

NEW ISSUE—BOOK ENTRY ONLY

Rating: Moody's "Aa1"  
(See "Rating")

*Under applicable law, subject to continuing compliance by the Issuer and others with certain covenants in the Agreements and the Indenture and related financing documents, and in reliance upon representations and conclusions in certificates, studies and reports of the Issuer and certain other participants in the financing, interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax. See "Tax Matters."*

**\$40,000,000\***

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Single Family Mortgage Revenue Bonds**  
**(Texas Heroes Home Loan Program)**  
**Series 2019A (Non-AMT)**

Dated: May 1, 2019 (Interest Accrues from Delivery Date)

Due: See Inside Front Cover

The above-captioned bonds (the "Bonds") will be issued in book-entry, fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on and principal of the Bonds will be payable on each March 1 and September 1, commencing September 1, 2019, by Wells Fargo Bank, National Association, as trustee (the "Trustee"), to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. See "The Bonds—Payment, Transfer and Exchange."

The Bonds will be issued and secured under the terms of a Trust Indenture dated as of May 1, 2019 (the "Indenture"), between the Texas State Affordable Housing Corporation (the "Issuer") and the Trustee. The Bonds will be issued to make funds available to finance qualifying mortgage loans for single family residences located in the State of Texas through the purchase by the Trustee on behalf of the Issuer of fully-modified mortgage-backed securities (the "Certificates"). The Certificates will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"). See "Introduction" and "Security for the Bonds."

The Bonds are subject to redemption prior to maturity as described herein. It is expected that the Bonds of each maturity will be redeemed prior to the stated maturity date thereof. See "The Bonds—Redemption of Bonds" and "Structuring Assumptions and Risks."

**The Bonds are special, limited obligations of the Issuer, payable solely out of the revenues, receipts, and security pledged therefor under the Indenture. The Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. The Bonds do not constitute a debt or obligation of the State of Texas, or any political subdivision, agency or instrumentality thereof, and shall not constitute a lien on or pledge of any property of the Issuer except as provided in the Indenture. The Issuer has no taxing power. The Bonds are not obligations of, or guaranteed by, GNMA.**

*The Bonds are offered, when, as and if issued, subject to the approval by the Issuer, and the approval of certain legal matters by the Attorney General of the State of Texas, and Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. Hilltop Securities Inc., Austin, Texas, will act as financial advisor to the Issuer in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Issuer and the Underwriter by Greenberg Traurig, LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Chapman and Cutler LLP. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May 9, 2019.*

**Raymond James**

April \_\_, 2019

\* Preliminary; subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualifications under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE\*

**\$40,000,000**  
**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Single Family Mortgage Revenue Bonds**  
**(Texas Heroes Home Loan Program)**  
**Series 2019A (Non-AMT)**

**\$4,510,000 Principal Amount of Serial Bonds (Price of Each Maturity: 100%)**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP<sup>†</sup></u>
September 1, 2020	\$155,000	%	88271H ____
March 1, 2021	165,000		88271H ____
September 1, 2021	170,000		88271H ____
March 1, 2022	175,000		88271H ____
September 1, 2022	180,000		88271H ____
March 1, 2023	185,000		88271H ____
September 1, 2023	190,000		88271H ____
March 1, 2024	195,000		88271H ____
September 1, 2024	200,000		88271H ____
March 1, 2025	205,000		88271H ____
September 1, 2025	215,000		88271H ____
March 1, 2026	220,000		88271H ____
September 1, 2026	225,000		88271H ____
March 1, 2027	230,000		88271H ____
September 1, 2027	235,000		88271H ____
March 1, 2028	245,000		88271H ____
September 1, 2028	250,000		88271H ____
March 1, 2029	255,000		88271H ____
September 1, 2029	265,000		88271H ____
March 1, 2030	270,000		88271H ____
September 1, 2030	280,000		88271H ____

**\$35,490,000 Principal Amount of Term Bonds**

\$2,865,000	____%	Term Bonds Due March 1, 2035 (Price: 100%) (CUSIP: 88271H ____ <sup>†</sup> )
\$4,120,000	____%	Premium Term Bonds Due March 1, 2040 (Price: ____%) (CUSIP: 88271H ____ <sup>†</sup> )
\$5,395,000	____%	Premium Term Bonds Due March 1, 2045 (Price: ____%) (CUSIP: 88271H ____ <sup>†</sup> )
\$8,110,000	____%	Premium Term Bonds Due March 1, 2050 (Price: ____%) (CUSIP: 88271H ____ <sup>†</sup> )
\$15,000,000	____%	Premium PAC Bonds Due March 1, 2049 (Price: ____%) (CUSIP: 88271H ____ <sup>†</sup> )

\* Preliminary; subject to change

<sup>†</sup> Neither the Issuer nor the Underwriter takes responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the Bonds.

No broker, salesman or other person has been authorized by the Issuer to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein by the Issuer has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors 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 such information. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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**\$40,000,000\***  
**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Single Family Mortgage Revenue Bonds**  
**(Texas Heroes Home Loan Program)**  
**Series 2019A (Non-AMT)**

**INTRODUCTION**

This Official Statement (including the cover page and appendices) sets forth certain information relating to the sale and issuance by the Texas State Affordable Housing Corporation (the “Issuer”) of its \$40,000,000\* aggregate principal amount of Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program), Series 2019A (Non-AMT) (the “Bonds”). The Bonds will be issued pursuant to Subchapter Y of Chapter 2306 of the Texas Government Code, as amended (the “Act”), and one or more resolutions adopted by the Issuer. The Bonds will be issued and secured under a Trust Indenture dated as of May 1, 2019 (the “Indenture”), between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Certain provisions of the Indenture are summarized below in “Flow of Funds” and “The Indenture.” Capitalized terms used in this Official Statement and not otherwise defined are defined in “Appendix A—Definitions.”

*The Bonds are subject to redemption prior to maturity as described herein. Purchasers of Bonds (and particularly the purchasers of the Premium PAC Bond and the Premium Term Bonds) should understand that the Bonds are subject to mandatory redemption at 100% of the principal amount thereof, plus accrued interest, under the circumstances described herein. See “The Bonds—Redemption of Bonds” and “Structuring Assumptions and Risks.”*

Under the Act, the Issuer is permitted to issue the bonds to finance single family mortgage loans to certain borrowers (“Texas Heroes”) under the “Homes for Texas Heroes Home Loan Program,” as described in Section 2306.5621 of the Act. Texas Heroes include the following categories of Texas Heroes: (i) Allied Health Program Faculty Members, (ii) Corrections Officers, (iii) County Jailers, (iv) Emergency Medical Services Personnel, (v) Fire Fighters, (vi) Peace Officers, (vii) Professional Educators, (viii) Professional Nursing Program Faculty Members, (ix) Public Security Officers and (x) Veterans. See Appendix A for the definitions of these terms. To qualify for a mortgage loan, the borrowers must meet all the requirements of the Act, Section 143 of the Internal Revenue Code of 1986, as amended (the “Code”), and the Issuer. See “The Program” for a detailed description of these requirements.

The Mortgage Loans will be originated under the Program by participating lenders (each a “Lender” and collectively the “Lenders”) pursuant to the terms of a Mortgage Origination Agreement between each Lender and the Issuer (each a “Lender Agreement, and collectively the “Lender Agreements”), the Program Guidelines and other Program Documents. The Mortgage Loans are required to meet all Program requirements, which include the requirement that each Mortgage Loan be (i) insured by the Federal Housing Administration (“FHA”), pursuant to the National Housing Act, as amended, (ii) guaranteed by the Department of Veterans Affairs (“VA”), pursuant to the Servicemen’s Readjustment Act of 1944, as amended, or (iii) guaranteed by the Rural Housing Service of the United States Department of Agriculture (“USDA-RHS”), pursuant to the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended. After origination, the Lenders will sell the Mortgage Loans on a servicing-released basis to the Servicer (as defined below).

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\* Preliminary; subject to change

The Lenders and the Issuer will review the Mortgage Loans and the borrowers, and other matters as necessary to determine compliance with the requirements of the Program, as more fully set forth in the Lender Agreements and the Program Guidelines. The Issuer will act as compliance agent for the Program.

The servicer under the Program is Lakeview Loan Servicing, LLC (the “Servicer”). Pursuant to the terms of a Servicing and Sale Agreement dated as of February 1, 2019, between the Issuer and Servicer (the “Servicing Agreement”), the Servicer will purchase the Mortgage Loans from the Lenders, and pool the Mortgage Loans into pass-through certificates (the “GNMA Certificates”) backed by Mortgage Loans and guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”), and issued by the Servicer. The Servicer will service all of the Mortgage Loans. The Servicer is a GNMA-approved servicer of FHA-insured, VA-guaranteed and USDA-RHS-guaranteed mortgage loans, and an authorized issuer of GNMA Certificates.

Following issuance of the GNMA Certificates, the Servicer will sell the GNMA Certificates to the Trustee. The GNMA Certificates will be pledged under the Indenture to provide for the payment of the principal of and interest on the Bonds. See “Security for the Bonds.”

Brief descriptions of the Issuer, the Bonds, the GNMA mortgage-backed certificate program, the Program, together with summaries of certain provisions of the Indenture, and the Agreements, follow in this Official Statement. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements.

## THE ISSUER

Texas State Affordable Housing Corporation was incorporated in May 1994 under the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq., Vernon’s Annotated Texas Civil Statutes, as amended (now codified as V.T.C.A. Business Organizations Code, Chapter 22, as amended). The Issuer is a public non-profit corporation created by statute. The members of the Board of Directors are appointed by the Governor of the State, with the advice and consent of the State Senate. The Issuer is subject to significant state oversight, including audit by the State Auditor and debt issuance review and approval by the Texas Bond Review Board. The enabling legislation for the Issuer, as amended, may be found at Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

The Issuer is governed by a Board of Directors with five members. The current members of the Board of Directors are:

<u>Name</u>	<u>Position</u>
William H. Dietz	Chairperson
Jerry Romero	Vice Chairperson
Valerie Cardenas	Director
Lori Cobos	Director
Robert Elliott Jones	Director

David Long serves as President of the Issuer. Mr. Long has been employed by the Issuer since October 2001. Janie Taylor serves as Executive Vice President of the Issuer. Ms. Taylor has been employed by the Issuer since August 2006. Melinda Smith serves as Chief Financial Officer of the Issuer and has been employed by the Issuer since August 2001. Cynthia Gonzales serves as Acting Corporate Secretary of the Issuer and has been employed by the Issuer since June 1997.

The Issuer is organized, operated and administered in accordance with the Issuer's enabling legislation. The Issuer has received a determination letter from the Internal Revenue Service recognizing the Issuer as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer's Articles of Incorporation provide, among other things, that the public purpose of the Issuer is to perform such activities and services that the Issuer's Board of Directors determines will promote the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income, including single family mortgage revenue bond programs such as the program described herein. See "The Program."

The Bonds are special, limited obligations of the Issuer, payable solely out of the revenues, receipts, and security pledged therefor under the Indenture. The Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. The Bonds do not constitute a debt or obligation of the State of Texas, or any political subdivision, agency or instrumentality thereof, and shall not constitute a lien on or pledge of any property of the Issuer except as provided in the Indenture. The Issuer has no taxing power. The Bonds are not obligations of, or guaranteed by, GNMA.

Like virtually all Texas state agencies, the Issuer is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended) and is subject to "sunset" (abolishment) on September 1, 2023. If sunset were to occur, the Texas Sunset Act provides for the continued payment of the Issuer's bonds in accordance with their terms and the designation of an appropriate State agency to carry out all covenants with respect to such bonds.

## **THE BONDS**

### **General**

The Bonds will be issued in fully registered, book-entry form in denominations of \$5,000 principal amount or any integral multiple thereof. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2019\* (each an "Interest Payment Date").

Interest on the Bonds will be calculated on a 30/360 basis and any interest due on an Interest Payment Date which is not a Business Day will be paid on the next succeeding Business Day (but interest will only accrue to the first calendar day of the month).

### **Book-Entry Only System**

The Bonds will be issued in book-entry only form through The Depository Trust Company ("DTC"). Payments with respect to the Bonds will be made by the Trustee to DTC only. A description of certain provisions relating to the DTC book-entry system is set forth in Appendix B.

### **Payment, Transfer and Exchange**

*The following provisions apply only if the Bonds are converted from book-entry to certificated form.*

Principal of the Bonds and interest on the Bonds will be payable by check of the Trustee mailed on the Interest Payment Date thereof to the person or persons in whose name the Bonds are registered on the registration books of the Trustee as of the Record Date with respect to each Interest Payment Date;

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\* Preliminary; subject to change

provided, however, that payment of such interest will be made by wire transfer to any Owner of any Bonds in an aggregate principal amount of at least \$1,000,000 at the risk and expense of the Owner, if such Owner has requested in writing payment by such method and has provided the Trustee with an account number and other necessary information for such purposes at least five Business Days before the applicable Record Date; and provided further that the final payment of principal will be made upon presentation of the Bond at the designated corporate trust office of the Trustee.

The transfer of any Bond is registerable on the bond register maintained by the Trustee upon the surrender of such Bond for cancellation and registration of transfer at the designated corporate trust office of the Trustee, accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the Owner or by his attorney duly authorized in writing, provided, however, that the Trustee is not required to register the transfer of or exchange any Bond during the period between the Record Date and the next Interest Payment Date or during the three days next preceding any date established by the Trustee for the selection of Bonds for redemption nor to register the transfer of or exchange any Bonds called for redemption after the call for redemption and prior to the redemption date.

### Redemption of Bonds

**Mandatory Redemption Due to Nonorigination.** The Bonds are subject to mandatory redemption in whole or in part on November 1, 2019\* from moneys in the Program Fund that have not been applied to the purchase of GNMA Certificates by October 25, 2019\*, at the applicable redemption price set forth below, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date; *provided that* the foregoing dates (and the final GNMA Certificate purchase date) may be extended one or more times, at the option of the Issuer, if the conditions set forth in the Indenture are met.

