either qualified mortgage bonds or bonds issued to provide qualified residential rental projects. Minnesota Housing's ability to issue tax-exempt debt is limited by its share of the state's allocation of private activity volume cap, which is established by Minnesota statutes. Minnesota Housing's ability to issue tax-exempt debt is also limited by a provision in the Internal Revenue Code (commonly known as the 10year rule) that prohibits refunding of mortgage repayments and prepayments received more than ten years after the date of issuance of the bonds that financed such mortgage loans.

While most of the Agency's bonds are tax-exempt, taxable bonds have also been issued to supplement limited tax-exempt authority in order to meet demand for mortgage loans. Taxable bonds may also be issued to finance lending programs where federal tax-exempt bond restrictions are inconsistent with program goals. Variable-rate bonds and interest-rate swaps were incorporated into Minnesota Housing's financings from fiscal year 2003 through fiscal year 2010, enabling the Agency to provide below-market mortgage financing at synthetically fixed interest rates. Interest-rate swaps help to hedge the mismatch between fixed-rate loans and variable-rate bonds. (See Interest Rate Swaps under the notes to the financial statements for further discussion of interest-rate swaps and their risks.)

Significant Long-Term Debt Activity (continued)

The Agency also had outstanding at June 30, 2012 certain conduit bonds and appropriation-backed bonds which are not obligations of the Agency and which are discussed in notes to the financial statements. Board policy governs the process Minnesota Housing follows to issue and manage debt. State statute limits total outstanding bonds and notes of Minnesota Housing to $5.0 billion.

At June 30, 2012 Minnesota Housing's issuer credit ratings were "AA+" and "Aa1" from Standard and Poor's Ratings Services and Moody's Investors Service, Inc., respectively. Minnesota Housing's credit ratings are separate from, and are not directly dependent on, ratings on debt issued by the State of Minnesota. Ongoing reporting to and communications with the bond rating agencies are priorities for the Agency.

Significant Factors that May Affect Financial Condition and/or Operations

Legislative Actions

Traditionally the primary focus of even-numbered year state legislative sessions is authorization of a package of capital investments; this held true for the 2012 session. The 2012 Minnesota Legislature authorized the agency to issue $30 million in appropriation bonds for capital projects for 3 specific purposes: acquisition, rehabilitation and replacement of housing in communities impacted by the foreclosure crisis, preservation of federally assisted rental housing and development of permanent supportive housing. The bonds are known as housing infrastructure bonds. A standing annual appropriation of up to $2.2 million for the debt service on the $30 million in bonds was provided for state fiscal years 2013 through 2035. The bonds are not a debt of the state and the full faith and credit and taxing authority of the state may not be pledged to the bonds but the appropriations may be pledged to the payment of the bonds. In addition, the legislature appropriated $5.5 million in general obligation bond proceeds for the rehabilitation of public housing properties.

This is the first non-biennial budget setting session since 2008 that no further reductions were made to the Agency's base budget.

Nationwide Foreclosure Crisis

The nationwide housing foreclosure crisis continued to impact borrowers in Minnesota Housing's loan portfolio despite the Agency's practice of providing mortgage products designed to promote sustainable homeownership. In fiscal year 2012 loan delinquencies and foreclosures were slightly higher for the homeownership portfolio and loan delinquencies were also slightly higher for the home improvement portfolio, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations–Financial Highlights. Economic conditions and their future impact on the Agency's loan portfolios are unpredictable. The Agency regularly reviews loan portfolio performance and records additional loss reserves when justified by actual delinquency, foreclosure and property loss experience. The Agency additionally utilizes several loss mitigation techniques to assist homeowners with avoiding foreclosure and to minimize Agency losses on foreclosed loans.

Liquidity Facilities for Variable Rate Bonds

Standby liquidity facilities for certain variable rate bonds are scheduled to expire in July and August of 2012. Those facilities were successfully replaced in July 2012.

Additional Information

Questions and inquiries may be directed to Mr. Bill Kapphahn at Minnesota Housing Finance Agency, 400 Sibley Street, Suite 300, St. Paul, MN 55101 (651-2967608 or 800-6573769 or if T.T.Y. 651-2972361)

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Net Assets (in thousands)
As of June 30, 2012 (with comparative totals as of June 30, 2011)

		Agency-wide Total as of June 30, 2012	Agency-wide Total as of June 30, 2011
Assets	Cash and cash equivalents	$ 432,682	$ 527,605
	Investments- program mortgage-backed securities	667,282	356,227
	Investment securities- other	217,519	565,772
	Loans receivable, net	1,845,098	2,065,339
	Interest receivable on loans	14,816	14,142
	Interest receivable on investments	1,480	3,459
	Deferred loss on interest rate swap agreements	39,634	30,815
	FHA/VA insurance claims, net	9,321	7,761
	Real estate owned, net	15,566	24,604
	Unamortized bond issuance costs	13,354	13,307
	Capital assets, net	1,937	1,445
	Other assets	1,769	3,850
	Total assets	$3,260,458	$3,614,326
Liabilities	Bonds payable, net	$2,170,089	$2,555,414
	Interest payable	42,987	46,799
	Interest rate swap agreements	39,634	30,815
	Deferred revenue- service release fees	5,477	3,634
	Accounts payable and other liabilities	12,504	17,062
	Funds held for others	76,887	96,996
	Total liabilities	2,347,578	2,750,720
	Commitments and contingencies		
Net Assets	Restricted by bond resolution	331,630	281,199
	Restricted by covenant	468,735	469,496
	Restricted by law	110,578	111,466
	Invested in capital assets	1,937	1,445
	Total net assets	912,880	863,606
	Total liabilities and net assets	$3,260,458	$3,614,326

See accompanying notes to financial statements.

MINNESOTA HOUSING FINANCE AGENCY
Agency-wide Financial Statements
Statement of Activities (in thousands)
Year ended June 30, 2012 (with comparative totals for year ended of June 30, 2011)

		Agency-wide Total for the Year Ended June 30, 2012	Agency-wide Total for the Year Ended June 30, 2011
Revenues	Interest earned on loans	$115,394	$123,823
	Interest earned on investments- program mortgage-backed securities	20,827	7,814
	Interest earned on investments- other	15,068	19,691
	Appropriations received	243,882	303,615
	Administrative reimbursement	1,837	1,484
	Fees earned and other income	11,875	17,371
	Unrealized gains on investments	41,643	(1,434)
	Total revenues	450,526	472,364
Expenses	Interest	99,320	97,189
	Loan administration and trustee fees	5,855	6,203
	Salaries and benefits	17,541	17,716
	Other general operating	9,080	15,037
	Appropriations disbursed	230,921	286,572
	Reduction in carrying value of certain low interest rate deferred loans	18,138	46,931
	Provision for loan losses	20,397	24,158
	Total expenses	401,252	493,806
	Change in net assets	49,274	(21,442)
	Total net assets, beginning of year	863,606	885,048
Net Assets	Total net assets, end of year	$912,880	$863,606

See accompanying notes to financial statements

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Net Assets (in thousands)
Proprietary Funds
As of June 30, 2012 (with comparative totals as of June 30, 2011)

			Bond Funds		
		General Reserve	Rental Housing	Residential Housing Finance	Single Family
Assets	Cash and cash equivalents	$90,544	$ 28,907	$ 214,155	$ -
	Investments- program mortgage-backed securities	-	-	94,951	-
	Investment securities- other	5,204	14,186	177,154	-
	Loans receivable, net	-	167,823	1,628,762	-
	Interest receivable on loans and program mortgage-backed securities	-	878	11,987	-
	Interest receivable on investments	44	362	853	-
	Deferred loss on interest rate swap agreements	-	-	39,634	-
	FHA/VA insurance claims, net	-	-	9,321	-
	Real estate owned, net	-	-	15,566	-
	Unamortized bond issuance costs	-	1,274	8,385	-
	Capital assets, net	1,937	-	-	-
	Other assets	1,084	4	53	-
	Total assets	$98,813	$213,434	$2,200,821	$ -
Liabilities	Bonds payable, net	$ -	$104,667	$1,503,509	$ -
	Interest payable	-	1,745	32,062	-
	Interest rate swap agreements	-	-	39,634	-
	Deferred revenue- service release fees	-	-	5,477	-
	Accounts payable and other liabilities	4,573	3,215	1,933	-
	Interfund payable (receivable)	565	(1,182)	1	-
	Funds held for others	73,562	-	-	-
	Total liabilities	78,700	108,445	1,582,616	-
	Commitments and contingencies				
Net Assets	Restricted by bond resolution	-	104,989	167,646	-
	Restricted by covenant	18,176	-	450,559	-
	Restricted by law	-	-	-	-
	Invested in capital assets	1,937	-	-	-
	Total net assets	20,113	104,989	618,205	-
	Total liabilities and net assets	$98,813	$213,434	$2,200,821	$ -

See accompanying notes to financial statements

Bond Funds		Appropriated Funds			
Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total as of June 30, 2012	Total as of June 30, 2011
$ 36,355	$ 1,198	$ 59,399	$ 2,124	$ 432,682	$ 527,605
572,331	-	-	-	667,282	356,227
135	-	13,632	7,208	217,519	565,772
-	14,543	33,970	-	1,845,098	2,065,339
1883	55	13	-	14,816	15,388
1	-	154	66	1,480	2,213
-	-	-	-	39,634	30,815
-	-	-	-	9,321	7,761
-	-	-	-	15,566	24,604
3,534	161	-	-	13,354	13,307
-	-	-	-	1,937	1,445
15	-	-	613	1,769	3,850
$614,254	$15,957	$107,168	$10,011	$3,260,458	$3,614,326
$546,913	$15,000	$-	$-	$2,170,089	$2,555,414
9,142	38	-	-	42,987	46,799
-	-	-	-	39,634	30,815
-	-	-	-	5,477	3,634
38	75	2,170	500	12,504	17,062
10	-	193	413	-	-
-	-	3,026	299	76,887	96,996
556,103	15,113	5,389	1,212	2,347,578	2,750,720
58,151	844	-	-	331,630	281,199
-	-	-	-	468,735	469,496
-	-	101,779	8,799	110,578	111,466
-	-	-	-	1,937	1,445
58,151	844	101,779	8,799	912,880	863,606
$614,254	$15,957	$107,168	$10,011	$3,260,458	$3,614,326

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Revenues, Expenses, and Changes in Net Assets (in thousands)
Proprietary Funds
Year ended June 30, 2012 (with comparative totals for year ended of June 30, 2011)

			Bond Funds	
		General Reserve	Rental Housing	Residential Housing Finance
Revenues	Interest earned on loans	$ -	$ 13,152	$ 95,204
	Interest earned on investments- program mortgage-backed securities	-	-	791
	Interest earned on investments- other	63	2,274	10,302
	Appropriations received	-	-	-
	Administrative reimbursement	21,622	-	-
	Fees earned and other income	8,865	505	971
	Unrealized gains (losses) on investments	70	299	7,744
	Total revenues	30,620	16,230	115,012
Expenses	Interest	-	7,345	71,036
	Loan administration and trustee fees	-	171	5,154
	Administrative reimbursement	-	1,584	13,547
	Salaries and benefits	17,541	-	-
	Other general operating	5,236	-	2,217
	Appropriations disbursed	-	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	(56)	4,696
	Provision for loan losses	-	(2,203)	20,860
	Total expenses	22,777	6,841	117,510
	Revenues over (under) expenses	7,843	9,389	(2,498)
Other changes	Non-operating transfer of assets between funds	(9,659)	443	73,044
	Change in net assets	(1,816)	9,832	70,546
Net Assets	Total net assets, beginning of year	21,929	95,157	547,659
	Total net assets, end of year	$20,113	$104,989	$618,205

See accompanying notes to financial statements.

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2012	Total for the Year Ended June 30, 2011
$ 6,212	$ -	$655	$ 171	$ -	$115,394	$123,823
-	20,036	-	-	-	20,827	7,814
1,241	59	18	731	380	15,068	19,691
-	-	-	40,839	203,043	243,882	303,615
-	-	-	-	-	21,622	20,733
-	-	-	1,521	13	11,875	17,371
(26)	32,791	(3)	747	21	41,643	(1,434)
7,427	52,886	670	44,009	203,457	470,311	491,613
4,534	15,949	456	-	-	99,320	97,189
292	168	2	68	-	5,855	6,203
979	2,776	97	802	-	19,785	19,249
-	-	-	-	-	17,541	17,716
-	-	-	1,614	13	9,080	15,037
-	-	-	26,111	204,810	230,921	286,572
-	-	-	13,498	-	18,138	46,931
227	-	75	1,438	-	20,397	24,158
6,032	18,893	630	43,531	204,823	421,037	513,055
1,395	33,993	40	478	(1,366)	49,274	(21,442)
(72,470)	8,642	-	-	-	-	-
(71,075)	42,635	40	478	(1,366)	49,274	(21,442)
71,075	15516	804	101,301	10,165	863,606	885,048
$ -	$58,151	$844	$101,779	$ 8,799	$912,880	$863,606

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds
Year ended June 30, 2012 (with comparative totals for year ended June 30, 2011)

			Bond Funds	
		General Reserve	Rental Housing	Residential Housing Finance
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$ 30,110	$ 169,203
	Investment in loans/loan modifications and program mortgage-backed securities	-	(11,536)	(109,740)
	Interest received on loans and program mortgage-backed securities	-	10,565	91,734
	Other operating	-	-	(2,144)
	Fees and other income received	9,104	505	6,329
	Salaries, benefits and vendor payments	(22,577)	(139)	(9,085)
	Appropriations received	-	-	-
	Appropriations disbursed	-	-	-
	Administrative reimbursement from/to funds	21,547	(1,584)	(13,547)
	Deposits into funds held for others	31,297	-	-
	Disbursements made from funds held for others	(36,087)	-	-
	Interfund transfers and other assets	(1,593)	(1,182)	1,479
	Net cash provided (used) by operating activities	1,691	26,739	134,229
Cash flows from noncapital financing activities	Proceeds from sale of bonds and notes	-	8,965	178,538
	Principal repayment on bonds and notes	-	(62,295)	(556,940)
	Interest paid on bonds and notes	-	(7,719)	(75,124)
	Financing costs paid related to bonds issued	-	(134)	(2,170)
	Agency contribution to program funds	-	443	610
	Transfer of cash between funds	(9,631)	-	(26,654)
	Net cash provided (used) by noncapital financing activities	(9,631)	(60,740)	(481,740)
Cash flows from investing activities	Investment in real estate owned	-	-	(6,641)
	Interest received on investments	925	1,759	5,012
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-	78,889
	Proceeds from maturity, sale or transfer of investment securities	40,020	90,997	692,442
	Purchase of investment securities	-	(63,374)	(445,307)
	Purchase of loans between funds	-	(12,195)	14,190
	Net cash provided by investing activities	40,945	17,187	338,585
	Net increase (decrease) in cash and cash equivalents	33,005	(16,814)	(8,926)
Cash and cash equivalents	Beginning of year	57,539	45,721	223,081
	End of year	$ 90,544	$ 28,907	$ 214,155

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2012	Total for the Year Ended June 30, 2011
$ 10,884	$ 24,801	$ -	$ 2,872	$ -	$ 237,870	$ 197,409
(23)	(234,640)	(15,000)	(14,466)	-	(385,405)	(439,265)
5,285	18,640	654	171	-	127,049	126,454
-	-	-	(1,615)	(13)	(3,772)	(9,227)
-	-	-	1,521	13	17,472	20,948
(316)	(188)	73	(68)	-	(32,300)	(29,839)
-	-	-	40,839	204,059	244,898	307,142
-	-	-	(24,637)	(206,036)	(230,673)	(291,205)
(979)	(2,776)	(97)	(786)	-	1,778	1,543
-	-	-	-	127	31,424	53,821
-	-	-	(15,467)	(127)	(51,681)	(45,350)
482	(2)	-	138	-	(678)	(997)
15,333	(194,165)	(14,370)	(11,498)	(1,977)	(44,018)	(108,566)
-	152,127	-	-	-	339,630	2,104,183
(97,505)	(6,230)	-	-	-	(722,970)	(2,251,945)
(6,957)	(10,438)	(452)	-	-	(100,690)	(96,654)
1,164	(1,959)	-	-	-	(3,099)	(3,382)
(2,742)	1,689	-	-	-	-	-
36,285	-	-	-	-	-	-
(69,755)	135,189	(452)	-	-	(487,129)	(247,798)
(611)	-	-	-	-	(7,252)	(5,064)
753	1,232	23	882	174	10,760	19,526
4,347	-	-	-	-	83,236	76,729
30,450	10,304	13,924	54,098	14,951	947,186	1,902,689
(18,605)	(9,940)	(13,450)	(34,130)	(12,900)	(597,706)	(1,756,617)
-	-	-	(1,995)	-	-	-
16,334	1,596	497	18,855	2,225	436,224	237,263
(38,088)	(57,380)	14,325	7,357	248	(94,923)	(119,101)
38,088	93,735	15,523	52,042	1,876	527,605	646,706
$ -	$ 36,355	$ 1,198	$ 59,399	$ 2,124	$ 432,682	$ 527,605