Bond Maturity Date*	Redemption Price*
Serial Bonds	100%
Term Bonds Maturing March 1, 2035	100%
Premium Term Bonds Maturing March 1, 2040	%
Premium Term Bonds Maturing March 1, 2045	%
Premium Term Bonds Maturing March 1, 2050	%
Premium PAC Bonds	%

**Mandatory Redemption from Prepayments and Surplus Revenues.** The Bonds are subject to mandatory redemption in whole or in part on the first day of each month, commencing June 1, 2019\*, from amounts in the Redemption Fund (representing Prepayments from GNMA Certificates and surplus revenues), if amounts in the Redemption Fund exceed \$25,000\*, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

*[Remainder of Page Intentionally Left Blank]*

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\* Preliminary; subject to change



**Mandatory Sinking Fund Redemption.** The Term Bonds are subject to mandatory sinking fund redemption from amounts deposited in the Principal Fund on the applicable dates, and in the applicable principal amounts, set forth below:

<b>Bonds Maturing March 1, 2035*</b>			
<b>Redemption Date*</b>	<b>Principal Amount*</b>	<b>Redemption Date*</b>	<b>Principal Amount*</b>
March 1, 2031	\$285,000	September 1, 2033	\$325,000
September 1, 2031	295,000	March 1, 2034	335,000
March 1, 2032	300,000	September 1, 2034	345,000
September 1, 2032	310,000	March 1, 2035 <sup>†</sup>	355,000
March 1, 2033	315,000		

<b>Bonds Maturing March 1, 2040*</b>			
<b>Redemption Date*</b>	<b>Principal Amount*</b>	<b>Redemption Date*</b>	<b>Principal Amount*</b>
September 1, 2035	\$360,000	March 1, 2038	\$415,000
March 1, 2036	375,000	September 1, 2038	430,000
September 1, 2036	385,000	March 1, 2039	440,000
March 1, 2037	395,000	September 1, 2039	450,000
September 1, 2037	405,000	March 1, 2040 <sup>†</sup>	465,000

<b>Bonds Maturing March 1, 2045*</b>			
<b>Redemption Date*</b>	<b>Principal Amount*</b>	<b>Redemption Date*</b>	<b>Principal Amount*</b>
September 1, 2040	\$475,000	March 1, 2043	\$545,000
March 1, 2041	490,000	September 1, 2043	560,000
September 1, 2041	505,000	March 1, 2044	575,000
March 1, 2042	515,000	September 1, 2044	590,000
September 1, 2042	530,000	March 1, 2045 <sup>†</sup>	610,000

<b>Bonds Maturing March 1, 2050*</b>			
<b>Redemption Date*</b>	<b>Principal Amount*</b>	<b>Redemption Date*</b>	<b>Principal Amount*</b>
September 1, 2045	\$625,000	March 1, 2048	\$ 715,000
March 1, 2046	640,000	September 1, 2048	735,000
September 1, 2046	660,000	March 1, 2049	750,000
March 1, 2047	675,000	September 1, 2049	1,290,000
September 1, 2047	695,000	March 1, 2050 <sup>†</sup>	1,325,000

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\* Preliminary; subject to change

<sup>†</sup> Maturity Date

<b>Premium PAC Bonds (Maturing March 1, 2049<sup>*</sup>)</b>			
<b>Redemption Date<sup>*</sup></b>	<b>Principal Amount<sup>*</sup></b>	<b>Redemption Date<sup>*</sup></b>	<b>Principal Amount<sup>*</sup></b>
September 1, 2020	\$115,000	March 1, 2035	\$240,000
March 1, 2021	115,000	September 1, 2035	245,000
September 1, 2021	115,000	March 1, 2036	250,000
March 1, 2022	120,000	September 1, 2036	255,000
September 1, 2022	120,000	March 1, 2037	265,000
March 1, 2023	125,000	September 1, 2037	270,000
September 1, 2023	130,000	March 1, 2038	280,000
March 1, 2024	130,000	September 1, 2038	285,000
September 1, 2024	135,000	March 1, 2039	295,000
March 1, 2025	140,000	September 1, 2039	305,000
September 1, 2025	140,000	March 1, 2040	310,000
March 1, 2026	145,000	September 1, 2040	320,000
September 1, 2026	150,000	March 1, 2041	325,000
March 1, 2027	155,000	September 1, 2041	335,000
September 1, 2027	160,000	March 1, 2042	345,000
March 1, 2028	160,000	September 1, 2042	355,000
September 1, 2028	165,000	March 1, 2043	365,000
March 1, 2029	175,000	September 1, 2043	375,000
September 1, 2029	175,000	March 1, 2044	385,000
March 1, 2030	180,000	September 1, 2044	395,000
September 1, 2030	185,000	March 1, 2045	405,000
March 1, 2031	190,000	September 1, 2045	415,000
September 1, 2031	195,000	March 1, 2046	430,000
March 1, 2032	205,000	September 1, 2046	440,000
September 1, 2032	205,000	March 1, 2047	455,000
March 1, 2033	215,000	September 1, 2047	465,000
September 1, 2033	220,000	March 1, 2048	475,000
March 1, 2034	225,000	September 1, 2048	490,000
September 1, 2034	230,000	March 1, 2049 <sup>†</sup>	505,000

If Term Bonds are subject to redemption in part (other than by mandatory sinking fund redemption) or purchased in part, for each maturity of Term Bonds: (i) for any redemption in part due to unexpended moneys in the Program Fund, the sinking fund payments shall be reduced on a pro-rata basis; and (ii) for optional redemption in part or mandatory redemption in part from Prepayments and surplus revenues in part, or for purchases in part: (a) for the Premium PAC Bonds, sinking fund payments shall be reduced in chronological order, and (b) for all other Term Bonds, sinking fund payments shall be reduced on a pro-rata basis.

**Optional Redemption.** The Bonds are subject to redemption, at the option of the Issuer, on or after March 1, 2029<sup>\*</sup>, in whole or in part on any date, at a Redemption Price equal to 100%<sup>\*</sup> of the principal amount of the Bonds to be so redeemed, together with accrued interest, if any, to the date of

<sup>\*</sup> Preliminary; subject to change

<sup>†</sup> Maturity Date

redemption from any source (provided that such moneys are not, as established by an opinion of nationally recognized bankruptcy counsel selected by the Issuer and acceptable to the Trustee, recoverable as preferences under the United States Bankruptcy Code).

The Issuer is permitted to direct the Trustee to sell the GNMA Certificates and redeem the Bonds, in whole or in part, but such redemption must be undertaken as an optional redemption of the Bonds as described above, and the conditions of the Indenture must be met, including, if such redemption is in part, that the rating on the remaining outstanding Bonds be confirmed by the Rating Agency.

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

**Selection Procedure for Mandatory Redemption Due to Nonorigination.** If Bonds are subject to mandatory redemption due to nonorigination in part from unexpended moneys in the Program Fund, such moneys will be applied to redeem Bonds (including Premium PAC Bonds), on a pro rata basis.

**Selection Procedure for Mandatory Redemption from Prepayments and Surplus Revenues.** Amounts deposited in the Redemption Fund (representing Prepayments with respect to the GNMA Certificates and surplus revenues) shall be applied to redeem Bonds in the following order of priority:

FIRST, such amounts shall be applied to redeem the Premium PAC Bonds down to the 100% PSA Outstanding Bond Amount for Premium PAC Bonds;

SECOND, after applying the amounts as described in clause FIRST above, and until the outstanding principal amount of all Bonds has been reduced to the applicable 450% PSA Outstanding Bond Amount for All Bonds, any remaining amounts shall be applied to redeem all Bonds, except the Premium PAC Bonds, on a pro rata basis; provided that all amounts so allocable to the redemption of the Term Bonds shall be applied (i) first to redeem the Term Bonds maturing March 1, 2035<sup>\*</sup>, until such Bonds are no longer Outstanding, and (ii) second, to redeem all other Term Bonds on a pro rata basis; and

THIRD, after applying the amounts as described in clauses FIRST and SECOND above, any remaining amounts shall be applied to redeem all Bonds, including the Premium PAC Bonds, on a pro rata basis; provided that all amounts so allocable to the redemption of the Term Bonds shall be applied (i) first to redeem the Term Bonds maturing March 1, 2035<sup>\*</sup>, until such Bonds are no longer Outstanding, and (ii) second, to redeem all other Term Bonds on a pro rata basis.

The applicable “100% PSA Outstanding Bond Amount for Premium PAC Bonds” is the amount set forth in the second column of Appendix D for the Interest Payment Date on which the redemption of Premium PAC Bonds could occur. The amounts in the column for each Interest Payment Date have been calculated based on the principal amount of Premium PAC Bonds projected to remain outstanding, after taking into account scheduled principal payments and projected redemptions (including monthly redemptions) of Premium PAC Bonds from Prepayments and surplus revenues. The projected Outstanding Bond Amounts are based on various assumptions, including (i) the assumptions stated under “Structuring Assumptions and Risks,” (ii) an expected purchase schedule for the GNMA Certificates, and (iii) Prepayments and surplus revenues resulting from a constant 100% PSA prepayment rate. See generally “Structuring Assumptions and Risks.”

The applicable “450% PSA Outstanding Bond Amount for All Bonds” is the amount set forth in the third column of Appendix D for the Interest Payment Date on which the redemption of the Bonds could occur. The amounts in the column for each such date have been calculated based on the principal

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\* Preliminary; subject to change

amount of all Bonds (including Premium PAC Bonds) projected to be outstanding, after taking into account scheduled principal payments and projected redemptions (including monthly redemptions) of Bonds from Prepayments and surplus revenues. The projected Outstanding Bond Amounts are based on various assumptions, including (i) the assumptions stated under “Structuring Assumptions and Risks,” (ii) an expected purchase schedule for the GNMA Certificates, and (iii) Prepayments with respect to the GNMA Certificates and surplus revenues resulting from a constant 450% PSA prepayment rate. See generally “Structuring Assumptions and Risks.”

The Outstanding Bond Amounts in Appendix D are subject to reduction if Bonds are subject to mandatory redemption (as described above) from unexpended moneys in the Program Fund. In such case, the amounts in the table shall be reduced, on a pro rata basis, by the principal amount of Bonds so redeemed. In addition, the Bonds are subject to redemption on a monthly basis from amounts in the Redemption Fund as described above (see “The Bonds—Redemption of Bonds—Mandatory Redemption from Prepayments and Surplus Revenues”), and the Indenture sets forth the Outstanding Bond Amounts as of the first day of each month.

**Selection Procedure for Optional Redemption.** If Bonds are subject to optional redemption in part, the Bonds to be redeemed shall be selected on a pro rata basis.

**Other Selection Provisions.** Bonds (or portions thereof) shall be redeemed in a principal amount equal to \$5,000 or any integral multiple thereof, with each \$5,000 of principal amount to be redeemed considered as one Bond. For purposes of determining Bonds or portions thereof to be redeemed within a single maturity, Bonds shall be selected by lot in a manner chosen by the Trustee.

If less than all of the Bonds within a maturity are being redeemed, DTC’s current practice is to determine by lot the amount of the interest of each DTC Lender (as hereinafter defined) in such maturity to be called for redemption and each DTC Lender is then to select by lot the ownership interests in such maturity to be redeemed. See “Appendix B—Book-Entry Only System” herein.

### **Notice of Redemption**

Notice of redemption of the Bonds shall be sent not less than twenty (20) days prior to the redemption date, except that in the case of a mandatory redemption due to nonorigination, such notice shall be sent not less than five (5) days prior to the redemption date.

Failure to provide any required notice of redemption will not affect the validity of any proceeding for the redemption of any Bond.

### **Purchase of Bonds in Lieu of Redemption**

If at any time Bonds are subject to redemption, in lieu of such redemption the Issuer may direct the Trustee to purchase Bonds which would otherwise be subject to redemption, at a purchase price equal to or less than the related redemption price. Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the Bonds and may not occur, without the consent of the Trustee, after a Record Date. All Bonds so purchased shall be canceled by the Trustee and the face amount of the Bonds so purchased shall be applied as a credit against the Issuer’s obligation to redeem such Bonds from such moneys.

## Additional Bonds

No additional bonds may be issued under the Indenture.

## SOURCES AND USES OF FUNDS

Upon issuance of the Bonds, the proceeds of the Bonds, together with other money from the sources described below, will be applied as follows:

### Sources

Bond Principal	\$40,000,000*
Bond Premium	
Issuer Funds	
TOTAL	<u>\$</u>

### Uses

Program Fund <sup>1</sup>	\$
Capitalized Interest Fund	
Cost of Issuance Fund <sup>2</sup>	
TOTAL	<u>\$</u>

<sup>1</sup> Amounts deposited in the Program Fund will be used to purchase GNMA Certificates at the GNMA Certificate Sale Price, which includes a premium portion to finance down payment and closing cost assistance for the Mortgagors.

<sup>2</sup> Amounts deposited in the Cost of Issuance Fund will be applied to pay costs of issuance, including, but not limited to, the fees and expenses of the Issuer, the Financial Advisor, the Underwriter, Bond Counsel and Disclosure Counsel, the rating agency fee, the verification fee, the Trustee's initial fees and expenses, and other costs relating to the issuance of the Bonds.

## SECURITY FOR THE BONDS

**The Bonds are special, limited obligations of the Issuer, payable solely out of the revenues, receipts, and security pledged therefor under the Indenture. The Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. The Bonds do not constitute a debt or obligation of the State of Texas, or any political subdivision, agency or instrumentality thereof, and shall not constitute a lien on or pledge of any property of the Issuer except as provided in the Indenture. The Issuer has no taxing power. The Bonds are not obligations of, or guaranteed by, GNMA.**

Under the Indenture, the Bonds are secured by an assignment and pledge of, and security interest in, (i) all right, title and interest of the Issuer in the GNMA Certificates, (ii) all right, title and interest of the Issuer in the Servicing Agreement and the Lender Agreements, and (iii) any moneys and securities (including Investment Securities) held in any Fund established under the Indenture (except the Excess Interest Portion Fund, the Program Expense Fund, the Cost of Issuance Fund or any Rebate Amount in any Fund).

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\* Preliminary; subject to change

The Servicer is obligated to pay the principal of and interest on the GNMA Certificates in an amount equal to (i) the scheduled principal and interest due on the underlying Mortgage Loans (less the related servicing and guaranty fees), whether or not the Servicer has received such principal and interest payments on the underlying Mortgage Loans, and (ii) prepayments on the underlying Mortgage Loans received by the Servicer. GNMA guarantees the timely payment of principal of and interest on the GNMA Certificates. See “GNMA Mortgage-Backed Certificate Program.”

Moneys in the Program Fund (pending purchase of GNMA Certificates) and the Capitalized Interest Fund will be invested in Investment Securities and all amounts so invested will be pledged as security for the Bonds.

### **GNMA MORTGAGE-BACKED CERTIFICATE PROGRAM**

*The summary of the GNMA Mortgage-Backed Certificate Program, GNMA Certificates and other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the applicable GNMA guide or guides and to the GNMA Certificates and other documents for full and complete statements of their provisions.*

*GNMA has provided the information under this caption. None of the Issuer, the Trustee, the Underwriter, the Financial Advisor, Bond Counsel, Disclosure Counsel or counsel to the Underwriter has independently verified such information, and none assumes responsibility for the accuracy of such information.*

GNMA is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”), with its principal office in Washington, D.C. GNMA is authorized by Section 306(g) of Title III of the National Housing Act, as amended (the “Housing Act”), to guarantee the timely payment of the principal of, and interest on, certificates which represent an undivided interest in a pool of mortgage loans insured by FHA under the Housing Act or Title V of the Housing Act of 1949, or guaranteed by VA under the Servicemen’s Readjustment Act of 1944, as amended, of Chapter 37 of Title 38, United States Code. Section 306(g) further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated October 12, 1969, of an Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed certificates of the type to be delivered to the Trustee on behalf of the Issuer are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.” In order to meet its obligations under such guaranties, GNMA, in its corporate capacity under Section 306(d) of Title III of the Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranties of the timely payment of the principal of or interest on all GNMA Certificates. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement GNMA’s guaranties. Under the terms of its guaranties, GNMA warrants that, in the event it is called upon at any time to make payment on its guaranties, it will, if necessary, in accordance with Section 306(d) of Title III of the Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

To issue GNMA Certificates, the Servicer is required first to apply to and receive from GNMA a Commitment to Guarantee Mortgage-Backed Securities (“GNMA Commitment”). A GNMA Commitment authorizes the Servicer to issue GNMA Certificates up to a stated amount during a one-year period following the date thereof. The Servicer is obligated to pay the GNMA commitment fees. The Servicer is also obligated to pay the monthly GNMA guaranty fees.

Each GNMA Certificate is to be backed by a mortgage pool consisting of Mortgage Loans in a minimum aggregate amount approved by GNMA. Each GNMA I Certificate will be a “mortgage loan pass-through” certificate which will require the Servicer to pass through to the paying and transfer agent therefor (the “GNMA Paying Agent”) by the fifteenth day of each month (or the sixteenth day, if such day is not a business day, provided that, if neither the fifteenth nor the sixteenth day is a business day, then the first business day prior to the fifteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA guaranty fee and the Servicer’s servicing fee), whether or not the Servicer receives such payments, plus any prepayments of principal of the Mortgage Loans received by the Servicer in the previous month. Each GNMA II Certificate will require the Servicer to pass through to the GNMA Paying Agent, by the nineteenth day of each month (or the twentieth day, if such day is not a business day; provided that, if neither the nineteenth nor the twentieth day is a business day, then the first business day prior to the nineteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA guaranty fee and the Servicer’s servicing fee), whether or not the Servicer receives such payments, plus any prepayments of principal of the Mortgage Loans received by the Servicer in the previous month. The GNMA Paying Agent is then required to pass through to the Trustee on or before the third business day following the nineteenth day of each month the scheduled payments received from the Servicer. GNMA guarantees timely payment of principal of and interest with respect to the GNMA Certificate.

GNMA, upon execution of the GNMA guaranty agreement, issuance of a GNMA Certificate by the Servicer, and subsequent sale of such GNMA Certificate to the Trustee, will have guaranteed to the Trustee as holder of such GNMA Certificate the timely payment of principal of and interest on such GNMA Certificate.

## **FLOW OF FUNDS**

The Trustee will create the following funds under the Indenture: (i) Program Fund; (ii) Capitalized Interest Fund; (iii) Revenue Fund; (iv) Interest Fund; (v) Principal Fund; (vi) Redemption Fund; (vii) Excess Interest Portion Fund, the (viii) Program Expense Fund; (ix) Rebate Fund and (x) Cost of Issuance Fund. *The Excess Interest Portion Fund, the Program Expense Fund, the Rebate Fund and the Cost of Issuance Fund will not be pledged as security for the Bonds.*

Interest earnings on the Program Fund, the Capitalized Interest Fund, the Revenue Fund, the Principal Fund and the Redemption Fund will be deposited in the Revenue Fund. The Excess Interest Portion Fund, the Program Expense Fund, the Rebate Fund and the Cost of Issuance Fund will each retain its interest earnings.

### **Program Fund**

See “Sources and Uses of Funds” for a description of the moneys to be initially deposited in the Program Fund. All moneys initially deposited in the Program Fund and the Capitalized Interest Fund will be invested in Investment Securities.

Moneys in the Program Fund are to be applied as follows:

- (i) to purchase GNMA Certificates at the Certificate Sale Price on each Certificate Sale Date during the GNMA Certificate Purchase Period; and
- (ii) to apply any remaining balance in the Program Fund to the redemption of Bonds on the Nonorigination Redemption Date (see “The Bonds—Redemption of Bonds—Mandatory Redemption Due to Nonorigination”).

Moneys in the Program Fund will be used only to purchase GNMA Certificates meeting the requirements set forth in the Indenture and the Agreements.

### **Capitalized Interest Fund**

See “Sources and Uses of Funds” for a description of the moneys to be initially deposited in the Capitalized Interest Fund. Amounts in the Capitalized Interest Fund shall be used to pay interest on the Bonds and Program Expenses if moneys in the Revenue Fund are insufficient for such purposes. Amounts remaining in the Capitalized Interest Fund on the May 1, 2020 (or, if later, 30 days after the Nonorigination Redemption Date) that are not required to be transferred to the Rebate Fund shall be released from the lien of the Indenture and transferred to the Issuer.

### **Cost of Issuance Fund**

Amounts deposited in the Cost of Issuance Fund will be used to pay for the costs of issuing the Bonds and for any other purpose set forth in the Indenture; any balance remaining in the Cost of Issuance Fund will be paid to the Issuer in accordance with the provisions of the Indenture. *Amounts deposited in the Cost of Issuance Fund will not be pledged as security for the Bonds.*

### **Revenue Fund**

Upon receipt of each GNMA Certificate interest payment, the Trustee shall calculate the Issuer’s Excess Interest Portion relating to such payment and shall deposit such amount in the Excess Interest Portion Fund.

All Revenues as and when received shall be deposited in the Revenue Fund (except as described in the Indenture with respect to a portion of the first payment of interest with respect to each GNMA Certificate which shall be remitted to the Servicer).

On or before the first Business Day of a month, the Trustee shall transfer, from amounts deposited in the Revenue Fund during the prior month, the following amount to the following Funds, in the following order of priority:

(a) to the Interest Fund, the amount necessary, together with any moneys then on deposit in such Fund, to pay the interest due and payable on the Bonds on the next Interest Payment Date for the Bonds;

(b) to the Principal Fund, the amount necessary, together with any moneys then on deposit in such Fund, to pay the principal due and payable on the Bonds (by maturity or by sinking fund redemption) on the next Interest Payment Date for the Bonds;

(c) to the Rebate Fund, any related Rebate Amount specified by the Rebate Analyst;

(d) to the Program Expense Fund, the amount necessary, together with any moneys on deposit in such Fund, to pay the Program Expenses due and payable on the next Interest Payment Date for the Bonds; and

(e) any balance shall be transferred to the Redemption Fund; provided that a minimum balance of \$5,000 shall be retained in the Revenue Fund.

Notwithstanding the foregoing paragraph (including clauses (a) through (e)), on and before March 1, 2020, all GNMA Certificate principal payments, including scheduled principal payments and Prepayments, shall be transferred directly from the Revenue Fund to the Redemption Fund. The March 1,



2020 date may be extended one or more times, by written notice from the Issuer to the Trustee, in connection with any extension of the Nonorigination Redemption Date.

Notwithstanding the foregoing, upon the optional redemption of the Bonds, amounts for such redemptions shall be deposited in special accounts of the Revenue Fund and applied to the redemption of Bonds on the applicable redemption date.

### **Interest Fund**

Amounts in the Interest Fund are required to be used to pay the interest due and payable on the Bonds.

If at any time the amount in the Interest Fund is insufficient to pay interest on the Bonds when due, the Trustee is required to transfer to the Interest Fund the amount of such deficiency by withdrawing said amount from the following Funds in the following order of priority (after any permitted withdrawals from the Capitalized Interest Fund): (i) the Revenue Fund, (ii) the Redemption Fund (but not for amounts for which notice of redemption has been given), and (iii) the Principal Fund.

### **Principal Fund**

The Trustee is required to apply amounts on deposit in the Principal Fund to pay principal of the Bonds as the same shall become due and payable (including payment due by mandatory sinking fund redemption).

In the event that the amount in the Principal Fund is insufficient to pay the principal of the Bonds when due, the Trustee shall transfer to the Principal Fund the amount of such deficiency by withdrawing said amount from the following Funds in the following order of priority (after any permitted withdrawals from the Capitalized Interest Fund): (i) the Revenue Fund and (ii) the Redemption Fund (but not for amounts for which notice of redemption has been given).

### **Redemption Fund**

Amounts in the Redemption Fund are required to be applied to the redemption of Bonds as described under “The Bonds—Redemption of Bonds—Mandatory Redemption from Prepayments and Surplus Revenues.”

### **Program Expense Fund**

Amounts in the Program Expense Fund are required to be used and withdrawn by the Trustee for the purpose of paying Program Expenses relating to the Bonds. *Amounts deposited in the Program Expense Fund will not be pledged as security for the Bonds.*

### **Excess Interest Portion Fund**

Amounts in the Excess Interest Portion Fund are required to be used and withdrawn by the Trustee for the purpose of paying the Issuer’s Excess Interest Portion. *Amounts deposited in the Excess Interest Portion Fund will not be pledged as security for the Bonds.*

### **Rebate Fund**

The Trustee is required to deposit to the Rebate Fund no later than the 5th anniversary of the date of delivery of the Bonds (and every 5 years thereafter) and upon retirement of the last Bond an amount equal to the Rebate Amount. No later than 60 days after the 5th anniversary of the delivery date of the

Bonds (and every 5 years thereafter) there is required to be paid to the United States an amount that ensures that 90% of the Rebate Amount will have been paid to the United States. Not later than 60 days after retirement of the Bonds any unpaid Rebate Amount shall be paid to the United States. *Any Rebate Amount will not be pledged as security for the Bonds.*

## STRUCTURING ASSUMPTIONS AND RISKS

### General

**The Premium PAC Bonds and the Premium Term Bonds will be sold at a price in excess of their principal amount. Each Bond purchaser (including secondary market purchasers) should consider that the Bonds of each maturity are subject to redemption (or purchase in lieu of redemption) at par from various sources, including mandatory sinking fund payments, amounts in the Redemption Fund (which represent Prepayments and surplus revenues), and from optional redemptions described herein. See “The Bonds—Redemption of Bonds.”**

The ability of the Issuer to pay principal of and interest on the Bonds depends upon the receipt of sufficient and timely payments of principal of and interest on the GNMA Certificates and the investment of moneys held under the Indenture in Investment Securities. Timely payment of principal and interest on the Bonds is anticipated to occur based on numerous assumptions, including, but not limited to, the following assumptions:

1. GNMA Certificates with an aggregate principal balance equal to \$40,000,000<sup>\*</sup>, and bearing interest at the Pass-Through Rate of \_\_\_% per annum will be acquired by the Trustee during the GNMA Certificate Purchase Period from moneys in the Program Fund. The Mortgage Loans will have terms of 30 years and bear interest at the rate of \_\_\_% per annum. The Mortgage Loan Rate and the Pass-Through Rate are subject to increase or decrease if the conditions set forth in the Indenture are met.
2. Payments on the GNMA Certificates will be made on a timely basis.
3. Timely payment of interest and principal of Investment Securities purchased with moneys in the Program Fund, the Capitalized Interest Fund, the Revenue Fund and the Redemption Fund.
4. The Trustee will redeem Bonds on a timely basis in accordance with the provisions of the Indenture.
5. The Issuer’s Excess Interest Portion and the Program Expenses will be paid on a timely basis and in the correct amounts.

*The assumptions set forth above are only assumptions, are not complete, and subsequent events may not correspond to such assumptions. Moneys in the Cost of Issuance Fund, the Excess Interest Portion Fund, the Program Expense Fund and any Rebate Amount will not be available to pay the Bonds.*

### Risks of Nonorigination

There are numerous reasons why Mortgage Loans may not be originated. One significant risk is the availability of other loan programs, including programs offered by other housing finance agencies, corporations, authorities or other profit or nonprofit entities in the State of Texas, that have loan terms which are more attractive than those offered by the Program, such as lower mortgage rates or greater down payment and closing cost assistance. Another significant risk is that prevailing mortgage interest

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<sup>\*</sup> Preliminary; subject to change

rates could decline sufficiently to make the terms of the Mortgage Loans unattractive to potential homebuyers. If interest rates decline and the Program is rendered less attractive, the Issuer may determine to issue a new series of bonds that would offer more attractive Mortgage Loan terms. No assurance can be given that the interest rate and payment assistance offered by the Program on the Mortgage Loans will be competitive, or will remain competitive, with other mortgage loans available to eligible mortgagors, including other programs offered by the Issuer.

It is also possible that administrative problems relating to the Program could occur, such as the failure of Lenders to timely submit loan files or sell Mortgage Loans to the Servicer, defective loan files, or the failure of the Servicer to timely purchase Mortgage Loans from Lenders. In addition, the Servicer could fail to pool the Mortgage Loans on a timely basis, fail to convert such pools into GNMA Certificates, or fail to sell the GNMA Certificates to the Trustee on a timely basis.

Further, GNMA could take actions relating to their guaranty or change existing procedure that would result in an inability to timely deliver GNMA Certificates to the Trustee. Under the Program, the Servicer is required to pool Mortgage Loans into GNMA Certificates only, and therefore any changes in the GNMA Certificate program could adversely affect origination of the Mortgage Loans and the delivery of GNMA Certificates for purchase by the Trustee. See “The Program—General.”

The Issuer may purchase GNMA Certificates from the Servicer and then subsequently sell those GNMA Certificates to the Trustee. The Issuer may use its general funds to purchase such certificates, or it may use borrowed funds to purchase such certificates. In the case of such a “warehouse” borrowing, the Issuer may pledge the GNMA Certificates to secure such loan. If for any reason the Issuer defaulted on such a loan, or if for any reason the lender did not otherwise release the GNMA Certificates held as collateral, then such GNMA Certificates could not be delivered to the Trustee. As a result, the Issuer would be required to originate additional Mortgage Loans (pooled into additional GNMA Certificates) in order to fully use moneys in the Program Fund. The Issuer currently has a warehouse borrowing arrangement with the Federal Home Loan Bank.

If for any reason described in the preceding four paragraphs, or for any other reason, moneys in the Program Fund are not applied to the purchase of GNMA Certificates, unexpended moneys in such Fund will be applied to the mandatory redemption of Bonds on the Nonorigination Redemption Date. See “The Bonds—Redemption of Bonds—Mandatory Redemption Due to Nonorigination.”