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Fund Financial Statements
Statement of Cash Flows (in thousands)
Proprietary Funds (continued)
Year ended June 30, 2012 (with comparative totals for year ended June 30, 2011)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance
Revenues over (under) expenses	$ 7,843	$ 9,389	$ (2,498)
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operation activities:			
Amortization of premiums (discounts) and fees on loans and program mortgage-backed securities	-	(104)	896
Depreciation	1,286	-	-
Realized losses (gains) on sale of securities, net	175	(737)	(3,076)
Unrealized losses (gains) on securities, net	(70)	(299)	(7,744)
Provision for loan losses	-	(2,203)	20,860
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(56)	4,696
Capitalized interest on loans and real estate owned	-	-	(6,139)
Interest earned on investments	(238)	(2,038)	(7,027)
Interest expense on bonds and notes	-	7,345	71,036
Changes in assets and liabilities:			
Decrease (increase) in loans receivable and program mortgage-backed securities, excluding loans transferred between funds	-	18,574	59,463
Decrease (increase) in interest receivable on loans	-	66	982
Increase (decrease) in arbitrage rebate liability	-	(2,048)	(199)
Increase (decrease) in accounts payable	(933)	30	1,494
Increase (decrease) in interfund payable, affecting operating activities only	(64)	(1,181)	1,376
Increase (decrease) in funds held for others	(4,790)	-	-
Other	(1,518)	1	109
Total	(6,152)	17,350	136,727
Net cash provided (used) by operating activities	$ 1,691	$26,739	$134,229

See accompanying notes to financial statements

Bond Funds			Appropriated Funds			
Single Family	Homeownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total for the Year Ended June 30, 2012	Total for the Year Ended June 30, 2011
$ 1,395	$ 33,993	$ 40	$ 478	$(1,366)	$ 49,274	$ (21,442)
(753)	487	-	-	-	526	1,414
-	-	-	-	-	1,286	1,540
(345)	(23)	1	75	(179)	(4,109)	(199)
26	(32,791)	3	(747)	(21)	(41,643)	1,434
227	-	75	1,438	-	20,397	24,158
-	-	-	13,498	-	18,138	46,931
(336)	-	-	-	-	(6,475)	(8,576)
(634)	(36)	(19)	(806)	(201)	(10,999)	(18,800)
4,534	15,949	456	-	-	99,320	97,189
10,861	(209,839)	(15,000)	(11,594)	-	(147,535)	(241,856)
162	(1,883)	(1)	-	-	(674)	899
(262)	-	75	-	-	(2,509)	387
(28)	(27)	-	1,902	(1,275)	1,238	(2,540)
(63)	(2)	-	(275)	48	(161)	(9)
-	-	-	(15,467)	-	(20,257)	8,471
549	7	-	-	1,017	165	2,433
13,938	(228,158)	(14,410)	(11,976)	(611)	(93,292)	(87,124)
$15,333	$(194,165)	$(14,370)	$(11,498)	$(1,977)	$ (44,018)	$(108,566)

Nature of Business and Fund Structure

The Minnesota Housing Finance Agency (the Agency or Minnesota Housing) was created in 1971 by the Minnesota legislature through the enactment of Minnesota Statutes, Chapter 462A, which has been amended from time to time. The Agency was established to facilitate the construction and rehabilitation of housing in Minnesota for families of low- and moderate-income by providing mortgage loans, development loans, and technical assistance to qualified housing sponsors. The Agency, as a special purpose agency engaged in business-type activities, is a component unit of the State of Minnesota, and is reflected as a proprietary fund in the state's comprehensive annual financial report. The Agency receives appropriations from the state legislature, substantially all of which are used to make loans or grants under specified programs. The Agency also receives funds from the federal government or other entities for similar program purposes.

The Agency is authorized to issue bonds and notes to fulfill its corporate purposes up to a total outstanding amount of $5.0 billion and to incur other indebtedness. None of the bonds, notes or other indebtedness is a debt of the State of Minnesota or any political subdivision thereof.

The following describes the funds maintained by the Agency, which are included in this report, all of which conform to the authorizing legislation and bond resolutions:

General Reserve

General Reserve was established in fulfillment of the pledge by the Agency of its full faith and credit to the payment of its general obligation bonds in its bond resolutions. Administrative costs of the Agency and multifamily development escrow receipts and related disbursements are recorded in this account. The net assets of General Reserve are available to support the following funds which are further described below: Rental Housing, Residential Housing Finance, Single Family, Homeownership Finance and Multifamily Housing.

Rental Housing

Activities relating to bond-financed multifamily housing programs are maintained under the Rental Housing bond resolution. Loans are generally secured by first mortgages on real property. The Rental Housing bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

Residential Housing Finance

Included within Residential Housing Finance are the bond funds, which include bonds issued and outstanding under the Residential Housing Finance bond resolution; limited obligation notes issued under separate resolutions; the Alternative Loan Fund which consists of the Housing Investment Fund (Pool 2), the Housing Affordability Fund (Pool 3); and limited obligation note accounts. All of these funds are restricted by a covenant with bondholders as to their use.

The bond resolution within Residential Housing Finance was the principal source of financing for bond-financed homeownership programs from fiscal year 2002 until fiscal year 2010 (see Homeownership Finance below). Bonds were issued for the purpose of funding purchases of single family first mortgage loans, mortgage-backed securities backed by single family mortgage loans, some related entry cost housing assistance loans, and subordinated home improvement loans. The majority of the single family first mortgage loans financed by these bond issues are insured by private mortgage insurers or the Federal Housing Administration (FHA) or guaranteed by the U.S. Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD). Assets of the bonds issued and outstanding under the resolution are pledged to the repayment of Residential Housing Finance bonds, except that the limited obligation debt is issued under separate resolutions and is secured by the proceeds thereof.

The Alternative Loan Fund has been established in Residential Housing Finance and residing therein are three subfunds: Housing Investment Fund (Pool 2), Housing Affordability Fund (Pool 3) and limited obligation note accounts. Except for funds in limited obligation note accounts, funds deposited in the Alternative Loan Fund would otherwise be available to be transferred to General Reserve. The Alternative Loan Fund is not pledged to the payment of the Residential Housing Finance bonds or any other debt obligation of the Agency and, to the extent that funds are available therein, is available to honor the general obligation pledge

Nature of Business and Fund Structure (continued)

of the Agency.

Assets of the Housing Investment Fund (Pool 2) consist of investment quality housing loans, as defined by the Agency, and investment grade securities. During fiscal year 2012 this fund provided capital for several Agency programs including its home improvement loan program, its multifamily first-mortgage loan program, warehousing purchases of mortgage-backed securities secured by single family first mortgage loans, tax credit bridge loans, loans to partner organizations to acquire, rehabilitate and sell foreclosed homes and to develop new affordable housing, loans to facilitate transfers of ownership of manufactured home parks to resident owners, contributions for limited obligation note expenses, and bond sale contributions. The fund may also provide interim financing for construction and rehabilitation of single family housing and may be used to advance funds to retire Agency high interest-rate debt.

Assets of the Housing Affordability Fund (Pool 3) consist of investment-grade securities when not utilized for program purposes. Program purposes include, but are not limited to: no-interest loans; loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants. During fiscal year 2012 funds from Pool 3 were used for entry cost assistance for first-time homebuyers, below-market interim financing for construction and rehabilitation of single family housing, capital costs and rental assistance for permanent supportive housing, and deferred, subordinated multifamily loans.

The Residential Housing Finance bond resolution prescribes the application of bond proceeds, debt service requirements of the bond indebtedness, permitted investments, and eligible loans to be financed from the bond proceeds.

The limited obligation debt resolutions prescribe the application of debt proceeds and permitted investments.

Single Family

Bonds issued for homeownership programs were issued under Single Family until 2002 when the Agency began using Residential Housing Finance. All outstanding bonds were defeased in April, 2012. All remaining assets and liabilities were transferred to Residential Housing Finance as of June 30, 2012.

Homeownership Finance

This bond resolution was adopted for the purpose of issuing mortgage revenue bonds under the United States Treasury's Single Family New Issue Bond Program (NIBP), although non-NIBP mortgage revenue bonds may also be issued if they meet resolution requirements. Bonds issued under this resolution fund mortgage-backed securities backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association.

Multifamily Housing

This bond resolution was adopted for the purpose of issuing multifamily housing bonds under the United States Treasury's Multifamily New Issue Bond Program. Bonds were issued for a rental housing project.

State Appropriated

The State Appropriated fund was established to account for funds received from the Minnesota legislature which are to be used for programs for low- and moderate-income persons and families in the form of low-interest loans, no-interest deferred loans, debt service and other costs associated with appropriation-backed bonds, and other housing-related program costs. The net assets of the State Appropriated fund are not pledged or available to secure bondholders or creditors of the Agency.

Federal Appropriated

The Federal Appropriated fund was established to account for funds received from the federal government which are to be used for programs for low- and moderate-income persons and families in the form of no-interest deferred loans and grants in support of foreclosure counseling and remediation efforts, assistance to tax credit developments and other housing-related program costs. The net assets of the Federal Appropriated fund are not pledged or available to secure bondholders or creditors of the Agency.

Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies.

Basis of Accounting

The Agency's financial statements have been prepared on the basis of the proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through fees and charges assessed primarily to the users of the services.

Generally Accepted Accounting Principles

The Agency has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.* The Agency has applied all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Although the Agency has the option to apply the aforementioned private sector guidance issued after November 30, 1989, subject to the same limitations, the Agency has elected not to do so.

Since the business of the Agency is essentially that of a financial institution having a business cycle greater than one year, the statement of net assets is not presented in a classified format.

New Accounting Pronouncements

In November 2010 the GASB issued Statement No 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of GASB Statement No. 61 are effective for the Agency's fiscal year ended June 30, 2012. The adoption of this statement did not affect the Agency's financial statements.

In June 2011 the GASB issued Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for the Agency's fiscal year ending June 30, 2013. The Agency has not yet determined the effect that the adoption of this Statement will have on its financial statements.

In June 2011 the GASB issued Statement No 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53. Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements

Summary of Significant Accounting Policies (continued)

or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this statement were implemented for the Agency's fiscal year ended June 30, 2012. The adoption of this statement did not affect the Agency's financial statements.

In March 2012 the GASB issued Statement No 65 Items Previously Reported as Assets and Liabilities This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for the Agency's fiscal year ending June 30, 2014. The Agency has not yet determined the effect that the adoption of this Statement will have on its financial statements.

Cash and Cash Equivalents

Cash equivalents may include commercial paper, money market funds, repurchase agreements, State investment pool holdings and any other investments, primarily U.S. treasury and agency securities that have 90 or less days remaining to maturity at the time of purchase. Investment agreements are also classified as cash and cash equivalents.

Investments- Program Mortgage-backed Securities and Investment Securities- Other

The Agency carries all investment securities at fair market value. Unrealized gains and losses on investment securities resulting from changes in market valuation are recorded as revenue. However, unrealized gains and losses on investments of multifamily development escrow funds resulting from changes in market valuation are recorded as funds held for others. Investments- program mortgage-backed securities, as previously described, are shown separately on the statement of net assets.

Loans Receivable, Net

Loans receivable are carried at their unpaid principal balances, net of an allowance for loan losses, unamortized premiums, and discounts.

The allowances for loan losses are established based on management's evaluation of the loan portfolio.

Summary of Significant Accounting Policies (continued)

Generally, the Agency provides an allowance for loan losses for multifamily loans after considering the specific known risks: adequacy of collateral and projected cash flows; past experience; amount of federal or state rent subsidies, if any; the status and amount of past due payments, if any; the amount of deferred maintenance, if any; and current economic conditions.

For homeownership and home improvement loans, the Agency establishes varying amounts of reserves depending upon the number of delinquent loans, the estimated amount of loss per delinquent loan, the number of days delinquent and the type of insurance coverage in force, if any: FHA insurance, RD guarantee, VA guarantee, or private mortgage insurance.

Actual gains and losses are posted to allowance for loan losses. Management believes the allowances for loan losses adequately reserve for probable losses inherent in the loan portfolios as of June 30, 2012.

Premiums, discounts or fees resulting from the purchase of homeownership mortgage loans at other than face value are amortized over the life of the loans using the effective interest method. Estimated loan prepayments are taken into account in determining the life of homeownership mortgage loans for purposes of such amortization. Premiums or discounts resulting from the purchase of home improvement loans are amortized on a straight-line basis over the average loan life. Premiums, discounts or fees resulting from the origination of multifamily development loans are amortized using the effective interest method over the term of the loan. The amount amortized is included in interest earned on loans.

Interest Receivable on Loans and Program Mortgage-backed Securities

The Agency accrues interest on its amortizing loans until they become 90 days or more delinquent in the case of multifamily loans, until they become "real estate owned" (described below) for homeownership loans, or until they are classified by the Agency as inactive for home improvement loans.

Deferred Loss on Interest Rate Swaps Agreements

The Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2012. Because these agreements have been determined to be effective hedges under applicable accounting guidance, the negative fair value is recorded as a deferred loss.

FHA/VA Insurance Claims Receivable, Net

Mortgages that are FHA insured or VA guaranteed, and for which insurance claims have been filed, are included in this category. FHA/VA insurance claims receivable, net is carried at its estimated realizable value.

Real Estate Owned, Net

Real estate acquired through foreclosure is recorded at the lower of the investment in the loan or estimated fair market value less estimated selling costs. These properties may be RD guaranteed, uninsured or have private mortgage insurance. Real estate owned, net is carried at its estimated realizable value.

Unamortized Bond Issuance Costs

Bond issuance costs are amortized using the effective interest method in the Single Family, Residential Housing Finance, Homeownership Finance, and Multifamily Housing funds. In the Rental Housing fund, bond issuance costs are amortized using the bonds outstanding method due to the unpredictable nature of prepayments of multifamily loans.

Bonds Payable, Net

Bonds payable are carried at their unpaid principal balances, net of unamortized premiums, discounts and deferred gain or loss on refunding. Premiums and discounts are amortized using the effective interest method in the Residential Housing Finance fund and the Single Family fund. In the Rental Housing fund, deferred gain or loss on refunding is amortized using the bonds outstanding method due to the unpredictable nature of prepayments of multifamily loans.

Summary of Significant Accounting Policies (continued)

Interest Rate Swap Agreements

Because the Agency's interest rate swap agreements have a negative fair value as of the end of fiscal year 2012 and they have been determined to be effective hedges under the applicable accounting guidance, they are recorded here as a liability.

Deferred Revenue- Service Release Fees

The Agency's master servicer pays the Agency a fee for the right to service the loans backing mortgage-backed securities that are purchased by the Agency. These fees are initially recorded as Deferred Revenue-Service Release Fees then amortized to Fees Earned and Other Income using the effective interest method over the expected life of the loans.

Interfund Payable (Receivable)

Interfund payable (receivable) primarily reflects pending transfers of cash and assets between funds. The more significant activities that flow through this fund may include funds advanced for purposes of optionally redeeming bonds when economically advantageous; funds advanced for loan warehousing; administrative fees receivable and payable between funds; non-operating transfers among the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3); and certain mortgage payments received but not yet transferred to their respective funds.

Funds Held for Others

Funds the Agency held for others are primarily escrow amounts held by the Agency on behalf of multi-family housing developments where the Agency holds the first mortgages. These amounts are held under the terms of the related loans and federal regulations regarding subsidized housing. Investment income relating to these funds is credited directly to the escrow funds and is not included in the investment income of General Reserve.

Undisbursed proceeds of nonprofit housing state appropriation bonds are recorded in Funds Held for Others until disbursed for their intended purpose.

Also included in funds held for others are unrealized gains and losses on investments of the multifamily housing development escrow funds and funds held for, and reimbursable to, HUD, such as Section 8 payments. In addition, investment income on unspent Section 8 funds is credited directly to Funds Held For Others and not included in the investment income of Federal Appropriated.

Restricted by Bond Resolution

Restricted by Bond Resolution Net Assets represents those assets restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

Restricted by Covenant Net Assets represents those assets in General Reserve and those assets that would otherwise be available to be transferred to General Reserve under the applicable bond resolutions. Under the Agency's bond resolutions, the Agency covenants that it will use the assets in General Reserve only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and will accumulate and maintain therein such balance of funds and investments as will be sufficient for the purpose. The Agency's Board establishes investment guidelines for these funds.

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as restricted by law.

Invested in Capital Assets

This represents the balance of capital assets, net of depreciation. No related debt exists.

Summary of Significant Accounting Policies (continued)

Agency-wide Total

The Agency-wide Total columns reflect the totals of the similar accounts of the various funds. Since the assets of certain of the funds are restricted by either the related bond resolutions or legislation, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in either the bond resolutions, Board resolutions or the legislation for the separate funds or groups of funds. The totals for fiscal year 2011 are for comparative purposes only.

Administrative Reimbursement

The largest source of funding for the Agency's administrative operations is a monthly transfer from each of the bond funds to General Reserve based on adjusted assets. Adjusted assets are defined as total assets excluding the reserve for loan loss, unearned discounts on loans, proceeds of debt issued to preserve bonding authority, proceeds of escrowed bonds issued under the federal New Issue Bond Program, premiums on loans, deferred bond issuance costs, unrealized appreciation and depreciation on investments including all mortgage-backed securities, and deferred loss on interest rate swap agreements.