The dollar amount of commitments to guarantee securities that GNMA can approve and the dollar amount that FHA, VA and USDA-RHS can insure or guarantee in any federal fiscal year are limited by statute and administrative procedures. If an appropriation act is not passed in any federal fiscal year or if GNMA, FHA, VA or USDA-RHS reaches the limit of its authority, or if the FHA maximum loan limit is reduced, or if GNMA, in its sole discretion, or the federal government, alters or amends the GNMA I or II mortgage-backed securities program in such a way as to prevent the Lenders from originating Mortgage Loans, the Lenders might not be able to originate Mortgage Loans and the Servicer may not be able to issue and deliver GNMA Certificates in the anticipated principal amount. In addition, the Servicer may become unqualified to issue GNMA Certificates and a successor Servicer may have to be appointed. The failure to originate Mortgage Loans, or the inability of the Servicer or any other person to issue GNMA Certificates, or the failure to deliver GNMA Certificates to the Trustee in the anticipated amount, would result in the mandatory redemption of Bonds. See “The Bonds—Redemption of Bonds—Mandatory Redemption Due to Nonorigination.”

### **Risks of Remedies and Loss of Tax-Exemption on Bonds**

The remedies available upon an event of default under the Indenture, the Servicing Agreement, the Lender Agreements, the Continuing Disclosure Agreement or other documents or agreements relating

to the Bonds or the Program, or if a default occurs with respect to any Investment Security, are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the applicable documents may not be readily available or may be limited.

The various legal opinions to be delivered with respect to the Bonds and the Program will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Under certain circumstances, interest on the Bonds may be subject to federal income tax action, including on a retroactive basis. See “Tax Matters.”

### **Average Life of Bonds**

The maturities of the Bonds have been fixed based in part on the assumption that there will be no principal prepayments of the GNMA Certificates; however, it is anticipated that significant prepayments of the Mortgage Loans backing the related GNMA Certificates will in fact occur so that the Bonds will be paid in advance of their stated maturity dates. “Weighted average life” refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of each maturity of the Bonds will be influenced by the rate of principal payment of the Mortgage Loans underlying the GNMA Certificates. Principal payments may be in the form of scheduled principal payments or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations due to default or other disposition of the Mortgage Loans, including payments on the FHA insurance, the USDA-RHS guaranty or the VA guaranty. Prepayments on loans such as the Mortgage Loans (GNMA Certificates) are commonly measured by a prepayment standard or months. The model used in the following discussion is The Bond Market Association (formerly the Public Security Association), prepayment standard or model (the “PSA Prepayment Model”). The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of the mortgage loans. 100% of the PSA Prepayment Model assumes a prepayment rate of .2% per annum of the unpaid principal balance of the mortgage loans for the first month of the life of the related Mortgage Loans, increasing by .2% each month for the next 29 months of the life of the related mortgage loans, and then assumes a constant prepayment rate of 6% per annum of the unpaid principal balance for the remaining life of the related mortgage loans.

As used in the following table, “0% PSA” assumes no prepayments on the principal of the GNMA Certificates. “25% PSA” assumes the principal of the GNMA Certificates will prepay at a rate .25 times as fast as the prepayment rates for the 100% PSA Prepayment Model. “50% PSA” assumes the principal of the GNMA Certificates will prepay at a rate .5 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “75% PSA” assumes the principal of the GNMA Certificates will prepay at a rate .75 times as fast as the prepayment rates for 100% the PSA Prepayment Model. “100% PSA” assumes the principal of the GNMA Certificates will prepay at a rate equal to the prepayment rate for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 1.5 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 2 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 3 times as fast as the prepayment rates for the 100% of PSA Prepayment Model. “350% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 3.5 times as fast as the prepayment rates for the 100% of PSA Prepayment Model. “400% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 4 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “450% PSA” assumes the principal of the GNMA Certificates will prepay at a rate 4.5 times as fast as the prepayment rates for 100% of the PSA Prepayment Model. “500%

PSA” assumes the principal of the GNMA Certificates will prepay at a rate 5 times as fast as the prepayment rates for 100% of the PSA Prepayment Model.

*The figures in the table set forth below were computed using the assumptions previously listed and various additional assumptions, including an assumption that GNMA Certificates are purchased by the Trustee in accordance with an expected draw schedule with a weighted average midpoint purchase date of approximately September 1, 2019\*, and that the Bonds are not optionally redeemed. There can be no assurance that such assumptions will in fact prove accurate.*

<b>Table of Projected Weighted Average Lives for Term Bonds (in Years)*</b>					
Prepayment Assumption	Bonds Due March 1, 2035	Bonds Due March 1, 2040	Bonds Due March 1, 2045	Bonds Due March 1, 2050	Premium PAC Bonds (Due March 1, 2049)
0% PSA	13.4	18.7	23.7	27.0	14.3
25% PSA	13.0	18.6	22.8	24.7	9.4
50% PSA	12.1	18.0	20.9	21.7	6.9
75% PSA	9.8	16.9	18.9	19.2	5.6
100% PSA	7.0	15.8	17.0	17.1	5.0
150% PSA	2.4	13.3	13.7	13.7	5.0
200% PSA	1.9	10.9	10.9	10.9	5.0
300% PSA	1.5	7.5	7.4	7.4	5.0
350% PSA	1.4	6.3	6.3	6.3	5.0
400% PSA	1.3	5.4	5.4	5.4	5.0
450% PSA	1.3	4.7	4.7	4.6	5.0
500% PSA	1.2	4.5	4.5	4.5	4.4

There is no assurance that prepayment of the GNMA Certificate principal will conform to any level of the PSA Prepayment Model. The rate of principal payments on pools of single family mortgage loans (such as the Mortgage Loans backing the GNMA Certificates) is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage interest rates and the rate at which homeowners sell their homes or default on their mortgage loans. In general, if prevailing interest rates fall significantly, mortgage loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on such mortgage loans. Conversely, if interest rates rise, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of mortgage loans include changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgaged properties. In addition, as homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loans prepaid, although under certain circumstances the mortgage loans may be assumed by a new buyer. Mortgage Loans may also be terminated prior to final maturity as a result of condemnation, casualty loss or noncompliance with the Program. There is no reliable statistical base with which to predict the level of prepayment in full or other early termination of the Mortgage Loans and the resulting effect on the average life of the Bonds. Because of the foregoing and since the rate of prepayment of principal of each Bond will depend on the rate of repayment (including prepayments) of the GNMA Certificates (which are backed by the Mortgage Loans), the actual maturity of any Bond cannot be predicted, but is likely to occur earlier than its stated maturity.

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\* Preliminary; subject to change

## THE PROGRAM

### General

The Issuer has established the Program pursuant to the Act as a means of financing the cost of single family residential housing which will provide affordable housing for Eligible Borrowers within the Eligible Loan Area. Reservations for Mortgage Loans under the Program will commence on or about April 2, 2019\*.

The Lenders have agreed to originate and sell Mortgage Loans to the Servicer according to the terms and conditions set forth in the Lender Agreements. See “The Lender Agreements.” The Servicer will service all the Mortgage Loans in accordance with the terms of the Servicing Agreement. See “Servicing” below and “The Servicing Agreement.” The Servicer will pool the FHA-guaranteed, VA-guaranteed and USDA-RHS-guaranteed Mortgage Loans and will issue GNMA Certificates the payments of principal and interest of which are guaranteed by GNMA. See “GNMA Mortgage-Backed Certificate Program.”

The Lenders will originate the Mortgage Loans on a first-come, first-served basis in accordance with the terms of a Notice of Availability of Funds issued by the Issuer to the Lenders on or before the beginning of the Mortgage Loan reservation period. The Issuer may issue additional Notices of Availability of Funds during the reservation period.

The Lenders may only originate Mortgage Loans to Eligible Borrowers who are “Allied Health Program Faculty Members,” “Corrections Officers,” “County Jailers,” “Emergency Medical Services Personnel,” “Fire Fighters,” “Peace Officers,” “Professional Educators,” “Professional Nursing Program Faculty Members,” “Public Security Officers” or “Veterans.” These terms are defined in Appendix A.

The Issuer has covenanted to make funds continuously available for a 12-month period to finance Mortgage Loans for Residences located in Targeted Areas, in the total principal amount of \$8,000,000\*. The 12-month period begins on the first day Mortgage Loans are available for Targeted Areas under the Program.

### Origination and Purchase of Mortgage Loans

Each Lender will be required to use its best efforts to originate Mortgage Loans in accordance with the requirements of the Lender Agreement, the Program Guidelines and other applicable Program Documents, including the applicable loan origination, eligibility, credit underwriting and appraisal standards of FHA, VA or USDA-RHS for mortgage loans which are FHA-insured, VA-guaranteed or USDA-RHS guaranteed, respectively. Each Lender is required to deliver all documents specified in the Lender Agreement, the Program Guidelines and other applicable Program Documents that are required for the review and approval of the Mortgage Loans, to the Servicer and the Issuer (as compliance agent) prior to the date the Mortgage Loans are to be purchased by the Servicer.

### Down Payment Assistance

The Issuer will initially make funds available to provide down payment and closing cost assistance equal to 4% of initial Mortgage Loan principal for each Mortgage Loan. The assistance will be provided to each Mortgagor at the closing of the Mortgage Loan in the form of a nonrepayable grant. The assistance may be used only to pay all or a portion of the down payment and closing costs associated with

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\* Preliminary; subject to change

the related Mortgage Loan or for reductions in principal of such Mortgage Loan. No portion of the assistance is permitted to be paid to the Mortgagor.

### **Mortgage Loan Terms**

Each Mortgage Loan will have a term of 30 years, will provide for substantially level monthly payments of principal and interest to be made on the first day of each month and will be in such principal amounts as conform to the eligibility and credit underwriting standards in the Agreements and the limitations of the FHA, VA or USDA-RHS, as applicable, as of the closing date on the Mortgage Loan. Mortgage Loans purchased by the Servicer also must be current in payments of principal and interest, and must be in compliance with the requirements of the GNMA guidelines.

The Mortgage Loan Rate will be initially established at \_\_\_\_% per annum. The Mortgage Loan rate may be increased or decreased from the initial rate if the conditions of the Indenture and the Agreements are met. Any increase or decrease in the Mortgage Loan Rate will result in a corresponding increase or decrease in the Pass-Through Rate of the related GNMA Certificates. Any change in the Mortgage Loan Rate is subject to satisfaction of the conditions set forth in the Indenture.

Moneys in the Program Fund will be used to purchase GNMA Certificates backed by Mortgage Loans evidenced by promissory notes secured by deeds of trust on Residences within the Eligible Loan Area. Each Mortgage Loan originated by a Lender must meet the origination standards set forth in the related Lender Agreement and all other Program Documents, including all applicable federal tax requirements.

The acquisition cost of a Residence may not exceed 90% or, in the case of a Residence in a Targeted Area, 110%, of the applicable area purchase price for single family residences in the area in which the Residence is located (the "Maximum Purchase Price"). The initial Maximum Purchase Price limits are based on the safe harbor guidelines set forth in the applicable Internal Revenue Service Revenue Procedure.

In addition, Mortgage Loans will be made only to Eligible Borrowers whose Family Income does not exceed the applicable Maximum Family Income. The Maximum Family Income limits are subject to adjustment from time to time.

Eligible Borrowers are also required to be "first time" homebuyers except for Residences in Targeted Areas or for qualifying veterans. Further, Mortgage Loans may not be used to refinance existing mortgage loans.

In order to qualify for purchase by the Servicer under the Program, each Mortgage Loan must have FHA insurance or be VA-guaranteed or USDA-RHS-guaranteed, and the principal amount of such Mortgage Loan cannot be in excess of the applicable limits imposed by FHA or VA or USDA-RHS, as applicable.

Upon submission of each Mortgage Loan for purchase by the Servicer, the Lender will make certain warranties as to each Mortgage Loan. Further, with respect to each Mortgage Loan, the Eligible Borrower, the Seller and the related Lender are required to submit affidavits regarding compliance with the mortgage eligibility requirements of the Code and the Program. The Lender Agreement and the Program Guidelines prescribe various procedures to be followed by the Lender and the Issuer (as compliance agent) in reviewing and verifying the affidavits and information provided by the Eligible Borrower and the Seller.

## **Servicing**

The Servicer will service all Mortgage Loans originated by Lenders and purchased by the Servicer. The Servicer is a GNMA-approved servicer of FHA-insured, VA-guaranteed and USDA-RHS guaranteed mortgage loans. The Servicer will pool the Mortgage Loans into GNMA Certificates and sell them to the Issuer or the Trustee. The Servicing Agreement governs the servicing responsibilities (and other responsibilities) of the Servicer under the Program. The Servicer is required to service the Mortgage Loans in conformity with the applicable GNMA guidelines for servicing. See “The Servicing Agreement.”

In addition to its obligations as described under the caption “GNMA Mortgage-Backed Certificate Program,” the Servicer is required to account for and manage escrows of sums paid by the Mortgagors for payment of taxes, assessments, mortgage and hazard insurance premiums, guaranty premiums and other expenses. Escrows established by Lenders originating Mortgage Loans will be transferred to the Servicer upon purchase of the Mortgage Loans. As compensation for its servicing duties, the Servicer is entitled to retain a monthly fee equal to one-twelfth of .19%\* of the outstanding principal amount of each Mortgage Loan serviced which backs a GNMA Certificate. Under the Program as it relates to the Bonds, the Servicer will pool the Mortgage Loans exclusively into GNMA Certificates. The Servicer also is entitled to retain assumption fees and late charges.

Under the GNMA Certificates, the Servicer is obligated to make monthly advances, regardless of whether principal and interest payments on the Mortgage Loans or any insurance or guaranty proceeds are actually received by the Servicer, which, with respect to any calendar month, are the aggregate amounts of payments of principal and interest on the Mortgage Loans which were due and payable on or before the first day of such month and which were delinquent as of the close of business on the business day next preceding the remittance date of such month.

The Servicer may be reimbursed for such advance payments made on a Mortgage Loan either from insurance proceeds, guaranty proceeds, liquidation proceeds or collections from Mortgagors. If such reimbursements are not made from such sources, neither the Issuer nor the Trustee is obligated to make such reimbursements. If the Servicer fails to make the payments under the GNMA Certificates, GNMA is obligated to make such payments.

The Servicer must maintain in effect at all times and at its expense a blanket fidelity bond and an errors and omissions insurance policy covering all officers, employees and other persons acting on behalf of the Servicer.

Assumption of Mortgage Loans and transfers of Residences are permitted subject to the conditions described in the Agreements. See “The Servicing Agreement.” Prepayments of the Mortgage Loans in whole or in part are permitted under the Program without penalty; any such prepayments will be passed through under the GNMA Certificates. The Bonds are subject to mandatory redemption to the extent the Trustee receives amounts under the GNMA Certificates representing Prepayments. See “The Bonds—Redemption of Bonds—Mandatory Redemption from Prepayments and Surplus Revenues.”

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\* Preliminary; subject to change



## **Servicer Information**

The following information relates to and was supplied by Lakeview Loan Servicing, LLC (“Lakeview”). Such information has not been verified by the Issuer, the Underwriter, the Financial Advisor, Bond Counsel, Disclosure Counsel or counsel to the Underwriter, and is not guaranteed as to completeness or accuracy.

As of December 31, 2018, Lakeview Loan Servicing, LLC (“Lakeview”) was the servicer of more than 1.4 million single-family mortgage loans with an aggregate principal balance in excess of \$270 billion. Lakeview is the servicer of single-family mortgage loans for GNMA, Fannie Mae, Freddie Mac, and certain state and local housing finance authorities, among others. Lakeview contracts with multiple subservicers to perform the servicing of mortgage loans on its behalf.

Lakeview (i) is approved by FHA, USDA-RD and VA to service mortgage loans insured or guaranteed by such agencies, and is in good standing with each such agency, (ii) has all requisite approvals as a GNMA issuer of mortgage-backed securities guaranteed by GNMA, and to be the servicer of the mortgage loans included in such securities, and (iii) is approved as a servicer for Fannie Mae and Freddie Mac.

The information set forth in the two preceding paragraphs was supplied by Lakeview and has not been verified by the Issuer or the Underwriter. While Lakeview has supplied the information in the two preceding paragraphs, it is not otherwise responsible for the accuracy or completeness of this Official Statement or the payment of the Bonds.

## **THE INDENTURE**

*The following is a summary of certain provisions of the Indenture. The summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Indenture. For a description of certain other provisions of the Indenture relating to the Bonds, see “The Bonds,” “Security for the Bonds” and “Flow of Funds.”*

### **Investment of Funds**

All amounts held under the Indenture are required to be continuously invested in permitted Investment Securities, and such Investment Securities shall pay interest and mature not later than the dates on which such moneys will be required by the Trustee. For the purpose of determining the amount in any such Fund, all Investment Securities credited to such Fund are required to be valued in the manner described in the Indenture.

### **Certain Tax Covenants**

The Issuer covenants in the Indenture that it will not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, directly or indirectly, to acquire any securities or obligations, and will not use or permit the use of any amounts received by the Issuer or the Trustee with respect to the related GNMA Certificates and underlying Mortgage Loans in any manner, and will not take or permit to be taken, to the best of the Issuer’s knowledge, any other action or actions, which would cause any Bond to be an “arbitrage bond” under Section 148 of the Code or violate the requirements of Section 143(g) of the Code. The Issuer further covenants under the Indenture that it will not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, directly or indirectly, or in any manner, and will not take or permit to be taken any other action or actions, which would result in any Bond being treated as an obligation not described in Section 103(a) of the Code. See “Tax Matters.”

## Defaults and Remedies; Rights of Bondholders

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

(A) default in the due and punctual payment of the principal amount or redemption price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption or purchase or by declaration of acceleration or otherwise;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(C) default by the Issuer in the observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds (other than in clauses (A) or (B) above), if such default has continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding; or

(D) certain acts of bankruptcy or insolvency on the part of the Issuer as described in the Indenture.

If an event of default under clause (A) or (B) above occurs and is continuing, the Trustee may, and upon written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding will, upon notice in writing to the Issuer, declare the principal of and interest on all the Bonds then outstanding due and payable immediately. If an Event of Default under clause (C) or (D) occurs, the Trustee, upon written direction of the Owners of 100% in aggregate principal amount of the Bonds then outstanding will, upon notice in writing to the Issuer, declare the principal of and interest on all the Bonds then outstanding due and payable immediately.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Issuer deposits, or causes to be deposited, with the Trustee a sum sufficient to pay the principal amount, redemption price or purchase price of and installments of interest on the Bonds the payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and the other conditions of the Indenture are met, then the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences and waive such default, but no such rescission and annulment will extend to or affect any subsequent default, or impair or exhaust any right or power consequent thereon.

If an event of default under the Indenture occurs and is continuing, all Revenues and any other amounts then held or thereafter received by the Trustee under any of the provisions of the Indenture (excluding amounts held in the Program Expense Fund, the Cost of Issuance Fund and any Rebate Amount held in any Fund) are required to be applied by the Trustee in order of priority set forth in the Indenture.

If an event of default under the Indenture shall occur and be continuing, then the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding, and upon being indemnified to its satisfaction, is required to, proceed by suit or suits, at law or in equity, or by any other appropriate legal or equitable remedy, to enforce the payment of principal of and interest on the Bonds under a judgment or decree of a court or courts of competent

jurisdiction or by the enforcement of any other appropriate legal or equitable remedy, as the Trustee determines to be most effective to protect and enforce any of its rights or the rights of the Owners under the Indenture.

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then outstanding have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that the Trustee has been indemnified to its satisfaction and such direction will not be otherwise than in accordance with the law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of counsel rendered to the Trustee would be unjustly prejudicial to Owners not parties to such direction.

No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless (A) such Owner has given to the Trustee written notice of the occurrence of an event of default under the Indenture; (B) the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding have made written request upon the Trustee to exercise the powers granted under the Indenture or to institute such suit, action or proceeding in its own name; (C) such Owner or said Owners have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee. No one or more Owners of Bonds has any right to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture, the Act, or other applicable law with respect to the Bonds, except in the manner therein provided and all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners of the outstanding Bonds, subject to the provisions of the Indenture.

### **Supplemental Indentures**

The Indenture and the rights and obligations of the Issuer and of the Owners of the Bonds may be modified or amended at any time by a supplemental indenture which will become effective when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then outstanding has been filed with the Trustee. No such modification or amendment will (1) extend the stated maturity of any Bond, or reduce the amount or principal thereof, or reduce the rate of interest thereon, or extend the time of payment of interest thereof without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of which the Owners of which is required to effect any such modification or amendment, or (3) permit the creation of any lien on the Revenues or any other assets pledged under the Indenture that is on a parity with or superior to the lien created by the Indenture, or deprive the Owners of the lien created by the Indenture upon the Revenues and other assets, or (4) authorize the sale or other disposition of the GNMA Certificates after their acquisition, except as otherwise permitted under the Indenture, without the consent of the Owners of all of the Bonds then outstanding.

The Indenture and the rights and obligations of the Issuer and of the Owners of the Bonds may also be modified or amended at any time by a supplemental indenture, which will become effective upon execution by the Issuer and the Trustee (or such later date as may be specified in such supplemental indenture), without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer in the Indenture, other covenants and agreements to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Issuer under the Indenture;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or in regard to any matter or question arising under the Indenture, as the Issuer may deem necessary or desirable, which, in any such case in the opinion of the Trustee, will not materially adversely affect the interests of the Owners of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds;

(4) to modify, amend or supplement the Indenture in such manner as in the opinion of Bond Counsel is necessary to preserve the excludability of interest on any Bond from federal gross income and which will not materially adversely affect the interests of the Owner of any Bonds; or

(5) to obtain or maintain a rating from a Rating Agency.

In connection with the execution and delivery of a supplemental indenture, the Trustee is required to receive an opinion of Bond Counsel to the effect that the supplemental indenture is authorized under the Act and by proper action of the Issuer, that the supplemental indenture is authorized or permitted by the Indenture and by proper action of the Issuer and that execution and delivery of the supplemental indenture will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

### **The Trustee**

The Issuer may remove the Trustee at any time with or without cause unless an event of default under the Indenture has occurred and is continuing. The Issuer is required to remove the Trustee if at any time requested to do so in writing by the registered owners of not less than a majority in aggregate principal amount of all the bonds then outstanding under the Indenture or if at any time the Trustee ceases to be eligible in accordance with the Indenture, or if the Trustee becomes incapable of acting, or commits certain acts of bankruptcy or insolvency, in each case by giving written notice of such removal to the Trustee and the Issuer is required to appoint a successor Trustee, provided that any such successor trustee must be acceptable to the Rating Agency.

The Trustee may at any time resign by giving written notice of such resignation to the Issuer and by giving the Owners written notice of such resignation sent by first-class mail, but such resignation will not be effective until the successor Trustee has been appointed and has accepted such appointment as provided in the Indenture and has been approved. Upon receiving such notice of resignation, the Issuer is required to promptly appoint a successor Trustee, provided that any such successor Trustee must be acceptable to the Rating Agency.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Promptly upon such acceptance, the Issuer will give written notice thereof to the Owners in writing. If no successor Trustee has been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any bond owner (on behalf of himself and all other bond owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

## **Defeasance**

If the Issuer pays and discharges the entire indebtedness on all Bonds outstanding in any one or more of the following ways by:

- (i) paying or causing to be paid the principal amount or redemption price of and interest on Bonds outstanding, as and when the same become due and payable;
- (ii) depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem all Bonds outstanding; or
- (iii) delivering to the Trustee, for cancellation by it, all of the Bonds outstanding;

and if the Issuer also pays or causes to be paid all other sums payable under the Indenture by the Issuer (including Trustee's fees and expenses and other Program Expenses), then and in that case, at the election of the Issuer, and notwithstanding that any Bonds have not been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture will cease, terminate, become void and be completely discharged and satisfied.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the Issuer in respect of such Bond will cease, terminate and be completely discharged, and the Owner thereof will thereafter be entitled only to payment from such money or securities deposited with the Trustee for their payment, subject, however, to the provisions of the Indenture.

## **THE LENDER AGREEMENTS**

*The following is a summary of certain provisions of the Lender Agreements; the summary is qualified in its entirety by references to the Lender Agreements.*

### **Lender Qualifications**

Lenders must qualify to be participating Lenders under the Program and must be approved by the Issuer and the Servicer. Each Lender must execute a Lender Agreement with the Issuer. Each Lender must also execute a Loan Correspondent Purchase and Sale Agreement with the Servicer.

Each Lender originating FHA Mortgage Loans, USDA-RHS Mortgage Loans or VA Mortgage Loans is required to be an FHA-approved, USDA-RHS-approved or VA-approved mortgagee, respectively.

## **Covenants Relating to the Tax-Exempt Status of Bonds**

The Issuer and the Lenders have covenanted in the Lender Agreement to not to knowingly take, permit, or fail to take any action if such action or inaction would impair the excludability of the interest on the Bonds from gross income for federal tax purposes pursuant to the Code.

## **Origination and Closing of Mortgage Loans**

Each Lender agrees to use its best efforts to originate Mortgage Loans under the Program for sale to the Servicer. Each Lender will sell the Mortgage Loans to the Servicer at the applicable Mortgage Loan Sale Price. The Lenders will be notified of the availability of funds under the Program, and various Program terms, by a Notice of Availability of Funds provided by the Issuer to the Lenders.

## **Mortgage Loan Terms**

All Mortgage Loans are to be originated in accordance with the loan origination, eligibility and credit underwriting standards in effect under the Program Documents, including the Lender Agreement, the Program Guidelines and the GNMA Guide. In addition, each Mortgage Loan: (1) must be made to an Eligible Borrower to finance a Residence which is the principal residence of the Eligible Borrower; (2) must be evidenced by a Mortgage Note and secured by a Mortgage creating a first lien on such Residence, subject to permitted encumbrances; (3) must bear interest at the applicable rate, which interest will be payable in arrears and which includes amounts equal to the servicing fee; (4) must have a term of 30 years and must provide for level monthly payments and full amortization over the term thereof; (5) must provide for payments to be due on the first day of each month and for an initial principal payment not later than the first day of the second month following the Mortgage Loan closing date, and may include provision for a grace period not exceeding 15 days and late payment charges in amounts not in excess of the customary charges permitted by FHA, VA or USDA-RHS and GNMA, as applicable; (6) must be in a principal amount not exceeding such amount as conforms to the eligibility and credit underwriting standards specified in the Agreements and the limitations of FHA, VA, USDA-RHS and/or GNMA, as applicable, as of the date of Mortgage Loan closing; (7) must be the subject of FHA insurance, a VA guaranty or a USDA-RHS guaranty; (8) must restrict the assumption of the Mortgage Loan as required under the Program Documents; (9) must be the subject of a title insurance policy or have a valid commitment therefor; (10) must be current in payments of principal, interest, taxes and insurance; (11) must relate to a Residence the Purchase Price of which is not in excess of the Maximum Purchase Price; (12) must comply in all respects with the GNMA guidelines and FHA, VA and USDA-RHS rules and regulations, as applicable, and all Program Documents; and (13) must be eligible for pooling into GNMA Certificates.

## **Verification of Mortgage Eligibility Requirements**

The Issuer will act as compliance agent under the Program and will be responsible for approving the qualification of each Eligible Borrower under the applicable Program rules. In connection with the Issuer's determination, the Lender must do the following: (1) obtain affidavits of the Mortgagor, the Seller and Lender in the forms prescribed by the Program Guidelines, evidencing compliance by the borrower with the eligibility requirements of the Program; (2) review the contents of the Mortgagor's affidavit with the Mortgagor prior to the execution thereof; (3) obtain a Mortgagor's federal tax returns to verify that the Mortgagor did not claim deductions on the residence; (4) perform such additional verification procedures as required under the Program Guidelines to enable the Issuer to verify that the borrower eligibility requirements of the Program are satisfied as of the date of execution of the Mortgage Loan; and (5) review the draft settlement statement to assure that all fees and charges and settlement and financing costs comply with the requirements of the Program Documents.

## **Approval and Purchase**

Any Mortgage Loan with respect to which the related Mortgage Loan file is deemed to be defective, or any Mortgage Loan which is otherwise not acceptable for purchase in accordance with the terms of the Program Documents, may be returned to the Lender to be cured, if possible, or may be held by the Servicer pending correction of such defect. The Servicer is only required to purchase non-defective Mortgage Loans. The purchase of an approved Mortgage Loan by the Servicer from the Lender will take place on a Mortgage Loan purchase date designated by the Servicer and at the applicable Mortgage Loan Sales Price.

## **Fees and Charges at Mortgage Loan Closing**

At the Mortgage Loan closing, a Lender may collect from the Eligible Borrower or the Seller, and retain all reasonable and customary closing charges, including insurance premiums and warehouse fees, to the extent that such charges are permitted by law and do not exceed the reasonable and customary amounts charged by the Lender for mortgage loans not funded from the proceeds of tax-exempt bonds. Any amounts collected prior to the Mortgage Loan closing will be credited to the proper party at such closing.