For programs funded by state appropriations, the Agency recovers the cost of administering the programs but only to the extent of interest earnings on unexpended state appropriations.

For programs funded by federal appropriations, the Agency recovers the cost of administering programs through an approved federal indirect cost recovery rate. Certain other direct costs are also recovered. Total direct and indirect costs recovered from the federal government in the amount of $1.833 million are reflected as administrative reimbursement revenues in the General Reserve.

Administrative reimbursements in the amount of $19.785 million between the Agency's funds have been eliminated from the respective administrative reimbursement revenues and expenses line items for purposes of presentation in the Agency-wide statement of activities.

Fees Earned and Other Income

Fees earned and other income consists mainly of fees related to the financing and administration of Section 8 properties, including administration of a HUD-owned Section 8 portfolio, fees in connection with operating the federal Low Income Housing Tax Credit program, annual fees related to certain multifamily housing development loans, fees from the Low Income Rental Class program, private contributions restricted to use in the Agency's Homeownership Education, Counseling and Training Program, housing development operating subsidies received from other state agencies and fees for issuing and monitoring conduit bonds. Fees earned and other income is recorded as it is earned.

Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans

The carrying value of certain Housing Affordability Fund (Pool 3) loans and State Appropriated loans which are originated at below market interest rates and for which repayment is deferred for up to 30 years, is written down to zero at the time of origination by providing for a Reduction in Carrying Value of Certain Low Interest Rate Deferred Loans because of the nature of these loans and the risks associated with them. Certain of these loans may be forgiven at maturity.

Other Changes

The Agency utilizes the Other Changes section of the Statement of Revenues, Expenses and Changes in Net Assets to describe various transfers between funds.

Non-operating Transfer of Assets Between Funds

Non-operating transfers occur as a result of bond sale contributions related to new debt issues; transfers

Summary of Significant Accounting Policies (continued)

among the Housing Endowment Fund (Pool 1), the Housing Investment Fund (Pool 2), and the Housing Affordability Fund (Pool 3) to maintain the Pool 1 required balance; and periodic transfers from the bond funds of assets in excess of bond resolution requirements.

Non-Cash Activities

Transfers from loans receivable to FHA/VA insurance claims receivable and real estate owned for fiscal year 2012 were $79.6 million and $3.9 million for Residential Housing Finance and Single Family, respectively.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the comparative totals columns of the financial statements have been reclassified to conform with the current year presentation.

Income Taxes

The Agency, as an agency of the State of Minnesota, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Rebateable Arbitrage

Arbitrage earnings that are owed to the United States Treasury are recorded in Accounts Payable and based on estimated calculations performed by an independent calculation specialist on an ongoing basis. Also included in this category is yield compliance liability.

Cash, Cash Equivalents and Investment Securities

Permitted Agency investments include government obligations, commercial paper, repurchase agreements, money market funds, guaranteed investment contracts (i.e., investment agreements), the State investment pool, corporate obligations, municipal bonds and other investments consistent with requirements of safety and liquidity that comply with applicable provisions of the bond resolutions, state law or Board policy.

Cash and Cash Equivalents are generally stated at cost, which approximates market value. Certain investment agreements are stated at an amount that is less than cost. The balances were composed of the following at June 30, 2012 (in thousands):

Cash and Cash Equivalents

Funds	Deposits	Money Market Fund	State Investment Pool	Investment Agreements	Combined Totals
General Reserve Account	$ -	$ -	$ 90,544	$ -	$ 90,544
Federal Appropriated Accounts	59	1,766	299	-	2,124
State Appropriated Accounts	147	2,954	56,298	-	59,399
Rental Housing	19	17,012	-	11,876	28,907
Residential Housing Finance	2,721	140,474	-	70,960	214,155
Homeownership Finance	-	36,355	-	-	36,355
Multifamily Housing	-	1,198	-	-	1,198
Combined Totals	$2,946	$199,759	$147,141	$82,836	$432,682

Deposits were cash awaiting investment, consisting of interest earned on investments received too late on the last day of the fiscal year to be invested and loan servicer deposits in transit.

Cash, Cash Equivalents and Investment Securities (continued)

The State investment pool is an internal investment pool managed by the Minnesota State Board of Investment (SBI). The SBI invests in debt securities, including U.S. treasury securities, U.S. agency securities, bankers' acceptances, high grade corporates, and commercial paper. This investment pool is unrated.

Generally, investment agreements are uncollateralized, interest-bearing contracts with financial institutions or corporations with variable liquidity features, which require a one-day to two-week notice for deposits and/or withdrawals, and are invested in accordance with the restrictions specified in the various bond resolutions. As of June 30, 2012, all the investment agreement providers had a Standard & Poor's long-term credit rating of "AA-" or higher and a Moody's long-term credit rating of "A1" or higher, except for Depfa Bank PLC's rating which is discussed below. The individual investment agreements are unrated. Substantially all of the agreements contain "termination" clauses so that the Agency may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken. Certain investment agreements with Depfa Bank PLC ($25.518 million) require downgrade to the ratings on the related bonds before triggering the termination clauses. Since those bonds are general obligations of the Agency, it is unlikely that deterioration in Depfa's ratings will affect the ratings on the bonds. Because Depfa Bank PLC's rating is "BBB" from Standard & Poor's and "Baa3" from Moody's, the Agency reduced the carrying value of those agreements by $1.029 million as of June 30, 2012.

Investment securities (comprising U.S. Treasury securities, U.S. Agency securities, commercial paper and corporate notes) are recorded at fair market value and were allocated to the following funds at June 30, 2012 (in thousands):

Investment Securities

Funds	Investment Securities-Other at Amortized Cost	Program Mortgage-backed Securities at Amortized Cost	Unrealized Appreciation (Depreciation) in Fair Market Value	Estimated Fair Market Value
General Reserve Account	$ 5,015	$ -	$ 189	$ 5,204
Federal Appropriated Accounts	7,114	-	94	7,208
State Appropriated Accounts	12,676	-	956	13,632
Rental Housing	13,969	-	217	14,186
Residential Housing Finance	172,985	89,442	9,678	272,105
Homeownership Finance	135	532,236	40,095	572,466
Multifamily Housing	-	-	-	-
Combined Totals	$211,894	$621,678	$51,229	$884,801

U.S. Treasury securities, U.S. Agency securities, corporate notes, mortgage-backed securities and commercial paper in General Reserve, State Appropriated and Federal Appropriated are held by the Agency's agent in the name of the State of Minnesota. U.S. treasury and U.S. agency securities in the remainder of the funds are held by the trustees under the Agency's bond resolutions in the Agency's name.

Investment securities are subject to credit risk. The following table classifies investment securities, except U.S. Treasuries, by their lowest Standard & Poor's and Moody's ratings. Investment securities' credit rating categories (without qualifiers) at June 30, 2012 were (in thousands):

Cash, Cash Equivalents and Investment Securities (continued)

Credit Ratings of Investment Securities

Type	Par Value	AA+/Aaa	AA/Aa3
U.S. Agencies	$722,495	$722,495	$ -
Municipals	87,590	-	87,590
Agency-wide Totals	$810,085	$722,495	$87,590
U.S. Treasuries	10,983		
Agency-wide Totals	$821,068		

Examining the weighted average maturities of the Agency's investment securities can reveal information about interest rate risk. Cash, Cash Equivalents and Investment Securities (excluding unrealized appreciation of $5.625 million and net discounts of $1.462 million), along with the weighted average maturities (in years) as of June 30, 2012, consisted of the following (in thousands):

		Weighted Average Maturity, In Years							
Type	Par Value	General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropri-ated	Federal Appropriated
Deposits	$ 2,946	-	-	-	-	-	-	-	-
Money market fund	199,759	-	-	-	-	-	-	-	-
State investment pool	147,141	-	-	-	-	-	-	-	-
Investment agreements	82,836	-	-	-	-	-	-	-	-
U.S. Agencies	722,495	2.0	15.9	23.3	-	28.6	-	-	16.8
U.S. Treasuries	10,983	-	-	7.6	-	-	-	-	5.9
Municipals	87,590	-	-	-	-	-	-	12.7	-
Corporate notes	5,200	-	-	-	-	-	-	0.1	-
Agency-wide Totals	$1,258,950								
Weighted Average Maturity		0.1	5.2	8.6	-	26.7	-	1.3	10.5

Investments in any one issuer, excluding $602 million of investments issued or explicitly guaranteed by the U.S. Government, that represent five percent or more of the par value of total investments, as defined by GASB Statement No. 40, as of June 30, 2012 were as follows (in thousands):

Investment Issuer	Amount
Federal National Mortgage Association, U.S. Agencies	$99,043

The Agency maintained certain deposits and investments throughout fiscal year 2012 that were subject to custodial credit risk. As of June 30, 2012, the amounts subject to this risk consisted of the following (in thousands):

	Amount
Deposits not covered by depository insurance and uncollateralized (including $199,759 in a money market fund and $147,141 in the State investment pool)	$ 349,846
Investment securities (which excludes investment agreements) uninsured, uncollateral-ized and not held in the Agency's name	948,801
Agency-wide Total	$1,298,647

Cash, Cash Equivalents and Investment Securities (continued)

Net realized gain on sale of investment securities of $4.109 million is included in interest earned on investments.

Certain balances are required to be maintained under the various bond resolutions. These balances represent debt service reserves. The required balances at June 30, 2012 were as follows (in thousands):

Funds	Amount
Multifamily Housing Bonds	$ 479
Rental Housing	8,756
Residential Housing Finance	44,703
Combined Totals	$53,938

Loans Receivable, Net

Loans receivable, net at June 30, 2012 consisted of (in thousands):

Funds	Outstanding Principal	Allowance for Loan Losses	Unamortized Premiums (Discounts	Loans Receivable, Net
General Reserve	$ -	$ -	$ -	$ -
Rental Housing	171,879	(2,609)	(1,447)	167,823
Residential Housing Finance	1,660,491	(30,973)	(756)	1,628,762
Single Family	-	-	-	-
Multifamily Housing	15,000	(75)	(382)	14,543
State Appropriated	35,065	(1,095)	-	33,970
Federal Appropriated	-	-	-	-
Agency-wide Totals	$1,882,435	$(34,752)	$(2,585)	$1,845,098

Substantially all loans in the table above are secured by first or second mortgages on the real property financed. A significant portion of the homeownership first mortgage loans in the Residential Housing Finance fund have either FHA insurance or a VA or RD guarantee. Insurance reduces, but does not eliminate, loan losses.

In addition to the loans in the table above, certain loans are carried at below-market interest rates and repayment is deferred for up to 30 years. These loans are generally in either a second or more subordinate mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination they are fully reserved resulting in a net carrying value of zero. During fiscal year 2012 the unpaid principal amount of loans with such characteristics aggregated $8.109 million in the Residential Housing Finance Housing Affordability Fund (Pool 3) and $14.349 million in State Appropriated. Loans with net carrying values of zero are excluded from the tables above and on the next page.

Loans Receivable, Net (continued

Loans receivable, net and gross in Residential Housing Finance at June 30, 2012 consist of a variety of loans as follows (in thousands):

Description	Net Outstanding Amount	Gross Outstanding Amount
Residential Housing Finance Bonds:		
Homeownership, first mortgage loans	$1,311,538	$1,329,261
Other homeownership loans, generally secured by a second mortgage	1,737	1,800
Alternative Loan Fund, Housing Investment Fund (Pool 2):		
Home Improvement loans, generally secured by a second mortgage	98,987	101,372
Homeownership, first mortgage loans	30,988	31,521
Multifamily, first mortgage loans	156,940	166,760
Alternative Loan Fund, Housing Affordability Fund (Pool 3):		
Other homeownership loans, generally secured by a second mortgage	28,572	29,777
Residential Housing Finance Totals	$1,628,762	$1,660,491

The Agency is limited by statute to financing real estate located within the State of Minnesota. Collectability depends on, among other things, local economic conditions.

Other Assets

Other assets, including receivables, at June 30, 2012 consisted of the following (in thousands):

Funds	Receivables Due from the Federal Government	Other Assets and Receivables	Total
General Reserve	$1,081	$ 3	$ 1,084
Rental Housing	-	4	4
Residential Housing Finance	-	53	53
Single Family	-	-	-
Homeownership Finance	-	15	15
Multifamily Housing	-	-	-
State Appropriated	-	-	-
Federal Appropriated	613	-	613
Agency-wide Totals	$1,694	$ 75	$ 1,769

Bonds Payable, Net

Bonds payable, net at June 30, 2012 were as follows (in thousands):

Funds	Par Bonds Outstanding	Net Unamortized Premium and Deferred Fees	Net Unamortized Deferred Loss	Bonds Payable, Net
Rental Housing	$ 105,870	$ -	$(1,203)	$ 104,667
Residential Housing Finance	1,500,095	4,088	(674)	1,503,509
Single Family	-	-	-	-
Homeownership Finance	543,445	3,468	-	546,913
Multifamily Housing	15,000	-	-	15,000
Totals	$2,164,410	$7,556	$(1,877)	$2,170,089

Summary of bond activity from June 30, 2011 to June 30, 2012 (in thousands):

Funds	June 30, 2011 Bonds Outstanding, at Par	Par Issued	Par Repaid	June 30, 2012 Bonds Outstanding, at Par
Homeownership Finance	$ 399,990	$149,685	$ 6,230	$ 543,445
Multifamily Housing	15,000	-	-	15,000
Rental Housing	159,200	8,965	62,295	105,870
Residential Housing Finance	1,881,285	150,750	531,940	1,500,095
Single Family	97,505	-	97,505	-
Totals	$2,552,980	$309,400	$697,970	$2,164,410

Bonds payable at June 30, 2012 were as follows (in thousands):

Series	Interest rate	Final Maturity	Original Par	June 30, 2012 Bonds Outstanding, at Par
Rental Housing Bonds				
2003 Series A	4.55% to 4.95%	2045	$ 12,770	$ 11,695
2003 Series B	4.15% to 5.08%	2031	1,945	1,630
2003 Series C-1	4.35% to 5.20%	2034	2,095	1,835
2004 Series A	3.80% to 5.00%	2035	9,345	7,125
2004 Series B	4.00% to 4.85%	2035	3,215	2,860
2004 Series C	3.55% to 4.40%	2022	80,000	30,085
2005 Series A-1	4.25% to 4.85%	2035	1,725	1,560
2006 Series A-1	4.40% to 5.10%	2047	6,615	6,360
2006 Series B	4.89%	2037	5,020	4,675
2006 Series C-1	4.96%	2037	2,860	2,655
2007 Series A-1	4.65%	2038	3,775	3,545
2010 Series A-1	3.75% to 5.25%	2040	3,605	3,605
2010 Series A-2	1.25%	2012	2,630	2,630

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2012 Bonds Outstanding, at Par
Rental Housing Bonds (continued)				
2010 Series B	1.75%	2013	$ 8,000	$ 8,000
2011 Series A	0.75% to 5.45%	2041	8,890	8,645
2012 Series A-1	3.75%	2048	4,175	4,175
2012 Series A-2	0.75%	2014	4,790	4,790
			161,455	105,870
Residential Housing Finance Bonds				
2002 Series H	4.93%	2012	$ 20,000	$ 10,000
2003 Series A	3.40% to 4.30%	2034	40,000	8,705
2003 Series B	Variable	2033	25,000	25,000
2003 Series I	4.45% to 5.10%	2020	25,000	3,770
2003 Series J	Variable	2033	25,000	19,770
2004 Series A	3.45% to 4.25%	2018	22,480	15,965
2004 Series B	4.60% to 5.00%	2033	94,620	32,950
2004 Series C	4.700%	2035	14,970	11,810
2004 Series E-1	4.10% to 4.60%	2016	5,110	2,745
2004 Series E-2	4.40% to 4.60%	2016	6,475	3,795
2004 Series F-2	4.80% to 5.25%	2034	36,160	15,965
2004 Series G	Variable	2032	50,000	34,340
2005 Series A	3.60% to 4.125%	2018	14,575	5,325
2005 Series B	4.75% to 5.00%	2035	20,425	11,470
2005 Series C	Variable	2035	25,000	17,825
2005 Series G	4.25% to 4.30%	2018	8,950	6,360
2005 Series H	4.15% to 5.00%	2036	51,050	23,320
2005 Series I	Variable	2036	40,000	28,505
2005 Series J	3.625% to 4.00%	2015	11,890	9,290
2005 Series K	4.30% to 4.40%	2028	41,950	19,595
2005 Series L	4.75% to 5.00%	2036	48,165	26,785
2005 Series M	Variable	2036	60,000	41,725
2005 Series O	3.90% to 4.20%	2015	4,510	4,405
2005 Series P	4.25% to 5.00%	2036	65,490	41,325
2006 Series A	3.70% to 4.00%	2016	13,150	4,860
2006 Series B	4.60% to 5.00%	2037	43,515	24,715
2006 Series C	Variable	2037	28,335	23,185
2006 Series F	3.95% to 4.25%	2016	11,015	4,400
2006 Series G	4.85% to 5.50%	2037	58,985	45,385
2006 Series H	5.85%	2036	15,000	3,465
2006 Series I	4.30% to 5.75%	2038	95,000	62,010

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2012 Bonds Outstanding, at Par
Residential Housing Finance Bonds (continued)				
2006 Series J	6.00% to 6.51%	2038	$ 45,000	$ 29,375
2006 Series L	3.65% to 3.95%	2016	6,740	4,040
2006 Series M	4.625% to 5.75%	2037	35,260	31,835
2006 Series N	5.36% to 5.76%	2037	18,000	8,660
2007 Series C	3.75% to 3.95%	2017	12,515	7,720
2007 Series D	4.60% to 5.50%	2038	62,485	47,465
2007 Series E	Variable	2038	25,000	17,615
2007 Series H	3.65% to 3.95%	2017	12,230	11,270
2007 Series I	4.65% to 5.50%	2038	100,270	71,390
2007 Series J	Variable	2038	37,500	27,070
2007 Series L	4.20% to 5.50%	2048	105,000	77,535
2007 Series M	6.345%	2038	70,000	54,915
2007 Series P	3.50% to 3.90%	2017	4,305	3,520
2007 Series Q	4.00% to 5.50%	2038	42,365	30,825
2007 Series R	4.68% to 4.76%	2013	2,840	710
2007 Series S	Variable	2038	18,975	18,975
2007 Series T	Variable	2048	37,160	26,955
2008 Series A	3.30% to 4.65%	2023	25,090	12,885
2008 Series B	5.50% to 5.65%	2033	34,910	22,855
2008 Series C	Variable	2048	40,000	40,000
2009 Series A	2.55% to 5.20%	2023	26,795	17,360
2009 Series B	5.00% to 5.90%	2038	33,205	22,430
2009 Series C	Variable	2036	40,000	40,000
2009 Series D	1.75% to 4.00%	2020	19,830	12,975
2009 Series E	2.05% to 5.10%	2040	103,960	94,690
2009 Series F	Variable	2031	34,120	27,510
2012 Series A	0.75% to 3.90%	2023	50,945	50,945
2012 Series B	3.30% to 3.45%	2024	8,830	8,830
2012 Series C	3.625% to 3.85%	2029	30,975	30,975
2012 Series D	3.90% to 4.00%	2040	60,000	60,000
			2,166,125	1,500,095
Homeownership Finance Bonds				
2009 A-1	3.01%	2041	$ 108,000	$ 107,320
2009 A-2	3.55%	2041	67,500	67,360
2009 A-3	3.48%	2041	28,000	27,990
2009 A-4A	2.48%	2041	21,910	21,910
2009 A-4B	2.48%	2041	13,090	13,090

Bonds Payable, Net (continued)

Series	Interest rate	Final Maturity	Original Par	June 30, 2012 Bonds Outstanding, at Par
Homeownership Finance Bonds (continued)				
2009 A-5	2.49%	2041	$ 21,990	$ 21,990
2010 A	0.85% to 4.25%	2028	72,000	68,350
2011 A	0.65% to 1.25%	2013	3,740	2,555
2011 B	1.25% to 5.00%	2031	63,760	63,520
2011 C	0.50% to 3.85%	2031	8,310	8,030
2011 D	0.90% to 4.70%	2034	33,690	33,645
2011 E	0.25% to 4.45%	2035	65,000	65,000
2011 F	0.55% to 3.45%	2022	13,575	13,575
2011 G	4.00% to 4.25%	2035	29,110	29,110
			549,675	543,445
Multifamily Housing Bonds				
2009	3.01%	2051	$15,000	$15,000
			15,000	15,000
Combined Totals			$2,892,255	$2,164,410

The Agency uses special and optional redemption provisions to retire certain bonds prior to their stated maturity from unexpended bond proceeds and revenues in excess of scheduled debt service resulting primarily from loan prepayments.

Substantially all bonds are subject to optional redemption after various dates at an amount equal to 100% to 102% of the unpaid principal and accrued interest as set forth in the applicable series resolution. Annual debt service requirements to maturity for bonds outstanding as of June 30, 2012, are as follows (in thousands):

	Rental Housing		Residential Housing Finance	
Fiscal Year	Principal	Interest	Principal	Interest
2013	$ 14,940	$ 4,024	$ 38,450	$ 51,149
2014	4,660	3,783	32,260	51,583
2015	9,490	3,611	35,000	50,497
2016	4,915	3,432	35,070	49,289
2017	4,405	3,237	37,780	48,120
2018-2022	17,815	13,438	197,650	220,373
2023-2027	11,710	10,608	262,805	180,916
2028-2032	11,390	8,125	340,830	129,467
2033-2037	12,275	5,102	356,495	67,634
2038-2042	9,755	2,565	148,410	9,195
2043-2047	4,310	509	12,500	707
2048-2052	205	6	2,845	26
Total	$105,870	$58,440	$1,500,095	$858,956

Bonds Payable, Net (continued)

Fiscal Year	Homeownership Finance		Multifamily Housing	
	Principal	Interest	Principal	Interest
2013	$ 9,265	$ 18,226	$ 110	$ 450
2014	10,015	18,106	230	445
2015	10,220	17,984	230	438
2016	10,475	17,816	230	431
2017	10,785	17,600	240	424
2018-2022	60,275	83,112	1,200	2,012
2023-2027	75,600	70,711	1,200	1,832
2028-2032	97,725	52,603	1,760	1,612
2033-2037	126,305	31,887	1,840	1,342
2038-2042	132,780	9,959	2,390	1,022
2043-2047	-	-	2,790	642
2048-2052	-	-	2,780	189
Totals	$543,445	$338,004	$15,000	$10,839

Fiscal Year	Combined Totals	
	Principal	Interest
2013	$ 62,765	$ 73,849
2014	47,165	73,917
2015	54,940	72,530
2016	50,690	70,968
2017	53,210	69,381
2018-2022	276,940	318,935
2023-2027	351,315	264,067
2028-2032	451,705	191,807
2033-2037	496,915	105,965
2038-2042	293,335	22,741
2043-2047	19,600	1,858
2048-2052	5,830	221
	$2,164,410	$1,266,239

Residential Housing Finance Bonds 2003 Series B and J; 2004 Series G; 2005 Series C, I and M; 2006 Series C; 2007 Series E (Taxable), J (Taxable), S and T (Taxable); 2008 Series C; and 2009 Series C and F accrue interest at rates that change weekly as determined by a remarketing agent for such series based on market conditions. Future interest due for these bonds, as displayed above in the annual debt service requirements table, assumes that the respective rates in effect on June 30, 2012 continue for the term of the bonds. Variable rate bond interest payments will vary as general short-term interest rates vary. Associated interest rate swaps are not included in the annual debt service requirements table. See the Swap Payments and Associated Debt table below to view those amounts.

The income and assets of each of the bond funds are pledged on a parity basis for the payment of principal and interest on the bonds issued, and to be issued, under the respective resolutions. All but one of the bond

Bonds Payable, Net (continued)

resolutions contains covenants that require the Agency to maintain certain reserves. The Agency believes that as of June 30, 2012, it is in compliance with those covenants in all material respects and the assets of all funds and accounts in the bond funds equaled or exceeded the requirements as established by the respective bond resolutions.

Redemption notices were issued on or before June 30, 2012 for the redemption of certain bonds thereafter. See Subsequent Events.

Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). A consultant was engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges as of June 30, 2012. The fair values approximate the termination payments that would have been due had the swaps been terminated as of June 30, 2012. In accordance with GASB 53, the Agency recorded the fair value of the agreements on the statement of net assets. The fair values exclude accrued interest. As of June 30, 2012, all of the Agency's interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed on the statement of net assets as a liability named "Interest rate swap agreements." The inception-to-date change in fair value as of June 30, 2012 is included in the asset account identified as "Deferred loss on interest rate swap agreements."

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under the Residential Housing Finance Bond Resolution from 2003 through 2009. Using variable-rate debt hedged with interest-rate swaps reduced the Agency's cost of capital at the time of issuance compared to using long-term fixed rate bonds and, in turn, enabled the Agency to reduce mortgage rates offered to the Agency's low- and moderate-income, first-time home buyers.

Swap Payments and Associated Debt

Using rates as of June 30, 2012, debt service requirements of the Residential Housing Finance outstanding variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
2013	$ 29,780	$ 661	$13,450	$ 43,891
2014	765	639	12,303	13,707
2015	1,035	637	11,617	13,289
2016	3,725	635	10,863	15,223
2017	7,015	626	10,085	17,726
2018-2022	33,610	2,970	41,960	78,540
2023-2027	68,145	2,527	29,954	100,626
2028-2032	100,960	1,793	20,888	123,641
2033-2037	104,145	856	11,586	116,587
2038-2042	27,150	185	2,310	29,645
2043-2047	8,985	76	861	9,922
2048-2052	3,205	6	66	3,277

Interest Rate Swaps (continued)

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the two counterparties thereto as of June 30, 2012, are contained in the two tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps (except for the 2009 F swap), the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment Model of The Securities Industry and Financial Markets Association and formerly the Public Securities Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match the outstanding principal amount of the associated bond series and, except for the 2003B, 2003J, 2004G, and 2009F swaps, the right to terminate the swaps at par at approximately the 10 year anniversary date of the swap. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Counterparty: The Bank of New York Mellon

Moody's* Aa1 (stable outlook) / Standard & Poor's** AA- (negative outlook)

Associated Bond Series	Notional Amount as of June 30, 2012	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2012	Increase (Decrease) in Fair Value since June 30, 2011
RHFB 2003B	$ 25,000	23-Jul-03	1-Jan-33	3.53%	65% of 1 month LIBOR*** plus 0.23% per annum	($1,817)	($816)
RHFB 2003J	19,770	15-Oct-03	1-Jul-33	4.18%	65% of 1 month LIBOR*** plus 0.23% per annum	(2,422)	(606)
RHFB 2005C	17,825	2-Mar-05	1-Jan-35	3.59%	64% of 1 month LIBOR*** plus 0.28% per annum	(1,097)	53
RHFB 2005I	28,505	2-Jun-05	1-Jan-36	3.57%	64% of 1 month LIBOR*** plus 0.28% per annum	(2,179)	(134)
RHFB 2005M	41,725	4-Aug-05	1-Jan-36	3.37%	64% of 1 month LIBOR*** plus 0.29% per annum	(2,999)	(243)
RHFB 2006C	23,185	21-Mar-06	1-Jan-37	3.79%	64% of 1 month LIBOR*** plus 0.29% per annum	(2,204)	(248)
RHFB 2007S	18,975	19-Dec-07	1-Jul-38	4.34%	100% of SIFMA**** Index plus 0.06% per annum	(2,080)	(1,367)
RHFB 2007T (Taxable)	26,955	19-Dec-07	1-Jul-26	4.538%	100% of 1 month LIBOR***	(3,048)	(460)
Counterparty Total	$201,940					($17,846)	($3,821)

Counterparty: Royal Bank of Canada

Moody's* Aa3 (stable outlook) / Standard & Poor's** AA- (stable outlook[2])

Associated Bond Series	Notional Amount as of June 30, 2012	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of June 30, 2012	Increase (Decrease) in Fair Value since Fiscal Year Ended June 30, 2011
RHFB 2004G	$ 34,340	July 22, 2004	January 1, 2032	4.165%	64% of 1 month LIBOR*** plus 0.26% per annum	$ (3,027)	$ (127)
RHFB 2007E (Taxable)	17,615	March 7, 2007	July 1, 2038	5.738%	100% of 1 month LIBOR***	(1,894)	(25)
RHFB 2007J (Taxable)	27,070	May 17, 2007	July 1, 2038	5.665%	100% of 1 month LIBOR***	(2,968)	(143)
RHFB 2008C	40,000	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR*** plus 0.30% per annum	(5,567)	(2,024)
RHFB 2009C	40,000	February 12, 2009	July 1, 2039	3.070%	64% of 3 month LIBOR*** plus 0.30% per annum	(7,166)	(2,488)
RHFB 2009F	27,510	December 1, 2009	September 12, 2017	2.365%	100% of weekly SIFMA****plus 0.80% per annum	(1,167)	(191)
Counterparty Total	$ 186,535					$ (21,789)	$ (4,998)
Combined Totals	$ 388,475					$ (39,635)	$ (8,819)

[1] A positive fair value represents money due to the Agency by the counterparty upon an assumed termination of the swap while a negative fair value represents the amount payable by the Agency

[2] Standard & Poor's Ratings Services, Inc. has given the "AA-" rating of this counterparty (Royal Bank of Canada) a negative outlook as of July 27, 2012.

* Moody's Investor Service, Inc.
** Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies
*** London Inter-Bank Offered Rate
**** Securities Industry and Financial Markets Association

Termination Risk

The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract or upon certain termination events. Upon termination at market, a payment is due by one party based upon the fair value of the swap even if the payment is owed to a defaulting party. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap upon favorable financial terms, in which event the variable rate bonds would no longer be hedged. To reduce the risk of termination, swap contracts generally limit counterparty terminations to the following Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, substantial impairment of credit ratings, bankruptcy and insolvency.

Credit Risk

A swap potentially exposes the Agency to credit risk with the counterparty. The fair value of a swap represents the Agency's current potential credit exposure to the swap counterparty assuming the occurrence of a termination event. As of June 30, 2012, the Agency did not have a net credit risk exposure to any of its two counterparties because their respective combined swap positions had a negative net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold

Interest Rate Swaps (continued)

specified in the agreement. The collateral threshold for each counterparty and the Agency is $50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty, in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than "AA-" and "Aa3" from Standard & Poor's and Moody's, respectively, $5 million if the ratings are not less than "A+" and "A1", $3 million if the ratings are not less than "A" and "A2", and $0, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2012, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

The Agency is subject to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding principal amount of variable rate bonds to decline faster than the amortization of the notional amount of the swap. To ameliorate amortization risk, termination options were structured within most of the outstanding swaps to enable the Agency to manage the outstanding balances of variable rate bonds and notional swap amounts. (See Terms of Swaps) Additionally, the Agency may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency's bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month or three-month taxable LIBOR rate or the SIFMA index rate, plus a specified spread if the swap relates to tax-exempt bonds. Basis risk will vary over time due to inter-market conditions. As of June 30, 2012, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.18% to 0.32% per annum while the variable interest rate on the associated swaps ranged from 0.24% to 0.56% per annum. As of June 30, 2012, the interest rate on the Agency's variable rate taxable debt was 0.21% per annum while the variable interest rate on the corresponding swaps ranged from 0.24% to 0.25% per annum. In order to reduce the cumulative effects of basis risk on the swaps relating to tax-exempt variable rate debt, the determination of the spread from one-month LIBOR payable by the counterparty under the swap was based upon a regression analysis of the long-term relationship between one-month LIBOR and the tax-exempt variable rate SIFMA index (which ordinarily would approximate the weekly variable rate on the Agency's tax-exempt variable rate bonds).

Tax Risk

The structure of the variable interest rate payments the Agency receives from its LIBOR-based swap contracts relating to tax-exempt variable rate bonds is based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents the risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency chose to assume this risk at the time the swaps were entered into because it was not economically favorable to transfer to the swap counterparties.

Defeased Debt

All outstanding Single Family Mortgage Bonds, totaling $81,085,000, were defeased on April 26, 2012.

On that date, the Agency issued $150,750,000 of Residential Housing Finance Bonds, 2012 Series ABCD, a portion of which defeased $45,720,000 of certain outstanding Single Family Mortgage Bonds in 1994 Series E, 1996 Series ABC, 1996 Series DEF, 1998 Series FGH-1, 1998 Series FGH-2, 1999 Series HI, 1999 Series JK, 2000 Series FGH, and 2001 Series AB. The reacquisition price of the refunded bonds exceeded the net carrying amount by $0.447 million, which has been netted against the new debt and amortized over the remaining life of the refunded debt. The refunding of these bonds decreased total future debt service by approximately $3.969 million and resulted in a present value savings of approximately $5.786 million with refunding bond proceeds and available Agency cash.

Defeased Debt (continued)

On April 26, 2012, using available resources the Agency defeased $35,365,000 of certain outstanding Single Family Mortgage Bonds in 1996 Series ABC, 1996 Series DEF, 1997 Series DEF, 1997 Series GH, 1998 Series FGH-1, 1998 Series FGH-2, 1999 Series HI, 1999 Series JK, 2000 Series FGH, 2001 Series AB, and 2001 Series E. The reacquisition price exceeded the net carrying amount by $0.754 million, which is included in interest expense.

The trust account assets and the liability for the defeased bonds were not included in the Agency's statement of net assets after April 26, 2012.

At June 30, 2012, the outstanding principal of the defeased bonds was $12.380 million.

Conduit Debt Obligation

On December 21, 2005, the Agency issued tax-exempt bonds on a conduit basis to assist a Minnesota nonprofit organization in preserving assisted elderly rental housing. The proceeds of the bonds were used by the organization to refinance certain HUD Section 202 elderly housing projects. The bonds were sold on a private placement basis. As of June 30, 2012, $29.9 million of the bonds were outstanding. Neither the Agency, the State of Minnesota, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Appropriation Debt Obligation

The Agency has outstanding bonds under a certain indenture of trust that permits capital funding for permanent supportive housing for long-term homeless households and other purposes. As of June 30, 2012, $31.980 million of bonds were outstanding. These bonds are secured solely by state appropriations. This debt is not a general obligation of the Agency and is not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008. Thus, the bonds are not recorded as a liability in the accompanying financial statements.