## **Defects**

Each Lender agrees to repurchase any defective Mortgage Loan from the Servicer in accordance with the provisions of the Loan Correspondent Purchase and Sale Agreement, the Lender Agreement and any other applicable Program Document. Additionally, each Lender agrees to reimburse the Issuer the down payment and closing cost assistance provided for each such defective Mortgage Loan.

## **THE SERVICING AGREEMENT**

*The following is a summary of certain provisions of the Servicer Agreement; the summary is qualified in its entirety by references to the Servicer Agreement.*

### **Covenants Relating to the Tax-Exempt Status of Bonds**

The Issuer and the Servicer have covenanted in the Servicing Agreement to not to knowingly take, permit, or fail to take any action if such action or inaction would impair the excludability of the interest on the Bonds from gross income for federal tax purposes pursuant to the Code.

### **Servicing Duties**

See “The Program—Servicing” for a summary of certain of the servicing duties of the Servicer under the Program.

The Servicer will service all Mortgage Loans purchased from Lenders and will have the authority to do all things in connection with such servicing which it deems necessary or desirable. The Lender Agreements require the Lenders to sell the Mortgage Loans to the Servicer on a servicing-released basis. The Servicer will pay a servicing release premium to the Issuer in the amount set forth in the Servicing Agreement. Additional servicing compensation in the form of late payment charges or otherwise may be received by the Servicer to the extent permitted by law and not contrary to the terms of the Servicing Agreement.

The Servicer is required to pay all expenses incurred by it in connection with its servicing activities under the Servicing Agreement (including maintenance of an errors and omissions insurance

policy and fidelity bond) and is not entitled to reimbursement, except as specifically provided in the Servicing Agreement.

The Servicer is required to service Mortgage Loans in accordance with the servicing standards as set forth in the Servicing Agreement and the loan servicing requirements of GNMA and FHA, VA or USDA-RHS, as applicable.

### **Review of Mortgage Loans**

The Issuer is responsible for the review of each Mortgage Loan to determine compliance with the Program requirements under the Act and the Code. In performing such review, the Issuer is required to use reasonable efforts to satisfy itself that the mortgagor, mortgage loan and residence eligibility requirements of the Program are met with respect to each Mortgage Loan, and that the Lender originating such Mortgage Loan has complied with the verification requirements of the Lender Agreement and the Program Guidelines.

The Servicer is responsible for establishing compliance of the Lender and the Mortgage Loan with the terms of the Loan Correspondent Purchase and Sale Agreement.

### **Compensation of Servicer**

As compensation for the performance of its servicing duties under the Agreements, the Servicer is entitled to receive a monthly fee in an amount equal to one-twelfth of .19%\* of the aggregate principal balance of the Mortgage Loans backing the GNMA Certificates.

### **Assumption Agreements**

The Servicer will not permit the assumption of any Mortgage Loan unless an assumption agreement is entered into by the assuming Mortgagor which provides for the assumption of the indebtedness by such person. Assumptions also are not permitted unless the assuming Mortgagor qualifies as an Eligible Borrower under the Lender Agreement and the Program Guidelines, and the Mortgage Loan remains insured or guaranteed under all applicable insurance or guarantees. In such event, the Servicer may release the original Mortgagor from liability under the Mortgage and the Mortgage Note. The interest rate on the Mortgage Note may not be changed in connection with any assumption.

## **TAX MATTERS**

### **General**

In the opinion of Bond Counsel, under applicable law, subject to continuing compliance by the Issuer and others with certain covenants in the Agreements and the Indenture and related financing documents, and in reliance upon representations and conclusions in certificates, studies and reports of the Issuer and certain other participants in the financing, interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purpose, and is not a specific preference item for purposes of the federal alternative minimum tax.

Sections 143 and 146 through 150 of the Code and applicable regulations provide that the interest on an issue of bonds (such as the Bonds) the proceeds of which are used to provide mortgages on owner-

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\* Preliminary; subject to change



occupied residences, is not includable in gross income of the owners thereof for federal income tax purposes pursuant to section 103(a) of the Code if such bonds are “qualified mortgage bonds,” and, among other requirements, are issued in fully registered form. The term “qualified mortgage bonds” means bonds that are part of an issue that meet the requirements summarized below. The Bonds are intended to qualify as “qualified mortgage bonds.”

### **Mortgage Eligibility Requirements**

*Residence Requirements.* All the residences for which financing is provided with the proceeds of an issue of qualified mortgage bonds must be located within the jurisdiction of the Issuer and must be single family residences which, at the time of execution or assumption of the respective mortgages, can reasonably be expected to become the principal residences of the respective mortgagors within a reasonable time after the financing is provided.

*Prior Homeownership Limitations.* At least 95% of the net proceeds of an issue of qualified mortgage bonds must be for mortgagors who did not have a present ownership interest in a principal residence at any time during the three-year period ending on the date of execution of the mortgage. However, this limitation does not apply to loans for “targeted area” residences and loans to Qualified Veterans.

*Purchase Price Requirements.* Each residence for which financing is provided with the proceeds of an issue of qualified mortgage bonds must have an acquisition cost not exceeding 90% of the average area purchase price. However, in the case of a targeted area residence, the acquisition cannot exceed 110% of the average area purchase price. The applicable regulations permit an issuer to rely upon average area purchase price limitations published by the Internal Revenue Service as safe harbor limitations or to utilize other limitations if the issuer has more accurate and comprehensive data than the safe harbor limitations.

The Maximum Purchase Price limits are set forth in the Program Guidelines and are based on limits set forth in revenue procedures published from time to time by the Internal Revenue Service, and other sources.

*Income Limitations.* Under applicable federal tax law, the maximum family income of the persons who are provided financing under an issuance of qualified mortgage bonds cannot exceed 100% (for families of 2 or less) or 115% (for families of 3 or more) of the greater of the state or local median family income. In the case of any financing provided for targeted area residences in qualified census tracts or areas of chronic economic distress, the maximum family income is unlimited for one-third of the mortgage loans, and the limit for the remaining two-thirds is 120% (for families of 2 or less) or 140% (for families of 3 or more) of the applicable median family income. The maximum family income limits are set forth in the Agreements.

*New Mortgage Requirement.* No part of the proceeds of an issue of qualified mortgage bonds may be used to acquire or replace an existing mortgage. All the lendable proceeds of an issue must be used to provide new mortgages to persons who did not have an existing mortgage (whether or not paid off) on the residence at any time prior to the execution of the new mortgage. An exception from the new mortgage requirement is provided for the replacement of construction period loans, bridge loans and other similar temporary initial financing having a term not exceeding 24 months or for qualified subprime loans.

*Assumption Requirements.* In the event of the assumption of a mortgage financed with the proceeds of a qualified mortgage bond issue, the residence requirements, prior homeownership limitation,

purchase price requirements, and income limitations must be satisfied at the time of the assumption as if the loan were being made for the first time.

*Volume Cap Limitations.* Section 146 of the Code provides that the aggregate amount of “private activity bonds,” including qualified mortgage bonds, issued by an issuer during the calendar year may not exceed the allocated portion of the State’s volume cap. The Issuer has obtained allocation of volume cap from the Texas Bond Review Board in an amount sufficient to permit the issuance of the Bonds as qualified mortgage bonds.

*Targeted Area Requirements.* An amount equal to at least 20% of the Bond proceeds must be made available for owner financing in Targeted Areas for at least one year from the time such owner financing is first made available for Targeted Area loans.

### **Arbitrage Requirements**

An issue of qualified mortgage bond (such as the Bonds) must satisfy the arbitrage requirements of sections 143 and 148 of the Code. In part, such requirements are as follows: (i) the effective rate of interest on mortgages provided with proceeds of qualified mortgage bonds may not exceed the yield on such bonds by more than 1.125% and, in calculating the effective interest rate on the mortgages, there must be taken into account all amounts borne by the mortgagor either directly or indirectly and (ii) arbitrage earned on nonmortgage investments must be paid to the United States.

### **Compliance with Tax Requirements**

Section 143 of the Code and the applicable regulations provide that, with respect to each issue of qualified mortgage bonds, the targeted area requirements and clause (i) of the arbitrage requirements discussed above are met if the issuer attempts in good faith to meet such requirements by taking all reasonable steps to assure compliance and if any failure to meet such requirements is due to inadvertent error. With respect to the mortgage eligibility requirements, section 143 of the Code and the applicable regulations provide that such requirements are met, with respect to each issue of qualified mortgage bonds, if (i) the issuer attempts in good faith to meet such requirements before the mortgages are originated including establishing reasonable procedures and conducting reasonable investigations, (ii) at least 95% of the proceeds of the issue used for mortgages are used for mortgages which meet all of the mortgage eligibility requirements at the time of execution or assumption, and (iii) any failure to meet such requirements is corrected within a reasonable period of time after such failure is discovered or should have been discovered through the exercise of reasonable diligence. Consequently, a failure to satisfy the mortgage eligibility requirements at any time during the term of each issue of Tax-Exempt Bonds could result in the interest on such Bonds being includable in gross income for federal tax purposes retroactively to the date of issuance (as determined for federal tax purposes).

Certain procedures and safeguards have been incorporated into the Agreements and the Indenture to ensure compliance with the requirements of section 143 of the Code with respect to the Bonds. Furthermore, the Issuer, the Servicer, each Lender and the Trustee have each covenanted in the Agreements to follow such procedures toward compliance with such requirements. The Issuer and the Trustee have also made certain representations and covenants relevant to the tax status of interest on the Bonds in the Indenture and the Agreements.

Subject to the condition that the parties continuously comply with the above-referenced covenants and in reliance upon certain representations of the Issuer and others in certain certificates and any required verification report, Bond Counsel will provide its opinion to the effect that, under applicable law, interest on the Bonds will not be includable in gross income of the owners thereof for purposes of federal income taxation, and that interest on such Bonds will not be a specific preference item for

purposes of the federal alternative minimum tax. Failure to comply with certain of such covenants and representations could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

In expressing its opinion with respect to the Bonds, Bond Counsel will rely on certain representations of the Issuer and others as to matters solely within the knowledge of such persons. No independent investigation will be made by Bond Counsel with respect to certain of those matters.

Bond Counsel's opinion with respect to the Bonds is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel and such opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations, which may include bonds such as the Bonds. If an audit of such Bonds is commenced, under current procedures the Service is likely to treat the Issuer as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on Bonds, the Issuer may have different or conflicting interests from the owners of such Bonds. Public awareness of any future audit of Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Ownership of Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain foreign corporations doing business in the United States, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers of Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### **Tax Accounting Treatment of Premium and Discount on Certain Bonds**

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

## **THE CONTINUING DISCLOSURE AGREEMENT**

### **Definitions**

“Annual Bond Disclosure Report” means any Annual Bond Disclosure Report provided by the Issuer pursuant to, and as described in, the Continuing Disclosure Agreement.

“Dissemination Agent” means the Trustee, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation;

or (c) guarantee of (a) or (b) in this definition; provided, however, the term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed below under “Reporting of Significant Events.”

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Participating Underwriter” shall mean any “participating underwriter” within the meaning of the Rule) required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **Provision of Annual Bond Disclosure**

The Issuer shall cause the Dissemination Agent to provide, not later than six months after the end of the Issuer’s fiscal year (which currently ends August 31), commencing with the report for the fiscal year ending August 30, 2019, to the MSRB (in the electronic format prescribed by the MSRB) an Annual Bond Disclosure Report which is consistent with the requirements of the Continuing Disclosure Agreement.

If the Trustee is able to verify that an Annual Bond Disclosure Report has not been provided to the MSRB by the date specified in the preceding paragraph, the Trustee shall promptly send a notice to the MSRB stating that such Annual Bond Disclosure Report has not been timely completed and, if known, stating the date by which the Trustee anticipates such Annual Report will be filed.

### **Content of Annual Bond Disclosure Reports**

Each Annual Bond Disclosure Report of the Issuer shall contain or incorporate by reference the following:

1. If prepared, the audited financial statements for the Issuer for the most recently ended fiscal year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer.
2. Tables setting forth the following information, as of the end of such fiscal year:
  - a. For each maturity of the Bonds, the maturity date, the interest rate, the original aggregate principal amount and the principal amount remaining outstanding.
  - b. During the GNMA Certificate Purchase Period, the total principal amount of GNMA Certificates to be purchased and the total principal amount of GNMA Certificates purchased by the Trustee. This information will not be provided after the GNMA Certificate Purchase Period is completed.
  - c. The amounts in the funds and account securing the Bonds and a description of the related investments.
  - d. The aggregate principal amount of GNMA Certificates purchased, the aggregate principal balance of GNMA Certificates remaining outstanding, and the

aggregate principal balance of GNMA Certificates at each pass-through rate remaining outstanding.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference, it must be in a document available to the public on the MSRB internet website or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

### **Reporting of Significant Events**

Any of the following events shall be considered a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment 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 IRS 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 Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;

(For the purposes of the event identified in paragraph 12 of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangements or liquidation by a court or governmental authority having

supervision or jurisdiction over substantially all of the assets or business of the Issuer.)

13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, it shall promptly notify the Trustee in writing and shall timely file (not in excess of ten (10) business days after the occurrence of such event) a notice of such occurrence with the MSRB.

### **Termination of Reporting Obligation**

The Issuer's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

### **Dissemination Agent**

The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

### **Amendment; Waiver**

The Issuer and the Trustee may amend the Continuing Disclosure Agreement (and the Trustee shall not unreasonably withhold its consent to any amendment requested by the Issuer), and any provision of the Continuing Disclosure Agreement may be waived, but only upon satisfaction of the applicable provisions of the Continuing Disclosure Agreement.

### **Additional Information**

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event in addition to that which is

specifically required by the Continuing Disclosure Agreement, the Issuer shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Bond Disclosure Report or notice of occurrence of a Listed Event.