Accounts payable and other liabilities at June 30, 2012 consisted of the following (in thousands):

Fund	Arbitrage Rebate Payable to the Federal Government and Yield Compliance Liability	Accrued Salaries, Compensated Absences and Employee Benefits	Other Liabilities and Accounts Payable	Total
General Reserve	$ -	$2,583	$1,990	$ 4,573
Rental Housing	3,140	-	75	3,215
Residential Housing Finance	139	-	1,794	1,933
Single Family	-	-	-	-
Homeownership Finance	-	-	38	38
Multifamily Housing	-	-	75	75
State Appropriated	-	-	2,170	2,170
Federal Appropriated	-	-	500	500
Agency-wide Totals	$3,279	$2,583	$6,642	$12,504

The amount of arbitrage rebate payable and yield compliance liability that is not due within one year in Rental Housing is $3.140 million and in Residential Housing Finance $0.139 million, for a total of $3.279 million.

Interfund Balances

Interfund balances displayed as Interfund Payable (Receivable) at June 30, 2012 consisted of the following (in thousands):

Due to: Funds	Due from: General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
General Reserve	$ -	$ -	$ 128	$ -	$ -	$ -	$192	$413	$ 733
Rental Housing	-	-	1,181	-	1	-	-	-	1,182
Residential Housing Finance	1,298	-	-	-	9	-	1	-	1,308
Single Family	-	-	-	-	-	-	-	-	-
Home-ownership Finance Bonds	-	-	-	-	-	-	-	-	-
Multifamily Housing Bonds	-	-	-	-	-	-	-	-	-
State Appropriated	-	-	-	-	-	-	-	-	-
Federal Appropriated	-	-	-	-	-	-	-	-	-
Agency-wide Totals	$1,298	$ -	$1,309	$ -	$10	$ -	$193	$413	$3,223

All balances resulted from the time lag between the dates that: (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Interfund transfers recorded in Interfund Payable (Receivable) for the year ended June 30, 2012 consisted of the following (in thousands)

Transfer to: Funds	Transfer from: General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
General Reserve	$ -	$ 1,584	$13,547	$979	$2,776	$97	$ 789	$1,785	$21,557
Rental Housing	205	-	-	-	1	-	-	-	206
Residential Housing Finance	150	12,195	-	-	10	-	1,995	87	14,437
Single Family	-	-	-	-	1	-	-	-	1
Home-ownership Finance Bonds	-	-	10	-	-	-	-	-	10
Multifamily Housing Bonds	-	-	-	-	-	-	-	-	-

(Continued)

Interfund Transfers (continued)

Transfer to: Funds	Transfer from: General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
State Appropriated	-	20	74	64	-	-	-	-	158
Federal Appropriated	-	185	-	-	-	-	-	-	185
Agency-wide Totals	$355	$13,984	$13,631	$1,043	$2,788	$97	$2,784	$1,872	$36,554

Interfund transfers recorded in Interfund Payable (Receivable) were made to transfer loan payments that were deposited for administrative convenience in a fund not holding the loans; to make administrative reimbursements to the General Reserve from other funds; to pay for loans transferred between funds including $1.995 million of entry cost assistance loans transferred from Residential Housing Finance to State Appropriated and $12.195 million of multifamily first mortgage loans transferred from Residential Housing Finance (Pool 2) to Rental Housing; and to make payments from Single Family to Residential Housing Finance on loans outstanding between those funds.

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds for the year ended June 30, 2012, consisted of the following (in thousands):

Transfer to: Funds	Transfer from: General Reserve	Rental Housing	Residential Housing Finance	Single Family	Home-ownership Finance	Multifamily Housing	State Appropriated	Federal Appropriated	Total
General Reserve	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rental Housing	-	-	443	-	-	-	-	-	443
Residential Housing Finance	9,659	-	-	107,095	-	-	-	-	116,754
Single Family	-	-	34,625	-	-	-	-	-	34,625
Home-ownership Finance Bonds	-	-	8,642	-	-	-	-	-	8,642
Multifamily Housing Bonds	-	-	-	-	-	-	-	-	-
State Appropriated	-	-	-	-	-	-	-	-	-
Federal Appropriated	-	-	-	-	-	-	-	-	-
Agency-wide Totals	$9,659	$ -	$43,710	$107,095	$ -	$ -	$ -	$ -	$160,464

Interfund transfers recorded in Non-operating Transfer of Assets Between Funds normally result from bond sale contributions to new debt issues in other funds, the transfer of assets to maintain the Housing Endowment Fund (Pool 1) requirement and periodic transfers from the bond funds of assets in excess of bond resolution requirements. In addition, $72.470 million of the remaining assets net of liabilities in Single Fam-

Net Assets

ily were transferred to Residential Housing Finance when all Single Family Bonds were defeased.

Restricted by Bond Resolution

Restricted by Bond Resolution Net Assets represents those funds restricted within the respective bond resolution due to the specific provisions of the bond resolutions.

Restricted by Covenant

In accordance with provisions of the respective bond resolutions, the Agency may transfer excess money from bond funds to General Reserve. The Agency has pledged to deposit in General Reserve any such funds transferred from the bond funds, except for any amounts as may be necessary to reimburse the state for money appropriated to restore a deficiency in any debt service reserve fund. The Agency further covenanted that it will use the money in General Reserve (or any such transferred funds deposited directly in the Alternative Loan Fund) only for the administration and financing of programs in accordance with the policy and purpose of Minnesota Housing's enabling legislation, including reserves for the payment of bonds and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose. All interfund transfers are approved by the Board of the Agency.

In order to provide financial security for the Agency's general obligation bonds, and to provide additional resources for housing loans to help meet the housing needs of low- and moderate-income Minnesota residents, the Agency's Board adopted the investment guidelines in the following table. These guidelines are periodically evaluated in consideration of changes in the economy and in the Agency's specific risk profile.

The $468.735 million of net assets restricted by covenant are restricted by a covenant made with bondholders authorized by the Agency's enabling legislation.

The Housing Endowment Fund (Pool 1) is maintained in the Restricted by Covenant Net Assets of General Reserve. The Housing Investment Fund (Pool 2) and the Housing Affordability Fund (Pool 3) are maintained in the Restricted by Covenant Net Assets of Residential Housing Finance fund.

The combined net assets of the General Reserve and bond funds (exclusive of Pool 3) are required by Board investment guidelines to be not less than the combined net assets of the same funds as of the immediately preceding fiscal year end. These combined net assets were $683.638 million as of June 30, 2011 and are $724.098 million as of June 30, 2012.

The following table describes total net assets restricted by covenant, including the balances to be maintained according to the Agency's Board investment guidelines, as of June 30, 2012 (in thousands):

Net Assets — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Total Net Assets Restricted by Covenant
Housing Endowment Fund (Pool 1), General Reserve			
Pool 1 is an amount equal to 1% of gross loans outstanding (excluding Pool 3 and appropriated loans) and must be invested in short-term, investment-grade securities at market interest rates	$ 18,176	$ -	$ 18,176

(Continued)

Net Assets (continued)

Net Assets — Restricted By Covenant	Certain Balances Maintained According to Agency's Board Guidelines	Unrealized Appreciation (Depreciation) in Fair Market Value of Investments	Total Net Assets Restricted by Covenant
Unrealized depreciation in fair market value of investments, excluding multifamily development escrow investments	-	-	-
Subtotal, Housing Endowment Fund (Pool 1), General Reserve	$ 18,176	$ -	$ 18,176
Housing Investment Fund (Pool 2), Residential Housing Finance			
An amount that causes the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3) to be the greater of the combined net assets of the same funds for the immediately preceding audited fiscal year end or the combined net assets of the same funds for the immediately preceding fiscal year end plus current fiscal year income over expenses and transfers to Pool 2 less an amount transferred to Pool 3 ($17,000 for fiscal year 2012). Pool 2 is invested in investment-quality housing loans, as defined by the Agency, or investment-grade securities.	371,396	-	371,396
Unrealized depreciation in fair market value of investments	-	959	959
Subtotal, Housing Investment Fund (Pool 2), Residential Housing Finance	371,396	959	372,355
Housing Affordability Fund (Pool 3), Residential Housing Finance			
Funds in excess of the combined requirement of Pool 1, Pool 2 and General Reserve may be transferred to Pool 3. Assets are invested in deferred loans, zero percent and low interest-rate loans, other loans with higher than ordinary risk factors, or, pending use, investment-grade securities.	76,767	-	76,767
Unrealized appreciation in fair market value of investments	-	1,437	1,437
Subtotal, Housing Affordability Fund (Pool 3), Residential Housing Finance	76,767	1,437	78,204
Agency-wide Total	$466,339	$2,396	$468,735

Net Assets (continued)

Restricted by Law

Undisbursed, recognized federal and state appropriations are classified as Net Assets Restricted by Law. The $8.799 million of net assets restricted by law in the Federal Appropriated fund as of June 30, 2012 are restricted by federal requirements that control the use of the funds. The $101.779 million of net assets restricted by law in the State Appropriated fund as of June 30, 2012 are restricted by the state laws appropriating such funds.

Defined Benefit Pension Plan

The Agency contributes to the Minnesota State Retirement System (the System), a multiple-employer public employee retirement system, which provides pension benefits for all permanent employees.

Employees who retire at "normal" retirement age or, for those hired on or before June 30, 1989, at an age where they qualify for the "Rule of 90" (i.e., at an age where age plus years of service equals or exceeds 90) are entitled to an unreduced monthly benefit payable for life. For those hired on or before June 30, 1989, normal retirement age is age 65, or age 62 with 30 years of service. For those hired after June 30, 1989, normal retirement age is the Social Security retirement age. The monthly benefit is calculated according to the "step formula" for anyone retiring under the Rule of 90. For those hired on or before June 30, 1989 and not retiring under the Rule of 90, the monthly benefit is calculated according to the step formula or the "level formula," whichever provides the largest benefit. For those hired after June 30, 1989, the monthly benefit is calculated according to the level formula. Under the step formula, an employee earns a 1.2% credit for each of the first 10 years of employment and a 1.7% credit for each year thereafter. The monthly benefit is then determined by applying the sum of these credits to the average monthly salary earned during the employee's five years of greatest earnings. Under the level formula the monthly benefit is computed just as it is under the step formula except that an employee earns a 1.7% credit for each year of employment, not just for those years beyond the first 10. A reduced benefit is available to those retiring at age 55 with at least three years of service. With 30 years of service, a reduced benefit is available at any age to those hired on or before June 30, 1989. The System also provides death and disability benefits. Benefits are established by Minnesota state law.

The statutory pension contribution rates for the employee and employer (as a percentage of salary) are 5% each.

The Agency's pension contribution to the System for the fiscal year ended June 30, 2012 was $702 thousand.

Details of the benefit plan are provided on a System-wide basis. The Agency portion is not separately determinable. The funding status of the System's benefit plan is summarized as follows.

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Actual Covered Payroll (Previous FY)	UAAL as a % of Covered Payroll
7/1/2011	$9,130,011	$10,576,481	$1,446,470	86.32%	$2,440,580	59.27%
7/1/2010	8,960,391	10,264,071	1,303,680	87.30%	2,327,398	56.01%
7/1/2009	9,030,401	10,512,760	1,482,359	85.90%	2,329,499	63.63%

Defined Benefit Pension Plan (continued)

Schedule of Employer Contributions (dollars in thousands)

Year Ended June 30	Actuarially Required Contribution Rate of Assets	Actual Covered Payroll	Actual Member Contributions	Annual Required Employer Contributions	Actual Employer Contributions*	Percent Contributed
2011	10.99%	$2,440,580	$122,029	$146,191	$118,563	81.10%
2010	14.85%	2,327,398	115,180	230,439	113,716	49.35%
2009	12.39%	2,329,499	108,866	179,759	107,211	59.64%

*This includes contributions from other sources (if applicable).

The information presented was as of July 1, 2011, which is the latest actuarial information available.

The above summarizes the defined benefit pension plan. Please refer to the July 1, 2011, Minnesota State Employees Retirement Fund Actuarial Valuation and Review for a more comprehensive description. The actuarial valuation and review can be obtained from the financial information page of the Minnesota State Retirement System website at www.msrs.state.mn.us. The information contained in that website is also available in alternative formats to individuals with disabilities. Please call 1 800-657 5757 or use the MN Relay Service at 1 800-627 3529.

Post-Employment Benefits Other Than Pensions

The Agency's employees participate in the State of Minnesota-sponsored hospital, medical, and dental insurance group. State statute requires that former employees and their dependents be allowed to continue participation indefinitely, under certain conditions, in the insurance that the employees participated in immediately before retirement. The former employees must pay the entire premium for continuation coverage. An implicit rate subsidy exists for the former participants that elect to continue coverage. That subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate greater claims on average than active participants.

The State of Minnesota obtained an actuarial valuation from an independent firm of its postretirement medical benefits as of July 1, 2006 to determine its Post-Employment Benefits Other Than Pensions (OPEB) liability. The state intends to fund the OPEB liability on a "pay as you go" basis. The State and the Agency recorded the liability for the first time during fiscal year 2008. The State calculated the Agency's portion of the OPEB obligation based upon active employee count. For the Agency in fiscal year 2008, the annual required contribution (ARC) was $96 thousand, the employer contribution was $58 thousand and the net OPEB obligation (NOO) was $38 thousand. The NOO is $156 thousand for fiscal year 2012. The NOO was recorded as an expense and a corresponding liability by the Agency. This is a cost sharing plan. The State of Minnesota has not prepared separate financial statements for the plan. The actuarial method used to determine the actuarial accrued liability and the annual required contribution was the entry age normal method. The assumed discount rate was 4.75% and the assumed payroll growth rate was 4.0%. Future retirees who are eligible for an implicit subsidy are assumed to elect coverage at a 50% rate. The projected annual medical claims cost trend rate is 9.13% initially, reduced by decrements to an ultimate rate of 5.0% for the year 2026 and beyond. Mortality was determined using 1983 Group Annuity Mortality Tables.

The funding status, from the report dated July 31, 2010, which is the latest available, is described in the following tables on a plan-wide basis. The Agency portion is not separately determinable. The State of Minnesota also subsidizes the healthcare and dental premium rates for certain other state agency retirees. That liability is reflected in the tables along with the implicit rate subsidy.

Post-Employment Benefits Other Than Pensions (continued)

The funding status is summarized as follows.

Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2006	$ -	$564,809	$564,809	0.00%	$1,961,643	28.79%
7/1/2008	-	664,452	664,452	0.00%	1,891,300	35.13%
6/30/2010	-	693,297	693,297	0.00%	2,048,761	33.84%

Schedule of Employer Contributions (dollars in thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2009	$65,480	$24,055	36.74%	$ 73,127
6/30/2010	67,663	28,343	41.89%	112,447
6/30/2011	66,526	34,208	51.42%	144,765
6/30/2012	70,195	46,519	66.27%	168,441

Development of NOO and Annual OPEB Cost Pursuant to GASB No. 45 (dollars in thousands)

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Contribution	Interests on NOO	ARC Adjustment with Interest (h) / (e) * 1.0475	Amort-ization Factor	Annual OPEB Cost (a) + (c) - (d)	Change in NOO (f) - (b)	NOO Balance LY +(g)
6/30/2009	$65,200	$24,055	$1,506	$1,226	27.0839*	$65,480	$41,425	$73,127
6/30/2010	67,018	28,343	3,474	2,828	27.0839*	67,663	39,320	112,447
6/30/2011	65,534	34,208	5,341	4,349	27.0839*	66,526	32,318	144,765
6/30/2012	68,918	46,519	6,876	5,599	27.0839*	70,195	23,676	168,441

* 30-year amortization using 4.75% interest and 4.00% payroll growth.

Risk Management

Minnesota Housing is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions; and employer obligations. Minnesota Housing manages these risks through State of Minnesota insurance plans including the State of Minnesota Risk Management Fund (a self-insurance fund) and through purchased insurance coverage. Property, casualty, liability, and crime coverage is provided by the Minnesota Risk Management Fund which may also purchase other insurance from qualified insurers for Minnesota Housing's needs. Minnesota Housing bears a $1,000 deductible per claim for the following coverage limits.

Type of coverage	Coverage Limit
Real and personal property loss	$ 4,702,559
Business interruption/loss of use/extra expense	50,000,000
Bodily injury and property damage per person	500,000
Bodily injury and property damage per occurrence	1,500,000
Faithful performance/commercial crime	14,000,000
Employee dishonesty	250,000

Minnesota Housing retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three fiscal years.

The Agency participates in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

Minnesota Housing participates in the State of Minnesota Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims. Minnesota Housing workers compensation costs and claims have been negligible during the last three fiscal years.

Commitments

As of June 30, 2012, the Agency had committed the following amounts for the purchase or origination of future loans or other housing assistance amounts (in thousands):

Funds	Amount
General Reserve	$ -
Rental Housing	5,921
Multifamily Finance	-
Residential Housing Finance	180,771
Single Family	-
Homeownership Finance	-
State Appropriated	65,099
Federal Appropriated	22,128
Agency-wide Totals	$273,919

Board-approved selections of future loans or other housing assistance for multifamily housing projects are included in the above table. Multifamily developers frequently proceed with their projects based upon their selection by the Board and, therefore, a selection is treated like a de facto commitment although it is merely a reservation of funds. The Agency retains the unilateral discretion to cancel any reservation of funds that has not been formally and legally committed.

The Agency has cancellable lease commitments for office facilities through August 2017 and for parking through February 2014, totaling $5.723 million. Combined office facilities and parking lease expense for fiscal year 2012 was $1.133 million.

Commitments (continued)

On June 30, 2012 the Agency had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines. Draws against the line of credit are required to be collateralized with mortgage-backed securities which reside in Pool 2. No mortgage-backed securities were pledged as of June 30, 2012. The advances taken during fiscal year 2012 were used to purchase and warehouse mortgage-backed securities in Pool 2. The line of credit activity for the year ended June 30, 2012, is summarized as follows (in thousands):

Beginning Balance	Draws	Repayments	Ending Balance
$0	$25,000	$25,000	$0

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of such actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

Subsequent Events

The Agency called for redemption subsequent to June 30, 2012 the following bonds (in thousands):

Program	Redemption Date	Par
Residential Housing Finance	July 1, 2012	$81,590
Residential Housing Finance	September 1, 2012	2,680
Homeownership Finance	July 1, 2012	15,700
Homeownership Finance	September 1, 2012	1,885
Rental Housing	July 16, 2012	4,470
Rental Housing	August 15, 2012	3,035
Rental Housing	September 14, 2012	1,545

On July 26, 2012 the Board of the Agency adopted a series resolution authorizing the issuance of $50.000 million bonds for the purpose of providing funds for certain of the Agency's homeownership programs. The Homeownership Finance Bonds, 2012 Series A (GNMA Pass-Through Program) were delivered on August 28, 2012.

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MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
General Reserve and Bond Funds
Five Year Financial Summary (in thousands)
Fiscal Years 2008– 2012

		2008	2009	2010	2011	2012
Loan Receivable, net (as of June 30	Multifamily programs	$ 346,509	$ 348,563	$ 334,565	$ 329,452	$ 339,306
	Homeownership programs	1,899,313	1,934,766	1,780,911	1,589,329	1,372,835
	Home Improvement programs	115,452	108,893	116,713	111,670	98,987
	Total	$2,361,274	$2,392,222	$2,232,189	$2,030,451	$1,811,128
Mortgage-backed securities net, at par (as of June 30)	Program mortgage-backed securities	$ -	$ -	$ 32,321	$ 349,676	$ 621,678
	Warehoused mortgaged-backed securities	-	-	107,330	49,688	5,081
	Total	$ -	$ -	$ 139,651	$ 399,364	$ 626,759
Bonds Payable, net (as of June 30)	Multifamily programs	$ 178,431	$ 162,288	$ 165,085	$ 172,692	$ 119,667
	Homeownership programs	2,217,945	2,296,445	2,524,422	2,372,722	2,040,422
	Home Improvement programs	15,000	15,000	15,000	10,000	10,000
	Total	$2,411,376	$2,473,733	$2,704,507	$2,555,414	$2,170,089
Mortgage-backed securities purchased, at par and loans purchased or originated during fiscal year	Multifamily programs	$ 30,169	$ 41,897	$ 20,874	$ 33,956	$ 51,091
	Homeownership programs	436,263	207,050	55,891	31,372	12,736
	Program and warehoused mortgage-backed securities	-	-	140,992	288,580	248,423
	Home Improvement programs	19,883	17,977	32,299	22,780	11,245
	Total	$ 486,315	$ 266,924	$250,056	$ 376,688	$ 323,495
Net Assets (as of June 30)	Total Net Assets*	$ 662,124	$ 668,242	$ 683,233	$ 683,638	$ 724,098
	Percent of total assets*	19.90%	20.20%	19.10%	19.90%	23.50%
Revenue over Expenses	Revenues over expenses*	$ 35,352	$ 6,118	$ 14,991	$ 14,305	$ 57,460

Notes:

* Excludes Pool 3

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Net Assets (in thousands)
General Reserve and Bond Funds
As of June 30, 2012 (with comparative totals as of June 30, 2011)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Assets	Cash and cash equivalents	$90,544	$ 28,907	$ 203,821	$ 9,313
	Investments-program mortgage-backed securities	-	-	94,951	-
	Investment securities-other	5,204	14,186	48,855	97,759
	Loans receivable, net	-	167,823	1,313,275	286,915
	Interest receivable on loans and program mortgage-backed securities	-	878	10,230	1,681
	Interest receivable on investments	44	362	462	255
	Deferred loss on interest rate swap agreements	-	-	39,634	-
	FHA/VA insurance claims, net	-	-	8,519	802
	Real estate owned, net	-	-	15,379	187
	Unamortized bond issuance costs	-	1,274	8,385	-
	Capital assets, net	1,937	-	-	-
	Other assets	1,084	4	31	21
	Total assets	$98,813	$213,434	$1,743,542	$396,933
Liabilities	Bonds payable, net	$ -	$104,667	$1,503,509	$ -
	Interest payable	-	1,745	32,062	-
	Interest rate swap agreements	-	-	39,634	-
	Deferred revenue-service release fees	-	-	-	5,477
	Accounts payable and other liabilities	4,573	3,215	646	1,213
	Interfund payable (receivable)	565	(1,182)	45	17,888
	Funds held for others	73,562	-	-	-
	Total liabilities	78,700	108,445	1,575,896	24,578
	Commitments and contingencies				
Net Assets	Restricted by bond resolution	-	104,989	167,646	-
	Restricted by covenant	18,176	-	-	372,355
	Invested in capital assets	1,937	-	-	-
	Total net assets	20,113	104,989	167,646	372,355
	Total liabilities and net assets	$98,813	$213,434	$1,743,542	$396,933

Bond Funds							
Single Family	Home-ownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2012	General Reserve & Bond Funds Excluding Pool 3 Total For the Year Ended June 30, 2011	Residential Housing Finance Pool 3	General Reserve & Bond Funds Total For The Year Ended June 30, 2012	General Reserve & Bond Funds Total For The Year Ended June 30, 2011
$ -	$ 36,355	$ 1,198	$ 370,138	$ 469,765	$ 1,021	$ 371,159	$ 473,687
-	572,331	-	667,282	356,227	-	667,282	356,227
-	135	-	166,139	498,976	30,540	196,679	523,741
-	-	14,543	1,782,556	2,004,893	28,572	1,811,128	2,030,451
-	1,883	55	14,727	15,299	76	14,803	15,375
-	1	-	1,124	1,718	136	1,260	1,990
-	-	-	39,634	30,815	-	39,634	30,815
-	-	-	9,321	7,761	-	9,321	7,761
-	-	-	15,566	24,604	-	15,566	24,604
-	3,534	161	13,354	13,307	-	13,354	13,307
-	-	-	1,937	1,445	-	1,937	1,445
-	15	-	1,155	2,220	1	1,156	2,220
$ -	$614,254	$15,957	$3,082,933	$3,427,030	$ 60,346	$3,143,279	$3,481,623
$ -	$546,913	$15,000	$2,170,089	$2,555,414	$ -	$2,170,089	$2,555,414
-	9,142	38	42,987	46,799	-	42,987	46,799
-	-	-	39,634	30,815	-	39,634	30,815
-	-	-	5,477	3,634	-	5,477	3,634
-	38	75	9,760	14,922	74	9,834	15,019
-	10	-	17,326	13,602	(17,932)	(606)	(404)
-	-	-	73,562	78,206	-	73,562	78,206
-	556,103	15,113	2,358,835	2,743,392	(17,858)	2,340,977	2,729,483
-	58,151	844	331,630	281,199	-	331,630	281,199
-	-	-	390,531	400,994	78,204	468,735	469,496
-	-	-	1,937	1,445	-	1,937	1,445
-	58,151	844	724,098	683,638	78,204	802,302	752,140
$ -	$614,254	$15,957	$3,082,933	$3,427,030	$ 60,346	$3,143,279	$3,481,623

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Assets (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2012 (with comparative totals for year-ended June 30, 2011)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Revenues	Interest earned on loans	$ -	$ 13,152	$ 75,186	$ 19,489
	Interest earned on investments-program mortgage-backed securities	-	-	791	-
	Interest earned on investments-other	63	2,274	8,355	1,330
	Administrative reimbursement	21,622	-	-	-
	Fees earned and other income	8,865	505	-	850
	Unrealized gains (losses) on Investments	70	299	4,479	2,337
	Total revenues	30,620	16,230	88,811	24,006
Expenses	Interest	-	7,345	71,034	2
	Loan administration and trustee fees	-	171	3,890	1,252
	Administrative reimbursement	-	1,584	9,918	2,572
	Salaries and benefits	17,541	-	-	-
	Other general operating	5,236	-	-	-
	Reduction in carrying value of certain low interest rate deferred loans	-	(56)	-	(712)
	Provision for loan losses	-	(2,203)	24,565	(4,504)
	Total expenses	22,777	6,841	109,407	(1,390)
	Revenues over (under) expenses	7,843	9,389	(20,596)	25,396
Other changes	Non-operating transfer of assets between funds	(9,659)	443	89,595	(33,551)
	Change in net assets	(1,816)	9,832	68,999	(8,155)
Net Assets	Total net assets, beginning of year	21,929	95,157	98,647	380,510
	Total net assets, end of year	$20,113	$104,989	$167,646	$372,355

Bond Funds			General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2012	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2011	Residential Housing Finance Pool 3	General Reserve & Bond Funds Total For The Year Ended June 30, 2012	General Reserve & Bond Funds Total For The Year Ended June 30, 2011
Single Family	Home-ownership Finance	Multifamily Housing					
$ 6,212	$ -	$655	$114,694	$123,164	$ 529	$115,223	$123,542
-	20,036	-	20,827	7,814	-	20,827	7,814
1,241	59	18	13,340	16,939	617	13,957	18,106
-	-	-	21,622	20,733	-	21,622	20,733
-	-	-	10,220	11,507	121	10,341	11,529
(26)	32,791	(3)	39,947	314	928	40,875	(903)
7,427	52,886	670	220,650	180,471	2,195	222,845	180,821
4,534	15,949	456	99,320	97,189	-	99,320	97,189
292	168	2	5,775	6,129	12	5,787	6,139
979	2,776	97	17,926	17,018	1,057	18,983	18,053
-	-	-	17,541	17,716	-	17,541	17,716
-	-	-	5,236	5,716	2,217	7,453	9,498
-	-	-	(768)	995	5,408	4,640	14,387
227	-	75	18,160	21,403	799	18,959	22,427
6,032	18,893	630	163,190	166,166	9,493	172,683	185,409
1,395	33,993	40	57,460	14,305	(7,298)	50,162	(4,588)
(72,470)	8,642	-	(17,000)	(13,900)	17,000	-	-
(71,075)	42,635	40	40,460	405	9,702	50,162	(4,588)
71,075	15,516	804	683,638	683,233	68,502	752,140	756,728
$ -	$58,151	$844	$724,098	$683,638	$78,204	$802,302	$752,140

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds
Year ended June 30, 2011 (with comparative totals for year ended June 30, 2010)

			Bond Funds		
				Residential Housing Finance	
		General Reserve	Rental Housing	Bonds	Pool 2
Cash flows from operating activities	Principal repayments on loans and program mortgage-backed securities	$ -	$ 30,110	$ 121,592	$ 45,712
	Investment in loans and program mortgage-backed securities	-	(11,536)	(61,531)	(33,488)
	Interest received on loans and program mortgage-backed securities	-	10,565	72,148	19,082
	Other operating	-	-	-	-
	Fees and other income received	9,104	505	-	6,208
	Salaries, benefits and vendor payments	(22,577)	(139)	(4,220)	(4,756)
	Administrative reimbursement from funds	21,547	(1,584)	(9,918)	(2,572)
	Deposits into funds held for others	31,297	-	-	-
	Disbursements made from funds held for others	(36,087)	-	-	-
	Interfund transfers and other assets	(1,593)	(1,182)	60	2,012
	Net cash provided (used) by operating activities	1,691	26,739	118,131	32,198
Cash flows from noncapital financing activities	Proceeds from sale of bonds and notes	-	8,965	153,538	25,000
	Principal repayment on bonds and notes	-	(62,295)	(531,940)	(25,000)
	Interest paid on bonds and notes	-	(7,719)	(75,122)	(2)
	Financing costs paid related to bonds issued	-	(134)	(2,170)	-
	Principal paid/received between funds	-	-	10,000	(10,000)
	Agency contribution to program funds	-	443	20,077	(19,467)
	Transfer of cash between funds	(9,631)	-	(36,235)	8,889
	Net cash provided (used) by noncapital financing activities	(9,631)	(60,740)	(461,852)	(20,580)
Cash flows from investing activities	Investment in real estate owned	-	-	(6,434)	(207)
	Interest received on investments	925	1,759	2,839	1,303
	Proceeds from sale of mortgage insurance claims/real estate owned	-	-	77,447	1,442
	Proceeds from maturity, sale or transfer of investment securities	40,020	90,997	361,460	289,146
	Purchase of investment securities	-	(63,374)	(82,960)	(328,522)
	Purchase of loans between funds	-	(12,195)	-	10,564
	Net cash provided (used) by investing activities	40,945	17,187	352,352	(26,274)

Bond Funds: Single Family	Bond Funds: Home-ownership Finance	Bond Funds: Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2012	Residential Housing Finance Pool 3	General Reserve & Bond Funds Total For The Year Ended June 30, 2012	General Reserve & Bond Funds Total For The Year Ended June 30, 2011
$ 10,884	$ 24,801	$ -	$ 233,099	$ 1,899	$ 234,998	$ 193,947
(23)	(234,640)	(15,000)	(356,218)	(14,721)	(370,939)	(404,510)
5,285	18,640	654	126,374	504	126,878	126,172
-	-	-	-	(2,144)	(2,144)	(3,686)
-	-	-	15,817	121	15,938	15,106
(316)	(188)	73	(32,123)	(109)	(32,232)	(29,775)
(979)	(2,776)	(97)	3,621	(1,057)	2,564	2,973
-	-	-	31,297	-	31,297	31,942
-	-	-	(36,087)	-	(36,087)	(35,135)
482	(2)	-	(223)	(593)	(816)	(1,022)
15,333	(194,165)	(14,370)	(14,443)	(16,100)	(30,543)	(103,988)
-	152,127	-	339,630	-	339,630	2,104,183
(97,505)	(6,230)	-	(722,970)	-	(722,970)	(2,251,945)
(6,957)	(10,438)	(452)	(100,690)	-	(100,690)	(96,654)
1,164	(1,959)	-	(3,099)	-	(3,099)	(3,382)
-	-	-	-	-	-	-
(2,742)	1,689	-	-	-	-	-
36,285	-	-	(692)	692	-	-
(69,755)	135,189	(452)	(487,821)	692	(487,129)	(247,798)
(611)	-	-	(7,252)	0	(7,252)	(5,064)
753	1,232	23	8,834	870	9,704	17,991
4,347	-	-	83,236	0	83,236	76,729
30,450	10,304	13,924	836,301	41,836	878,137	1,832,106
(18,605)	(9,940)	(13,450)	(516,851)	(33,825)	(550,676)	(1,712,998)
-	-	-	(1,631)	3,626	1,995	1,856
16,334	1,596	497	402,637	12,507	415,144	210,620

(Continued)

MINNESOTA HOUSING FINANCE AGENCY
Supplementary Information (Unaudited)
Statement of Cash Flows (in thousands)
General Reserve and Bond Funds (continued)
Year ended June 30, 2012 (with comparative totals for year ended June 30, 2011)

Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities

		Bond Funds		
			Residential Housing Finance	
	General Reserve	Rental Housing	Bonds	Pool 2
Revenues over (under) expenses	$ 7,843	$ 9,389	$(20,596)	$25,396
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:				
Amortization of premiums (discounts) and fees on loans and program mortgage-backed securities	-	(104)	1,332	(411)
Depreciation	1,286	-	-	-
Realized losses (gains) on sale of securities, net	175	(737)	(3,033)	(42)
Unrealized losses (gains) on securities, net	(70)	(299)	(4,479)	(2,337)
Provision for loan losses	-	(2,203)	24,565	(4,504)
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(56)	-	(712)
Capitalized interest on loans and real estate owned	-	-	(6,086)	(53)
Interest earned on investments	(238)	(2,038)	(5,123)	(1,288)
Interest expense on bonds and notes	-	7,345	71,034	2
Changes in assets and liabilities:				
Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	18,574	60,061	12,224
Decrease (increase) in interest receivable on loans	-	66	925	57
Increase (decrease) in arbitrage rebate liability	-	(2,048)	(199)	-
Increase (decrease) in accounts payable	(933)	30	(336)	1,853
Increase (decrease) in interfund payable, affecting operating activities only	(64)	(1,181)	(54)	2,023
Increase (decrease) in funds held for others	(4,790)	-	-	-
Other	(1,518)	1	120	(10)
Total	(6,152)	17,350	138,727	6,802
Net cash provided (used) by operating activities	$ 1,691	$26,739	$ 118,131	$32,198

Bond Funds						
Single Family	Home-ownership Finance	Multifamily Housing	General Reserve & Bond Funds Excluding Pool 3 Total For The Year Ended June 30, 2012	Residential Housing Finance Pool 3	General Reserve & Bond Funds Total For The Year Ended June 30, 2012	General Reserve & Bond Funds Total For The Year Ended June 30, 2011
$ 1,395	$ 33,993	$ 40	$ 57,460	$ (7,298)	$ 50,162	$ (4,588)
(753)	487	-	551	(25)	526	1,414
-	-	-	1,286	-	1,286	1,540
(345)	(23)	1	(4,004)	(1)	(4,005)	(16)
26	(32,791)	3	(39,947)	(928)	(40,875)	903
227	-	75	18,160	799	18,959	22,427
-	-	-	(768)	5,408	4,640	14,387
(336)	-	-	(6,475)	-	(6,475)	(8,576)
(634)	(36)	(19)	(9,376)	(616)	(9,992)	(17,397)
4,534	15,949	456	99,320	-	99,320	97,189
10,861	(209,839)	(15,000)	(123,119)	(12,822)	(135,941)	(210,563)
162	(1,883)	(1)	(674)	-	(674)	898
(262)	-	-	(2,509)	-	(2,509)	387
(28)	(27)	75	634	(23)	611	2,041
(63)	(2)	-	659	(593)	66	248
-	-	-	(4,790)	-	(4,790)	(3,193)
549	7	-	(851)	(1)	(852)	(1,089)
13,938	(228,158)	(14,410)	(71,903)	(8,802)	(80,705)	(99,400)
$15,333	$(194,165)	$(14,370)	$ (14,443)	$(16,100)	$ (30,543)	$(103,988)

Other Information

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Certified Public Accountants
CliftonLarsonAllen® LLP

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APPENDIX C

CERTAIN FINANCIAL STATEMENTS OF THE AGENCY (EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS) AS OF MARCH 31, 2013 AND FOR THE NINE MONTHS THEN ENDED (UNAUDITED)

As prepared by the Agency's Accounting Department

DISCLAIMER

The following information with respect to the General Reserve, Homeownership Finance, Multifamily Housing, Rental Housing, Residential Housing Finance (“RHFB”) excluding Pool 3, and RHFB Pool 3 (the “Funds”) as of March 31, 2013 and for the nine-month period then ended was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of these Funds as of March 31, 2013 and for the nine-month period then ended, subject to year-end adjustments.