### **Default**

In the event of a failure of the Issuer or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of outstanding Bonds, shall, upon being indemnified as provided in the Continuing Disclosure Agreement), or any Owner or beneficial owner may, take such actions as may be necessary and appropriate to cause the Issuer or Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

### **Beneficiaries**

The Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners or beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. UNDER NO CIRCUMSTANCES SHALL THE ISSUER, THE TRUSTEE, OR THE DISSEMINATION AGENT BE LIABLE TO A BONDHOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR IN TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE TRUSTEE, OR THE DISSEMINATION AGENT, RESPECTIVELY UNDER THE CONTINUING DISCLOSURE AGREEMENT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS AGREEMENT. EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR “MANDAMUS” OR SPECIFIC PERFORMANCE. THE TRUSTEE IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

### **Past Compliance**

During the past five years the Issuer did not make timely filings on EMMA of (i) its audited financial statements for fiscal years 2009, 2010 and 2013 (these were filed in August 2014), (ii) the fiscal year 2012 Annual Bond Disclosure Report for the Issuer’s Series 2005B single family bond issue (this was filed in December 2014), and (iii) the fiscal year 2017 Annual Bond Disclosure Report for the Issuer’s Series 2011B single family bond issue (corrected in February 2019). In addition, the Issuer did not link the fiscal year 2016 Annual Bond Disclosure Report to the Issuer’s Series 2011A single family bond issue (corrected March 19, 2019). Finally, the Dissemination Agent did not always make timely filings on EMMA of bond calls resulting from prepayments.

## **ELIGIBILITY FOR INVESTMENT**

Under the authority of the Act, the Bonds are legal and authorized investments for any banks, savings banks, trust companies, building and loan associations, insurance companies, fiduciaries, trustees and guardians and sinking funds of cities, towns, villages, counties, school districts and other political corporations or subdivisions of the State of Texas. The Bonds are also declared eligible under the terms of the Act to secure the deposit of any and all public funds of the State of Texas and any and all public funds of cities, towns, villages, counties, school districts and other political corporations or subdivisions of the State of Texas, and are deemed to be lawful and sufficient security for such deposits at their face



value. The Issuer has not made any investigation of any other rules, regulations or laws which may affect eligibility of the Bonds for investment or to secure the deposit of public funds.

### **NO LITIGATION**

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against the Issuer, which affects the existence of the Issuer or its governing body or the titles of its officers to their respective offices or seeks to prohibit, restrain or enjoin the sale of the Bonds, or the revenues or assets pledged to the payment of the principal of, redemption premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Agreements or the Continuing Disclosure Agreement.

### **LEGAL MATTERS**

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds by the Issuer are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel. The form of the approving opinion of Bond Counsel is set forth in Appendix C hereto. Certain legal matters will be passed upon for the Issuer and the Underwriter by Greenberg Traurig, LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Chapman and Cutler LLP.

### **FINANCIAL ADVISOR**

Hilltop Securities Inc. (the “Financial Advisor”) is employed by the Issuer as an independent financial advisor in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal, state or local tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies.

Hilltop Securities Inc. has provided the following for inclusion in this Official Statement: Hilltop Securities Inc. has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Issuer with respect to the issuance of the Bonds, but it does not guarantee the accuracy or completeness of such information. Hilltop Securities Inc. has or may have other business relationships with the Issuer from time to time and may be acting in capacities other than as a financial advisor. The participation of Hilltop Securities Inc. should not be seen as a recommendation to buy or sell the Bonds, and investors should seek the advice of their accountants, lawyers and registered representatives as appropriate.

The Financial Advisor will be acting as the bidding agent for the Investment Securities to be purchased with moneys deposited in the Program Fund and will be paid a fee of \$\_\_\_\_\_ for providing bidding agent services.

### **UNDERWRITING**

Raymond James & Associates, Inc. (the “Underwriter”) has agreed to purchase from the Issuer all the Bonds at a total purchase price equal to the sum of the products of the principal amount of each maturity times the related offering price set forth on the inside cover page hereof. The Issuer has agreed to pay the Underwriter \$\_\_\_\_\_ for its fees and expenses relating to the Bonds (including the fees and expenses of its counsel). The Bonds may be offered and sold to certain dealers and others at prices

lower than the initial public offering price, and such initial offering price may be changed from time to time.

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

## **RATING**

It is a condition to the issuance and delivery of the Bonds that the Bond have been assigned a rating of “Aa1” by Moody’s Investors Service, Inc. (the “Rating Agency”). No application has or will be made to any other rating agency for a rating on the Bonds. The assigned rating reflects only the views of the Rating Agency at the time such rating is given, and the Issuer makes no representation as to the appropriateness of such rating. An explanation of the significance of a rating may be obtained from the Rating Agency.

The Issuer has provided the Rating Agency information and materials relating to the Bonds, including information and materials that have not been included in this Official Statement. Generally, a rating agency bases its rating on such information and materials and on investigations, studies and assumptions by such rating agency. There is no assurance that the rating initially assigned to the Bonds will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by the Rating Agency, if in its sole judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating can be expected to have an adverse effect on the market price of the Bonds.

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**MISCELLANEOUS**

This Official Statement is submitted in connection with the issuance and delivery of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchaser or the Owner of any Bond. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

By: \_\_\_\_\_  
President

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**APPENDIX A**  
**DEFINITIONS**

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## APPENDIX A

### DEFINITIONS

*Certain capitalized terms used in this Official Statement and not otherwise defined under “Introduction” or elsewhere herein are set forth below. In some cases such definitions represent a condensed or otherwise modified form of the definition set forth in the Indenture or the Agreements. Reference is made to the Indenture and the Agreements for the complete definitions of such terms and for other capitalized terms that are not defined in this Official Statement.*

“Act” means Subchapter Y of Chapter 2306, Texas Government Code, as amended.

“Agreements” means, collectively, the Lender Agreements and the Servicing Agreement.

“Allied Health Program Faculty Member” means a fulltime member of the faculty of an undergraduate or graduate allied health program of a public or private institution of higher education in this state.

“Bond Counsel” means Norton Rose Fulbright US LLP, or such other nationally recognized bond counsel as the Issuer shall select which is experienced in the issuance of tax-exempt revenue bonds under the exemptions provided under section 103 of the Code.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions are closed in New York, New York, or in the state in which either the principal office of the operations office of the Trustee is located, or (iii) a day on which the New York Stock Exchange is closed.

“Certificate Sale Date” means any date on which the Servicer or the Issuer sells a Certificate to the Trustee during the GNMA Certificate Purchase Period.

“Certificate Sale Price” means the amount paid by the Trustee or Issuer to the Servicer for the purchase of a GNMA Certificate. The Certificate Sale Price may be increased or decreased based on the written instructions of the Issuer to the Trustee; provided that no increase in the Certificate Sale Price shall occur unless the Issuer has deposited in the Program Fund sufficient moneys to fund the increased Certificate Sale Price for all Certificates subject to such increased price.

“Code” means the Internal Revenue Code of 1986, as amended, together with the corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

“Corrections Officer” means a corrections officer employed by the Texas Department of Criminal Justice or a juvenile correctional officer employed by the Texas Juvenile Justice Department.

“County Jailer” has the meaning assigned by Section 1701.001 of the Texas Occupations Code.

“Eligible Borrower” means a person or persons:

(a) who is at least one of the following: (i) Allied Health Program Faculty Member, (ii) Corrections Officer, (iii) County Jailer, (iv) Emergency Medical Services Personnel, (v) Fire

Fighter, (vi) Peace Officer, (vii) Professional Educator, (viii) Professional Nursing Program Faculty Member, (ix) Public Security Officer or (x) Veteran;

(b) who resides in the State of Texas on the Mortgage Loan application date;

(c) whose income does not exceed the Maximum Family Income then in effect for such jurisdiction (except for one-third of the amount of Mortgage Loans for Residences in Targeted Areas or for a person who is a Qualified Veteran); (e) who intends to occupy the Residence to be financed with a Mortgage Loan as his or her principal residence within a reasonable period (not to exceed 60 days) following the closing of such Mortgage Loan; (f) who (except in the case of a person who is obtaining a Mortgage Loan in a Targeted Area) has not had a present ownership interest in a principal residence (except for the Residence being financed with the Mortgage Loan) at any time during the three-year period ending on the loan closing date; (g) who has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow, or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than an existing mortgage securing a construction period loan, construction bridge loan, or similar temporary initial construction financing initially incurred within 24 months of the Mortgage Loan closing date, having an original term not exceeding 24 months, and not providing for scheduled payments of principal during such term; and (h) who has not previously obtained a commitment for a Mortgage Loan under the Program.

“Eligible Loan Area” means the State of Texas.

“Emergency Medical Services Personnel” has the meaning assigned by Section 773.003, Texas Health and Safety Code

“Family Income” means, with respect to a person, the “gross monthly income,” multiplied by twelve, of such person and of any other person who is expected to live in the Residence being financed and is liable on the Mortgage, all as determined in accordance with such person’s Program affidavit relating to the Mortgage Loan. For purposes of this definition, “gross monthly income” includes the sum of monthly gross pay, any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, VA compensation, and net rental income, etc. and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments).

“Fire Fighter” means a member of a fire department who performs a function listed in Section 419.021(3)(C), Texas Government Code.

“First-Time Homebuyer” means a Mortgagor who has not had an ownership interest in a principal residence at any time during the three-year period prior to the closing of the related Mortgage Loan.

“GNMA” means the Government National Mortgage Association, a government sponsored enterprise organized and existing under the laws of the United States.

“GNMA Certificate” means a certificate (in either physical or book-entry form) purchased by the Trustee, issued by the Servicer and guaranteed by GNMA pursuant to GNMA’s GNMA II Mortgage-Backed Securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended, and based on and backed by FHA-guaranteed, VA-guaranteed or USDA-RHS-guaranteed Mortgage Loans referred to in the GNMA Guaranty Agreement and shall unconditionally obligate the Servicer to remit monthly to the central paying and transfer agent its pro rata share of (x)



principal payments and prepayments made with respect to the Pool of Mortgage Loans represented by the GNMA Certificate and (y) interest received in an amount equal to the principal balance of the GNMA Certificate multiplied by the applicable Pass-Through Rate. GNMA shall guarantee to the holder of each GNMA Certificate such holder's pro rata share of (i) the timely payment of interest at the applicable Pass-Through Rate on the unpaid principal balance of the Mortgage Loans represented by the GNMA Certificate and (ii) the timely payment of principal in accordance with the terms of the principal amortization schedule applicable to the Mortgage Loans represented by such GNMA Certificate.

"GNMA Certificate Purchase Period" means the period from the Bond closing date through October 25, 2019\*, during which the Servicer can sell GNMA Certificates to the Trustee at the applicable Certificate Sale Price; provided that the last date of such period may be extended in connection with an extension of the Nonorigination Redemption Date.

"Governmental Obligations" means obligations of, or obligations guaranteed as to the full and timely payment of principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America.

"Interest Payment Date" means each March 1 and September 1, commencing September 1, 2019.

"Investment Agreement" means a guaranteed investment contract or agreement (or similar arrangement), between the Trustee and the provider of such contract or agreement, which meets any applicable requirements of the Rating Agency and bears a rating that is sufficient to maintain a rating on the Bonds of "Aa1" or higher.

"Investment Securities" means any of the following which at the time of investment are legal investments under the laws of the State of Texas for moneys held under the Indenture and then proposed to be invested:

- (a) Governmental Obligations;
- (b) Federal Housing Administration debentures which must not be redeemable prior to their stated maturity;
- (c) obligations of the Farm Credit System;
- (d) obligations of Federal Home Loan Banks;
- (e) certificates of deposit having a stated maturity of 90 days or fewer from the date of its issuance, that are issued by a state or national bank domiciled in the State of Texas (including those of the Trustee) or a savings and loan association domiciled in the State, *provided* that such certificate of deposit is fully insured by the Federal Deposit Insurance Corporation or its successor and that such banking institution is rated not less than P-1 by the Rating Agency;
- (f) bankers' acceptance which (i) have a stated maturity of 90 days or fewer from the date of its issuance, (ii) will be, in accordance with their terms, liquidated in full at maturity, (iii) are eligible collateral for borrowing from a Federal Reserve Bank, and (iv) are issued by a bank organized and existing under the laws of the United States or of any state, if the short-term

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\* Preliminary; subject to change

obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than P-1 by the Rating Agency;

(g) deposits which are fully insured by the Federal Deposit Insurance Corporation (“FDIC”); provided that such deposits are with a banking institution rated not less than P-1 by the Rating Agency;

(h) commercial paper which (i) has a stated maturity of 90 days or fewer from the date of its issuance and (ii) is rated not less than P-1 by the Rating Agency;

(i) U.S. Treasury STRIPS, REFCORP STRIPS (stripped by the Federal Reserve Bank of New York), and any stripped securities assessed or rated in the highest applicable rating category by the Rating Agency at the time of such purchase;

(j) an Investment Agreement;

(k) a money market fund of the Trustee or its affiliates that is rated by the Rating Agency in its highest rating category; and

(l) any other investment which in the opinion of the Issuer’s counsel is at the time permitted by then applicable law for the investment of the Issuer’s funds and to the extent such investments are rated by a Rating Agency in its highest rating category.

“Issuer’s Excess Interest Portion” means an amount equal to the Issuer’s Excess Interest Portion Percentage of each interest payment received by the Trustee with respect to each GNMA Certificate (including any amounts received as interest payments pursuant to the GNMA guaranty). Such amount is payable on the 1<sup>st</sup> day of each calendar month, commencing June 1, 2019, based upon the payments received on the GNMA Certificates during the prior month.

“Issuer’s Excess Interest Portion Percentage” means a percentage equal to 0.\_\_\_\_% divided by the Pass-Through Rate. The Excess Interest Portion Percentage applicable to the GNMA Certificates shall be equal to \_\_\_\_\_% (0.\_\_\_\_%/\_\_\_\_%). The Excess Interest Portion Percentage may be increased or decreased pursuant to the written instructions of the Issuer to the Trustee; provided that any such increase or decrease shall correspond to the increase or decrease, respectively, of the Pass-Through Rate.

“Lender Agreement” means the Mortgage Origination Agreement between the Issuer and each Lender.

“Lender” means a lender that meets the eligibility requirements under the Program and is approved by the Issuer and the Servicer.

“Loan Correspondent Purchase and Sale Agreement” means the agreement between the Servicer and each Lender setting forth the terms and conditions under which the Servicer will purchase a Mortgage Loan from a Lender and the duties, obligations, representations, warranties and covenants of the Lender to the Servicer.

“Maximum Purchase Price” means the applicable maximum purchase price amount set forth in the Program Guidelines (meeting the requirements of the Code, the Act and any other Program requirement), subject to adjustment from time to time based on notice from the Issuer to the Lenders.

“Maximum Family Income” means the applicable maximum family income amount set forth in the Program Guidelines (meeting the requirements of the Code, the Act and any other Program requirement), subject to adjustment from time to time based on notice from the Issuer to the Lenders.

“Mortgage” means the deed of trust instrument (including any riders) securing a Mortgage Loan that creates a first lien on a Residence subject to permitted encumbrances, and that shall be in form acceptable to FHA, VA or USDA-RHS, as applicable.