State and federal appropriated funds are excluded from this presentation because assets and revenues of these funds are not pledged or available to support bonds or other obligations of the Agency or its general obligation pledge in respect thereof.

Financial results for RHFB Pool 3 are reported separately from other Funds’ results because the Agency has made no commitment to retain any net position balance in that fund. This fund is not pledged to the payment of any debt obligations of the Agency but, to the extent net position is available in this fund, they are generally available to pay any debt obligation of the Agency.

This presentation excludes management's discussion and analysis which is required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix B should be read in connection with the audited financial statements included in Appendix A, including the notes to those financial statements.

Minnesota Housing

General Reserve & Bond Funds
Statement of Net Position
as of
March 31, 2013
(unaudited)
(with comparative totals as of March 31, 2012)
(in thousands)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance: Bonds	Bond Funds: Residential Housing Finance: Pool 2	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	Fiscal 2013 General Reserve and Bond Funds as of March 31, 2013	Fiscal 2013 General Reserve and Bond Funds as of March 31, 2012
Assets										
Cash and cash equivalents	$ 88,604	$ 15,558	$ 126,845	$ 44,365	$ 23,791	$ 1,238	300,401	$ 5,317	$ 305,718	$ 362,748
Investments-program mortgage-backed securities	-	-	89,450	-	733,131	-	822,581	-	822,581	600,874
Investment securities-other	5,137	2,355	48,580	50,759	2,000	-	108,831	33,477	142,308	226,623
Loans receivable, net	-	163,159	1,159,086	292,753	-	14,451	1,629,449	32,980	1,662,429	1,881,432
Interest receivable on loans and program mortgage-backed securites	-	809	10,058	1,517	2,202	54	14,640	84	14,724	16,461 *
Interest receivable on investments	80	17	645	91	1	-	834	81	915	339 *
FHA/VA insurance claims, net	-	-	8,124	297	-	-	8,421	-	8,421	10,584
Real estate owned, net	-	-	10,080	30	-	-	10,110	-	10,110	19,729
Unamortized bond issuance costs	-	1,115	7,439	-	4,686	158	13,398	-	13,398	13,540
Capital assets, net	2,365	-	-	-	-	-	2,365	-	2,365	1,246
Other assets	921	881	7	7	3	-	1,819	270	2,089	984
Total assets	97,107	183,894	1,460,314	389,819	765,814	15,901	2,912,849	72,209	2,985,058	3,134,560
Deferred Outflows of Resources										
Deferred loss on interest rate swap agreements	-	-	34,923	-	-	-	34,923	-	34,923	37,851
Total assets and deferred outflows of resources	$ 97,107	$ 183,894	$ 1,495,237	$ 389,819	$ 765,814	$ 15,901	$ 2,947,772	$ 72,209	$ 3,019,981	$ 3,172,411
Liabilities										
Bonds payable, net	$ -	$ 70,907	$ 1,284,384	$ -	$ 695,835	$ 14,940	$ 2,066,066	$ -	$ 2,066,066	$ 2,227,684
Interest payable	-	518	14,343	-	4,608	38	19,507	-	19,507	23,501
Interest rate swap agreements	-	-	34,923	-	-	-	34,923	-	34,923	37,851
Deferred revenue-service release fees	-	-	-	6,657	-	-	6,657	-	6,657	5,049
Accounts payable and other liabilities	4,303	2,950	777	204	38	-	8,272	1	8,273	12,802
Interfund payable (receivable)	1,117	-	4	(1,295)	(4)	-	(178)	(2)	(180)	(613)
Funds held for others	72,708	-	-	-	-	-	72,708	-	72,708	77,170
Total liabilities and deferred inflows of resources	78,128	74,375	1,334,431	5,566	700,477	14,978	2,207,955	(1)	2,207,954	2,383,444
Commitments and contingencies										
Net Position										
Restricted by bond resolution	-	109,519	160,806	-	65,337	923	336,585	-	336,585	305,129
Restricted by covenant	16,614	-	-	384,253	-	-	400,867	72,210	473,077	482,592
Invested in capital assets	2,365	-	-	-	-	-	2,365	-	2,365	1,246
Total net position	18,979	109,519	160,806	384,253	65,337	923	739,817	72,210	812,027	788,967
Total liabilities and net position	$ 97,107	$ 183,894	$ 1,495,237	$ 389,819	$ 765,814	$ 15,901	$ 2,947,772	$ 72,209	$ 3,019,981	$ 3,172,411

* Amount restated to conform to current year presentation.

General Reserve & Bond Funds
Statement of Revenues, Expenses and Changes in Net Position
for the nine months ended
March 31, 2013
(unaudited)
(with comparative totals for the nine months ended March 31, 2012)
(in thousands)

	General Reserve	Bond Funds: Rental Housing	Bond Funds: Residential Housing Finance: Bonds	Bond Funds: Residential Housing Finance: Pool 2	Bond Funds: Homeownership Finance Bonds	Bond Funds: Multifamily Housing Bonds	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	Fiscal 2013 General Reserve and Bond Funds Nine Months Ended March 31, 2013	Fiscal 2012 General Reserve and Bond Funds Nine Months Ended March 31, 2012
Revenues										
Interest earned on loans	$ -	$ 7,627	$ 52,253	$ 14,295	$ -	$ 497	$ 74,672	$ 417	$ 75,089	$ 85,637
Interest earned on investments-program mortgage-backed securities	-	-	2,380	-	17,264	-	19,644	-	19,644	14,856
Interest earned on investments-other	93	444	2,725	1,413	1	-	4,676	911	5,587	9,524
Administrative reimbursement	14,570	-	-	-	-	-	14,570	-	14,570	16,278
Fees earned and other income	6,936	301	-	839	-	-	8,076	104	8,180	8,096
Unrealized gains (losses) on investments	-	(25)	(150)	5,985	(3,939)	-	1,871	(812)	1,059	27,985
Total revenues	21,599	8,347	57,208	22,532	13,326	497	123,509	620	124,129	162,376
Expenses										
Interest	-	3,176	46,820	19	14,355	341	64,711	-	64,711	74,003
Loan administration and trustee fees	-	83	2,736	1,028	202	4	4,053	11	4,064	4,359
Administrative reimbursement	-	968	7,386	1,907	2,680	73	13,014	835	13,849	14,242
Salaries and benefits	14,102	-	-	-	-	-	14,102	-	14,102	13,008
Other general operating	4,326	-	-	-	-	-	4,326	3,086	7,412	5,215
Reduction in carrying value of certain low interest rate deferred loans	-	(23)	-	(297)	-	-	(320)	2,212	1,892	4,362
Provision for loan losses	-	(387)	7,124	1,167	-	-	7,904	470	8,374	10,360
Total expenses	18,428	3,817	64,066	3,824	17,237	418	107,790	6,614	114,404	125,549
Revenues over (under) expenses	3,171	4,530	(6,858)	18,708	(3,911)	79	15,719	(5,994)	9,725	36,827
Other changes										
Non-operating transfer of assets between funds	(4,305)	-	18	(6,810)	11,097	-	-	-	-	-
Change in net position	(1,134)	4,530	(6,840)	11,898	7,186	79	15,719	(5,994)	9,725	36,827
Net Position										
Total net position, beginning of period	20,113	104,989	167,646	372,355	58,151	844	724,098	78,204	802,302	752,140
Total net position, end of period	$ 18,979	$ 109,519	$ 160,806	$ 384,253	$ 65,337	$ 923	$ 739,817	$ 72,210	$ 812,027	$ 788,967

Refer to disclaimer on page C-2.

General Reserve & Bond Funds
Statement of Cash Flows
for the nine months ended
March 31, 2013
(unaudited)
(with comparative totals for the nine months ended March 31, 2013)
(in thousands)

		Bond Funds								
			Residential Housing Finance							
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	Fiscal 2013 General Reserve and Bond Funds Nine Months Ended March 31, 2013	Fiscal 2012 General Reserve and Bond Funds Nine Months Ended March 31, 2012
Cash flows from operating activities:										
Principal repayments on loans and program mortgage-backed securities	$ -	$ 18,958	$ 120,232	$ 26,140	$ 43,336	$ 99	$ 208,765	$ 1,309	$ 210,074	$ 170,343
Investment in loans and program mortgage-backed securities	-	(5,816)	(2,893)	(40,504)	(202,070)	-	(251,283)	(8,774)	(260,057)	(299,645)
Interest received on loans and program mortgage-backed securities	-	7,342	51,975	13,650	17,568	491	91,026	414	91,440	93,808 *
Other operating	-	-	-	-	-	-	-	(3,086)	(3,086)	(1,414)
Fees and other income received	7,096	300	-	7,496	-	-	14,892	104	14,996	13,502
Salaries, benefits and vendor payments	(16,986)	(99)	(3,007)	(7,509)	(197)	(79)	(27,877)	(83)	(27,960)	(24,622)
Administrative reimbursement from funds	14,994	(968)	(7,386)	(1,907)	(2,680)	(73)	1,980	(835)	1,145	1,835
Deposits into funds held for others	22,403	-	-	-	-	-	22,403	-	22,403	24,006
Disbursements made from funds held for others	(23,432)	-	-	-	-	-	(23,432)	-	(23,432)	(24,935)
Interfund transfers and other assets	(2,136)	1,182	(40)	(1,944)	(13)	-	(2,951)	427	(2,524)	(306)
Net cash provided (used) by operating activities	1,939	20,899	158,881	(4,578)	(144,056)	438	33,523	(10,524)	22,999	(47,428)
Cash flows from noncapital financing activities:										
Proceeds from sale of bonds and notes	-	-	250,173	83,000	200,000	-	533,173	-	533,173	177,127
Principal repayment on bonds and notes	-	(33,965)	(468,540)	(83,000)	(50,464)	(60)	(636,029)	-	(636,029)	(503,725)
Interest paid on bonds and notes	-	(4,039)	(63,015)	(19)	(18,971)	(338)	(86,382)	-	(86,382)	(95,974)
Financing costs paid related to bonds issued	-	(30)	(904)	-	(1,678)	-	(2,612)	-	(2,612)	(2,461)
Agency contribution to progam funds	-	-	18	(4,487)	4,469	-	-	-	-	-
Transfer of cash between funds	(4,308)	-	-	4,308	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	(4,308)	(38,034)	(282,268)	(198)	133,356	(398)	(191,850)	-	(191,850)	(425,033)
Cash flows from investing activities:										
Investment in real estate owned	-	-	(3,695)	(293)	-	-	(3,988)	-	(3,988)	(5,679)
Interest received on investments	429	817	2,801	1,420	1	-	5,468	368	5,836	10,610 *
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	47,049	941	-	-	47,990	-	47,990	62,133
Proceeds from maturity, sale or transfer of investment securities	-	14,948	26,028	284,139	135	-	325,250	20,932	346,182	715,852
Purchase of investment securities	-	(3,131)	(25,772)	(254,858)	(2,000)	-	(285,761)	(6,850)	(292,611)	(421,394)
Purchase of loans between funds	-	(8,848)	-	8,479	-	-	(369)	370	1	-
Net cash provided (used) by investing activities	429	3,786	46,411	39,828	(1,864)	-	88,590	14,820	103,410	361,522
Net increase (decrease) in cash and cash equivalents	(1,940)	(13,349)	(76,976)	35,052	(12,564)	40	(69,737)	4,296	(65,441)	(110,939)
Cash and cash equivalents:										
Beginning of period	90,544	28,907	203,821	9,313	36,355	1,198	370,138	1,021	371,159	473,687
End of period	$ 88,604	$ 15,558	$ 126,845	$ 44,365	$ 23,791	$ 1,238	$ 300,401	$ 5,317	$ 305,718	$ 362,748

* Amount restated to conform to current year presentation.

General Reserve & Bond Funds
Statement of Cash Flows, continued
for the nine months ended
March 31, 2013
(unaudited)
(with comparative totals for the nine months ended March 31, 2013)
(in thousands)

		Bond Funds								
			Residential Housing Finance							
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	Fiscal 2013 General Reserve and Bond Funds Nine Months Ended March 31, 2013	Fiscal 2012 General Reserve and Bond Funds Nine Months Ended March 31, 2012
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:										
Revenues over (under) expenses	$ 3,171	$ 4,530	$ (6,858)	$ 18,708	$ (3,911)	$ 79	$ 15,719	$ (5,994)	$ 9,725	$ 36,827
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:										
Amortization of (discounts) premiums and fees on loans and program mortgage-backed securities	-	(92)	861	(768)	623	(7)	617	5	622	941
Depreciation	1,121	-	-	-	-	-	1,121	-	1,121	917
Realized (gains) on securities, net	-	(15)	(108)	(53)	-	-	(176)	(675)	(851)	(927)
Unrealized (gains) losses on securities, net	-	25	150	(5,985)	3,939	-	(1,871)	812	(1,059)	(27,985)
Provision for loan losses	-	(387)	7,124	1,167	-	-	7,904	470	8,374	10,361
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(23)	-	(297)	-	-	(320)	2,212	1,892	4,362
Capitalized interest on loans and real estate owned	-	-	(3,559)	(41)	-	-	(3,600)	-	(3,600)	(5,320)
Interest earned on investments	(93)	(468)	(2,742)	(1,360)	(1)	-	(4,664)	(236)	(4,900)	(8,951)
Interest expense on bonds and notes	-	3,176	46,820	19	14,355	341	64,711	-	64,711	74,002
Changes in assets and liabilities:										
Decrease (increase) in loans receivable and program mortgage backed secuirities, excluding loans transferred between funds	-	13,142	117,339	(14,364)	(158,734)	99	(42,518)	(7,465)	(49,983)	(129,302)
Decrease (increase) in interest receivable on loans and program mortgage-backed securities	-	69	172	164	(319)	1	87	(8)	79	(2,332) *
Increase (decrease) in arbitrage rebate liability	-	(216)	(7)	-	-	-	(223)	-	(223)	379
Increase (decrease) in accounts payable	8	(19)	(294)	171	(6)	(75)	(215)	(73)	(288)	669
(Decrease) increase in interfund payable, affecting operating activities only	424	1,182	(41)	(1,953)	(14)	-	(402)	697	295	(62)
(Decrease) in funds held for others	(1,029)	-	-	-	-	-	(1,029)	-	(1,029)	(929)
Other	(1,663)	(5)	24	14	12	-	(1,618)	(269)	(1,887)	(78)
Total	(1,232)	16,369	165,739	(23,286)	(140,145)	359	17,804	(4,530)	13,274	(84,255)
Net cash provided (used) by operating activities	$ 1,939	$ 20,899	$ 158,881	$ (4,578)	$ (144,056)	$ 438	$ 33,523	$ (10,524)	$ 22,999	$ (47,428)

* Amount restated to conform to current year presentation.

General Reserve & Bond Funds
Cash and Cash Equivalents
(unaudited)

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates market value and comprise the following at March 31, 2013 (in thousands):

Funds	Deposits	Money Market Funds	State Investment Pool	Investment Agreements	Combined Totals
General Reserve	$ -	$ -	$ 88,604	$ -	$ 88,604
Rental Housing	387	15,171	-	-	15,558
Residential Housing Finance:					
Bonds	2,210	95,042	-	29,593	126,845
Pool 2	479	43,886	-	-	44,365
Homeownership Finance	-	23,791	-	-	23,791
Multifamily Housing	-	1,238	-	-	1,238
Subtotal	3,076	179,128	88,604	29,593	300,401
Residential Housing Finance:					
Pool 3	222	5,095	-	-	5,317
Total	$ 3,298	$ 184,223	$ 88,604	$ 29,593	$ 305,718

General Reserve & Bond Funds
Investment Securities
(unaudited)

Investment Securities

Investment securities (comprising US Treasuries, US Agencies, municipals, and mortgage-backed securities*) are recorded at fair market value and were allocated to the following funds at March 31, 2013 (in thousands):

Funds	Amortized Cost	Unrealized Appreciation in Fair Market Value	Estimated Fair Market Value
General Reserve	$ 5,009	$ 128	$ 5,137
Rental Housing	2,163	192	2,355
Residential Housing Finance:			
Bonds	130,897	7,133	138,030
Pool 2	50,314	445	50,759
Homeownership Finance	692,475	42,656	735,131
Multifamily Housing	-	-	-
Subtotal	880,858	50,554	931,412
Residential Housing Finance:			
Pool 3	32,853	625	33,478
Total	$ 913,711	$ 51,179	$ 964,890

*Mortgage-backed Securities Investments

Mortgage-backed securities (MBS) that are pledged as security for the payment of Agency bonds and are held in an acquisition account are presented as “Investments- program mortgage-backed securities” on the financial statements. The Agency may also hold non-program MBS which are included with “Investment securities-other.” All investments, including program and non-program MBS, are reported at fair market value on the statement of net position. The difference between the fair market value and the amortized cost is presented as “unrealized gains (losses) on securities” on the statement of revenues, expenses and changes in net position.

General Reserve & Bond Funds
Loans Receivable, net
(unaudited)

Loans Receivable, net

Loans receivable, net at March 31, 2013 consist of the following (in thousands):

Funds	Gross Loans Receivable	Allowance for Loan Losses	Unamortized (Discounts)/ Premiums	Loans Receivable, net
General Reserve	$ -	$ -	$ -	$ -
Rental Housing	169,664	(5,044)	(1,461)	163,159
Residential Housing Finance:				
Bonds	1,175,534	(22,252)	5,804	1,159,086
Pool 2	304,081	(4,334)	(6,994)	292,753
Homeownership Finance	-	-	-	-
Multifamily Housing	14,901	(74)	(376)	14,451
Subtotal	1,664,180	(31,704)	(3,027)	1,629,449
Residential Housing Finance:				
Pool 3	154,532	(121,136)	(416)	32,980
Total	$ 1,818,712	$ (152,840)	$ (3,443)	$ 1,662,429

Included in the table above are certain loans residing in RHFB Pool 3 that are originated at interest rates ranging from 0% to 5% and repayment of which is deferred for up to 30 years. These loans are generally in either a second or lower mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination most are fully reserved resulting in a net carrying value of zero.

General Reserve & Bond Funds
Bonds Payable, net
(unaudited)

Bonds Payable, net

Bonds payable, net at March 31, 2013 consist of the following (in thousands):

Funds	Par Bonds Outstanding	Net Unamortized Premium and Deferred Fees	Net Unamortized Deferred Loss	Bonds Payable, Net
General Reserve	$ -	$ -	$ -	$ -
Rental Housing	71,905	-	(998)	70,907
Residential Housing Finance:				
Bonds	1,282,020	3,190	(826)	1,284,384
Pool 2	-	-	-	-
Homeownership Finance	692,981	2,854	-	695,835
Multifamily Housing	14,940	-	-	14,940
Subtotal	2,061,846	6,044	(1,824)	2,066,066
Residential Housing Finance:				
Pool 3	-	-	-	-
Total	$ 2,061,846	$ 6,044	$ (1,824)	$ 2,066,066

Interest Rate Swaps

The Agency has entered into certain interest rate swap agreements that are considered to be derivative instruments under Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). A consultant has been engaged by the Agency to determine the fair value of these agreements and to evaluate their effectiveness as hedges as of March 31, 2013. The fair values approximate the termination payments that would have been due had the swaps been terminated as of March 31, 2013. In accordance with GASB 53, the Agency recorded the fair value of the agreements on the statement of net position. The fair values exclude accrued interest. As of March 31, 2013, all of the Agency's interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed on the statement of net position as a liability named "Interest rate swap agreements." The inception-to-date change in fair value as of March 31, 2013 is included in the deferred outflows of resources account identified as "Deferred loss on interest rate swap agreements."

Objective of Swaps

The Agency entered into interest rate swap agreements in connection with its issuance of variable rate mortgage revenue bonds under the Residential Housing Finance Bond Resolution from 2003 through 2009. Using variable-rate debt hedged with interest-rate swaps reduced the Agency's cost of capital at the time of issuance compared to using long-term fixed rate bonds and, in turn, enabled the Agency to reduce mortgage rates offered to the Agency's low- and moderate-income, first-time home buyers.

Terms of Swaps

Terms of the swaps, the fair values, changes in fair values, and the credit ratings of the two counterparties thereto as of March 31, 2013, are contained in the two tables below (in thousands). All swaps are pay-fixed, receive-variable. Initial swap notional amounts matched original principal amounts of the associated debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in outstanding principal amounts of the associated bond series. With respect to the outstanding swaps (except for the 2009 F swap), the Agency has also purchased the right, generally based upon a 300% PSA prepayment rate (The Standard Prepayment Model of The Securities Industry and Financial Markets Association and formerly the Public Securities Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match the outstanding principal amount of the associated bond series and, except for the 2003B, 2003J, 2004G, and 2009F swaps, the right to terminate the swaps at par at approximately the 10-year anniversary date of the swap. The Agency also has the right to terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

General Reserve & Bond Funds
Interest Rate Swaps
(unaudited)
Counterparty: The Bank of New York Mellon

Moody's Aa1 (stable outlook)/Standard & Poor's AA- (negative outlook)

Associated Bond Series	Notional Amount as of March 31, 2013	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of March 31, 2013	Increase (Decrease) in Fair Value since Fiscal Year Ended June 30, 2012
RHFB 2003B	$ 22,595	July 23, 2003	January 1, 2033	3.532%	65% of 1 month LIBOR* plus 0.23% per annum	$ (1,638)	$ 179
RHFB 2003J	15,395	October 15, 2003	July 1, 2033	4.183%	65% of 1 month LIBOR* plus 0.23% per annum	(2,170)	252
RHFB 2005C	16,830	March 2, 2005	January 1, 2035	3.587%	64% of 1 month LIBOR* plus 0.28% per annum	(764)	334
RHFB 2005I	26,805	June 2, 2005	January 1, 2036	3.570%	64% of 1 month LIBOR* plus 0.28% per annum	(1,660)	519
RHFB 2005M	38,950	August 4, 2005	January 1, 2036	3.373%	64% of 1 month LIBOR* plus 0.29% per annum	(2,297)	703
RHFB 2006C	22,385	March 21, 2006	January 1, 2037	3.788%	64% of 1 month LIBOR* plus 0.29% per annum	(1,781)	423
RHFB 2007S	18,975	December 19, 2007	July 1, 2038	4.340%	100% of SIFMA** Index plus 0.06% per annum	(1,913)	166
RHFB 2007T (Taxable)	23,080	December 19, 2007	July 1, 2026	4.580%	100% of 1 month LIBOR*	(2,476)	572
Counterparty Total	$ 185,015					$ (14,699)	$ 3,148

General Reserve & Bond Funds
Interest Rate Swaps
(unaudited)
Counterparty: Royal Bank of Canada
Moody's Aa3 (stable outlook)/Standard & Poor's AA- (stable outlook)

Associated Bond Series	Notional Amount as of March 31, 2013	Effective Date	Swap Maturity Date	Fixed Rate Payable	Variable Rate Receivable	Fair Value[1] as of March 31, 2013	Increase (Decrease) in Fair Value since Fiscal Year Ended June 30, 2012
RHFB 2004G	$ 27,295	July 22, 2004	January 1, 2032	4.165%	64% of 1 month LIBOR* plus 0.26% per annum	$ (2,949)	$ 77
RHFB 2007E (Taxable)	11,110	March 7, 2007	July 1, 2038	5.738%	100% of 1 month LIBOR*	(1,944)	(50)
RHFB 2007J (Taxable)	17,005	May 17, 2007	July 1, 2038	5.665%	100% of 1 month LIBOR*	(3,019)	(51)
RHFB 2008C	40,000	August 7, 2008	July 1, 2048	4.120%	64% of 1 month LIBOR* plus 0.30% per annum	(4,915)	652
RHFB 2009C	40,000	February 12, 2009	July 1, 2039	3.070%	64% of 3 month LIBOR* plus 0.30% per annum	(6,486)	680
RHFB 2009F	22,390	December 1, 2009	September 12, 2017	2.365%	100% of weekly SIFMA**plus 0.80% per annum	(911)	256
Counterparty Total	$ 157,800					$ (20,224)	$ 1,564
Combined Totals	$ 342,815					$ (34,923)	$ (4,712)

[1] A positive fair value represents money due to the Agency by the counterparty upon an assumed termination of the swap while a negative fair value represents the amount payable by the Agency

* London Inter-Bank Offered Rate
** Securities Industry and Financial Markets Association

Termination Risk

The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract or upon certain termination events. Upon termination at market, a payment is due by one party based upon the fair value of the swap even if the payment is owed to a defaulting party. The potential termination risks to the Agency are the liability for a termination payment to the counterparty or the inability to replace the swap upon favorable financial terms, in which event the variable rate bonds would no longer be hedged. To reduce the risk of termination, swap contracts generally limit counterparty terminations to the following Agency actions or events: payment default, other defaults that remain uncured for 30 days after notice, substantial impairment of credit ratings, bankruptcy and insolvency.

Credit Risk

A swap potentially exposes the Agency to credit risk with the counterparty. The fair value of a swap represents the Agency's current potential credit exposure to the swap counterparty assuming the occurrence of a termination event. As of March 31, 2013, the Agency did not have a net credit risk exposure to either of its two counterparties because their respective combined swap positions had a negative net fair value, as set forth in the foregoing tables. Each of the swap agreements requires that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral threshold for each counterparty and the Agency is $50 million if the ratings on the unsubordinated, unsecured long-term indebtedness of the counterparty, in the case of the counterparty, or the hedged bonds, in the case of the Agency, are not less than "AA-" and "Aa3" from Standard & Poor's and Moody's, respectively, $5 million if the ratings are not less than "A+" and "A1", $3 million if the ratings are not less than "A" and "A2", and $0, if either rating is lower. These bilateral requirements are established to mitigate potential credit risk exposure. As of March 31, 2013, neither the Agency nor any counterparty had been required to post collateral.

Amortization Risk

The Agency is subject to amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding principal amount of variable rate bonds to decline faster than the amortization of the notional amount of the swap. To ameliorate amortization risk, termination options were structured within most of the outstanding swaps to enable the Agency to manage the outstanding balances of variable rate bonds and notional swap amounts. (See *Terms of Swaps*) Additionally, the Agency may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

The potential for basis risk exists when variable interest payments on the Agency's bonds do not equal variable interest receipts payable by the counterparty under the associated swap. The variable rate the Agency pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month or three-month taxable LIBOR rate or the SIFMA index rate, plus a specified spread if the swap relates to tax-exempt bonds. Basis risk will vary over time due to inter-market conditions. As of March 31, 2013, the interest rate on the Agency's variable rate tax-exempt debt ranged from 0.13% to 0.14% per annum while the variable interest rate on the associated swaps ranged from 0.18% to 0.46% per annum. As of March 31, 2013, the interest rate on the Agency's variable rate taxable debt was 0.20% per annum while the variable interest rate on the corresponding swaps was 0.20% per annum. In order to reduce the cumulative effects of basis risk on the swaps relating to tax-exempt variable rate debt, the determination of the spread from one-month LIBOR, or three-month LIBOR payable by the counterparty under the swap was based upon a regression analysis of the long-term relationship between one-month LIBOR, or three-month LIBOR and the tax-exempt variable rate SIFMA index (which ordinarily would approximate the weekly variable rate on the Agency's tax-exempt variable rate bonds).

Tax Risk

The structure of the variable interest rate payments the Agency receives from its LIBOR-based swap contracts relating to tax-exempt variable rate bonds is based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents the risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Agency chose to assume this risk at the time the swaps were entered into because it was not economically favorable to transfer to the swap counterparties.

APPENDIX D

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the "Bondholders") and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption "Annual Financial Information Disclosure" herein.

"*Audited Financial Statements*" means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption "Annual Financial Information Disclosure."

"*Beneficial Owners*" means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

"*Commission*" means the Securities and Exchange Commission.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Listed Event*" means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as described under the heading "Listed Events Disclosure" in this Appendix D.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*Undertaking*" means the obligations of the Agency described under the headings "Annual Financial Information Disclosure" and "Listed Events Disclosure" in this Appendix D.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ended June 30, 2013, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency's fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any Federal, state, local or private program intended to assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following including put and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) Bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export-Import Bank of the United States, Student Loan Marketing

Association, Farmers Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency; (v) interest-bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation or said deposits are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by a nationally recognized bond rating agency; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by a nationally recognized bond rating agency; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by a nationally recognized bond rating agency and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from a nationally recognized rating agency at the time the contract or agreement is made at least equal to the rating of the Bonds, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by a nationally recognized bond rating agency or such contracts or agreements are secured by obligations described in clauses (i) through (iii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i) through (iii) of this Section, (xi) notes, Bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency; and (xii) notes, Bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

(i) the name of the Mortgagor to, and Development for, which the payment is to be made;

(ii) the amount to be paid; and

(iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy; and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

(a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:

(i) the unpaid principal balance of the Mortgage Loan: plus

(ii) accrued interest to the date of the Prepayment; plus

(iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and

(b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

(a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;

(b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and

(c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

(a) obtained all governmental approvals required by law for the acquisition and construction of the Development;

(b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;

(c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

(a) receipt of full Prepayment conforming to the requirements stated below;

(b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;

(c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;

(d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;

(e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;

(f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or

(g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

(a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;

(b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;

(c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and

(d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

(a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;

(b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and

(c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

(a) Revenues to the Revenue Fund:

(b) Prepayments and Recovery Payments to the Redemption Fund; and

(c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

(a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds) upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it is has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, a nationally recognized bond rating agency as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a "Supplemental Resolution").

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of "Events of Default" above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of "Events of Default" above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York ("DTC"), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond for each maturity of a series of the Series Bonds in the aggregate principal amount of such maturity and series will be registered in the name of Cede & Co., DTC's partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of such Series Bonds shall mean Cede & Co. or such other nominee and shall not mean the Beneficial Owners (as hereinafter defined) of such Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in Series Bonds of such series to be redeemed.

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

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to one or both series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Series Bonds of such series are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of such Series Bonds held in the Beneficial Owner's name, shall become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for one or both series of the Series Bonds. In such event, the Series Bonds of such series are to be delivered as described in the Resolutions.

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APPENDIX G

FORM OF OPINION OF BOND COUNSEL

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___________, 2013

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Minnesota Housing Finance Agency
Rental Housing Bonds
2013 Series B-1
2013 Series B-2

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2013 Series B-1, in the aggregate principal amount of $2,040,000 (the "2013 Series B-1 Bonds") and its Rental Housing Bonds, 2013 Series B-2, in the aggregate principal amount of $1,225,000 (the "2013 Series B-2 Bonds" and, together with the 2013 Series B-1 Bonds, the "2013 Series B Bonds"), each series of which are issuable only as fully registered bonds of single maturities in denominations of $5,000 or any integral multiple thereof.

The 2013 Series B Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2013 Series B Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Bond Resolution adopted February 25, 1988, as amended and supplemented (the "Bond Resolution"), and the Series Resolution relating to the 2013 Series B Bonds adopted May 23, 2013, as amended by a resolution adopted July 25, 2013 (as so amended, the "Series Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2013 Series B Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2013 Series B Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2013 Series B Bonds are not a debt of the State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2013 Series B Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2013 Series B Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, that we express no opinion as to the exclusion from federal gross income and Minnesota taxable net income of interest on any 2013 Series B Bond for any period during which such 2013 Series B Bond is held by a person who is a "substantial user" of the Development financed by the 2013 Series B Bonds or a "related person" thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Interest on the 2013 Series B Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and will not be included in the calculation of adjusted current earnings for purposes of calculating the federal minimum alternative tax imposed on corporations. Interest on the 2013 Series B Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2013 Series B Bonds. All owners of 2013 Series B Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2013 Series B Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2013 Series B Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2013 Series B Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2013 Series B Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

MINNESOTA HOUSING FINANCE AGENCY • Rental Housing Bonds, 2013 Series B-1 (Non-AMT) and 2013 Series B-2 (Non-AMT)

Minnesota Housing Finance Agency

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