“Mortgage Loan” means a mortgage loan made by a Lender with respect to a Residence pursuant to and in accordance with the Program, evidenced by a Mortgage Note and secured by a Mortgage.

“Mortgage Loan Rate” means the interest rate per annum with respect to each Mortgage Loan. The initial Mortgage Loan Rate for all Mortgage Loans shall be \_\_\_%; provided that the Mortgage Loan Rate may be increased or decreased in conjunction with a permitted increase or decrease, respectively, of the Pass-Through Rate, but only if the percentage increase or decrease in the Mortgage Loan Rate is the same as the percentage increase or decrease in the Pass-Through Rate, respectively.

“Mortgage Note” means the promissory note evidencing the obligation to repay a Mortgage Loan, that shall be in the form acceptable to FHA, VA or USDA-RHS, depending on whether the Mortgage Note evidences an FHA-insured Mortgage Loan, a VA-guaranteed Mortgage Loan, a USDA-RHS-guaranteed Mortgage Loan, respectively, with such additions or modifications as may be required hereunder as approved by the Issuer and the Servicer and provided to Lenders by the Servicer.

“Mortgagor” means any person who has a present ownership interest in the Residence and is the obligor on a Mortgage Note, or a subsequent owner of a Residence who has assumed the Mortgage in accordance with the Agreements (but does not include a person who is liable on the Mortgage Note solely as a guarantor or co-signers, who does not have a present ownership interest in the Residence).

“Nonorigination Redemption Date” means November 1, 2019<sup>\*</sup>, or any extended date established pursuant to the condition of the Indenture.

“Notice of Availability of Funds” means a notice issued by the Issuer to the Lenders with respect to the availability of funds to originate Mortgage Loans under the Program and certain terms of the Mortgage Loans.

“Outstanding Bond Amounts” means the amounts set forth in Appendix D as the 100% PSA Outstanding Bond Amount for Premium PAC Bonds and the 450% PSA Outstanding Amount for All Bonds, as applicable.

“Owner” means the person in whose name a Bond is registered on the registration books maintained by the Trustee.

“Pass-Through Rate” means the interest rate per annum with respect to each GNMA Certificate, which is equal to the Mortgage Loan Rate of the Mortgage Loans backing the GNMA Certificate less the related servicing and guaranty fees. The initial Pass-Through Rate for the GNMA Certificates shall be \_\_\_% per annum; provided that (i) the Pass-Through Rate may be increased upon written notice from the Issuer to the Trustee and the delivery of an opinion of Bond Counsel to the Trustee to the effect that such increase shall not adversely affect the exclusion of interest on the Bonds from gross income for

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<sup>\*</sup> Preliminary; subject to change

federal tax purposes; and (ii) the Pass-Through Rate may be decreased upon written notice from the Issuer to the Trustee, except that if a corresponding reduction is not made to the Issuer's Excess Interest Portion, then the Issuer shall be required to provide written evidence to the Trustee from the Rating Agency that the rating on the Bonds will not be adversely affected as a result of such reduction of the Pass-Through Rate.

"Peace Officer" has the meaning assigned by Section 1.07(a)(36), Texas Penal Code.

"Professional Educator" means a classroom teacher, full-time paid teacher's aide, full-time librarian, full-time counselor certified under Subchapter B, Chapter 21, Texas Education Code, full-time school nurse, or allied health or professional nursing program faculty member.

"Professional Nursing Program Faculty Member" means a full-time member of the faculty of either an undergraduate or graduate professional nursing program.

"Program Guidelines" means the written guidelines issued by the Issuer with respect to the Program, which guidelines are updated from time to time.

"Prepayments" means payments in addition to regularly scheduled principal payments on the GNMA Certificates.

"Premium PAC Bonds" means the Term Bonds maturing on March 1, 2049\*.

"Premium Term Bonds" means the Term Bonds maturing March 1, 2040\*, March 1, 2045\*, and March 1, 2050\*.

"Program" means the Issuer's program for financing Mortgage Loans to Eligible Borrowers through the issuance of the Bonds.

"Program Documents" means the Lender Agreements, the Servicing Agreement, the Program Guidelines, the Loan Correspondent Purchase and Sale Agreement, and all other documents relating to the Program.

"Program Expenses" means the fees and expenses payable to the Trustee and the Rebate Analyst in the amounts set forth in the Indenture.

"Program Guidelines" means the guidelines for the Program established by the Issuer, which are subject to amendment from time to time.

"Public Security Officer" has the meaning assigned by Section 1701.001, Texas Occupations Code.

"Purchase Price" means the cost to a Mortgagor of acquiring a Residence from the Seller as a completed residential unit as set forth in the Lender Agreement.

"Qualified Veteran" means a person who is a "veteran" (as defined in 38 U.S.C. Section 101) who has not previously obtained a loan financed by single family mortgage revenue bonds utilizing the veteran's exception to the 3-year requirement set forth in Section 143(d)(2)(D) of the Code.

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\* Preliminary; subject to change

“Rating Agency” means Moody’s Investors Service, Inc., its successors and assigns, or any other national rating agency which has assigned and is maintaining a credit rating on the Bonds

“Rebate Amount” means, with respect to the Bonds, the amount required to be rebated to the United States Government, as determined under Code Section 148 and Treasury Regulation Section 1.148-3.

“Rebate Analyst” means initially BLX Group LLC, or its successors or assigns.

“Record Date” means the close of business on the 25th day of the month preceding each Interest Payment Date, whether or not such 25th day is a Business Day.

“Residence” means real property and improvements permanently affixed thereon (but does not include property not constituting “fixtures” under State of Texas law) (i) that is located within the Eligible Loan Area; (ii) that consists of a single family detached or attached structure consisting of not more than four connected dwelling units intended for residential housing for one family or a single unit in a Condominium Development, Planned Unit Development, or *de minimus* PUD (as each term is defined in the Lender Agreement), a single unit in a duplex, triplex, or fourplex, or an entire duplex, triplex, or fourplex to be financed, *provided* that one of the units will be occupied by the Mortgagor and the Residence was first occupied for residential purposes at least five years prior to origination of the Mortgage Loan (however, this five-year requirement does not apply to the extent described in the next sentence) or a single unit in a duplex (but not including a mobile home or any personal property); and (iii) the Purchase Price (as defined in the Lender Agreement) of which does not exceed the Maximum Purchase Price (as defined in the Lender Agreement); *provided, however*, that land appurtenant to a Residence shall be considered as part of such Residence only if such land reasonably maintains the basic liability of such Residence and does not provide, other than incidentally, a source of income to the Mortgagor. The requirement that a multiple unit building have first been occupied for residential purposes at least five years prior to the closing of the Mortgage Loan does not apply in the case of a two-family Residence that is a Residence located in a Targeted Area. No portion of a Residence shall consist of a health club facility, a facility primarily used for gambling, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises.

“Revenues” means all income, revenues, proceeds and other amounts received by the Trustee from or on behalf of the Issuer, including all amounts received in connection with the GNMA Certificates except the Issuer’s Excess Interest Portion, and any and all interest, profits or other income derived from the investment of amounts in any Fund (except the Program Expense Fund, the Excess Interest Portion Fund, the Cost of Issuance Fund and any Rebate Amount in any Fund).

“Seller” means, with respect to a Mortgage Loan, the seller of the Residence being financed with such Mortgage Loan.

“Servicer” means Lakeview Loan Servicing, LLC, or any successor to its duties hereunder, and any additional Servicer appointed by the Issuer under the Program.

“Targeted Area” means that part of the Eligible Loan Area that has been or may be designated from time to time as a qualified census tract or an area of chronic economic distress in accordance with Section 143(j) of the Code. The list of Targeted Areas for the Eligible Loan Area are set forth in the Program Guidelines.

“Term Bonds” means the Bonds subject to mandatory sinking fund redemption.

“Veteran” has the meaning assigned by Section 161.001, Texas Natural Resources Code.

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**APPENDIX B**

**BOOK-ENTRY ONLY SYSTEM**

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## APPENDIX B

### BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, acts as securities depository for the Bonds (for purposes of this section, the Bonds will be referred to as the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Securities and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, 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”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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. Beneficial Owners are, however, 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC by the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 detailed information from the Issuer or the 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, DTC's nominee, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee; disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Tender Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Tender Agent's DTC account.

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

Portions of the foregoing information regarding the book-entry only system have been provided by DTC. Accordingly, neither the Issuer nor the Underwriters are making any representation concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. There can be no assurance that DTC or the DTC Participants will abide by the procedures described herein or that such procedures will not be changed from time to time. In the event a successor securities depository is designated, it may establish different procedures.

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

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## APPENDIX C

### FORM OF BOND COUNSEL OPINION

[closing date]

**WE HAVE ACTED AS BOND COUNSEL** for the Texas State Affordable Housing Corporation (the “Issuer”) for the purpose of rendering our opinion with respect to the matters discussed herein in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of the Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds (Texas Heroes Home Loan Program) Series 2019A (Non-AMT) (the “Bonds”). We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. The Bonds are limited obligations of the Issuer payable solely from the sources described therein.

**WE HAVE EXAMINED** the Bonds and have also examined, and in expressing the opinions hereinafter described we rely upon, original or certified copies of the proceedings of the Board of Directors of the Issuer authorizing issuance of the Bonds; certificates of the Issuer relating to the expected use of proceeds of the Bonds and certain other funds of the Issuer and to other material facts within the sole knowledge of the Issuer and a Trust Indenture, dated as of May 1, 2019, between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”) (collectively, the “Bond Documents”); and such other documents and material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

**WE ARE OF THE OPINION**, based upon such examination, that under applicable laws of the United States of America and of the State of Texas in force and effect on the date hereof, the Bonds have been duly authorized, executed, and delivered and constitute valid and legally binding limited obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforcement thereof may be limited by laws of general application relating to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors or the exercise of judicial discretion in accordance with general principles of equity.

**IT IS FURTHER OUR OPINION THAT**, assuming continuing compliance after the date hereof by the Issuer and the Trustee with the applicable provisions of the Bond Documents, and in reliance upon representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended (the “Code”), of the owners thereof for federal income tax purposes pursuant to sections 103 and 143 of the Code and existing regulations, published rules and court decisions thereunder and will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals.

**WE EXPRESS NO OTHER OPINION** with respect to the legal or beneficial ownership of the Bonds for federal income tax purposes or any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of the Bonds. Ownership of tax exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred

or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax exempt obligations.

**OUR OPINIONS ARE BASED** on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

**APPENDIX D**

**TABLE OF OUTSTANDING BOND AMOUNTS**

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**APPENDIX D**  
**TABLE OF OUTSTANDING BOND AMOUNTS<sup>\*†</sup>**

Date	100% PSA Outstanding Bond Amount for Premium PAC Bonds (\$)	450% PSA Outstanding Bond Amount for All Bonds (\$)
5/9/2019	15,000,000	40,000,000
6/1/2019	15,000,000	40,000,000
7/1/2019	15,000,000	40,000,000
8/1/2019	15,000,000	40,000,000
9/1/2019	15,000,000	40,000,000
10/1/2019	15,000,000	39,985,000
11/1/2019	15,000,000	39,950,000
12/1/2019	15,000,000	39,885,000
1/1/2020	15,000,000	39,790,000
2/1/2020	14,970,000	39,650,000
3/1/2020	14,785,000	39,485,000
4/1/2020	14,785,000	39,285,000
5/1/2020	14,785,000	39,285,000
6/1/2020	14,785,000	39,005,000
7/1/2020	14,785,000	38,540,000
8/1/2020	14,665,000	38,055,000
9/1/2020	14,665,000	37,400,000
10/1/2020	14,665,000	37,400,000
11/1/2020	14,665,000	37,185,000
12/1/2020	14,665,000	36,590,000
1/1/2021	14,665,000	35,970,000
2/1/2021	14,370,000	35,330,000
3/1/2021	14,080,000	34,545,000
4/1/2021	14,080,000	34,545,000
5/1/2021	14,080,000	33,990,000
6/1/2021	14,080,000	33,265,000
7/1/2021	13,785,000	32,520,000
8/1/2021	13,455,000	31,770,000
9/1/2021	13,130,000	30,885,000
10/1/2021	13,130,000	30,855,000
11/1/2021	13,130,000	30,050,000
12/1/2021	13,045,000	29,240,000
1/1/2022	12,700,000	28,420,000

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\* Preliminary; subject to change

† The Outstanding Bond Amounts in each column are subject to reduction if Bonds are subject to mandatory redemption due to failure to purchase GNMA Certificates from moneys in the Program Fund.

**APPENDIX D**  
**TABLE OF OUTSTANDING BOND AMOUNTS (continued)\* †**

<b>Date</b>	<b>100% PSA Outstanding Bond Amount for Premium PAC Bonds (\$)</b>	<b>450% PSA Outstanding Bond Amount for All Bonds (\$)</b>
2/1/2022	12,340,000	27,595,000
3/1/2022	11,985,000	26,670,000
4/1/2022	11,985,000	26,500,000
5/1/2022	11,985,000	25,680,000
6/1/2022	11,880,000	24,880,000
7/1/2022	11,515,000	24,105,000
8/1/2022	11,155,000	23,355,000
9/1/2022	10,810,000	22,540,000
10/1/2022	10,810,000	22,380,000
11/1/2022	10,810,000	21,680,000
12/1/2022	10,640,000	21,000,000
1/1/2023	10,290,000	20,345,000
2/1/2023	9,940,000	19,710,000
3/1/2023	9,605,000	19,020,000
4/1/2023	9,605,000	18,880,000
5/1/2023	9,605,000	18,285,000
6/1/2023	9,450,000	17,710,000
7/1/2023	9,110,000	17,150,000
8/1/2023	8,770,000	16,610,000
9/1/2023	8,445,000	16,030,000
10/1/2023	8,445,000	15,910,000
11/1/2023	8,445,000	15,405,000
12/1/2023	8,305,000	14,920,000
1/1/2024	7,975,000	14,445,000
2/1/2024	7,650,000	13,985,000
3/1/2024	7,335,000	13,495,000
4/1/2024	7,335,000	13,390,000
5/1/2024	7,335,000	12,960,000
6/1/2024	7,205,000	12,550,000
7/1/2024	6,885,000	12,150,000
8/1/2024	6,575,000	11,765,000
9/1/2024	6,270,000	11,340,000
10/1/2024	6,270,000	11,250,000
11/1/2024	6,270,000	10,890,000
12/1/2024	6,150,000	10,540,000
1/1/2025	5,840,000	10,200,000
2/1/2025	5,540,000	9,870,000
3/1/2025	5,245,000	9,515,000
4/1/2025	5,245,000	9,440,000
5/1/2025	5,245,000	9,135,000
6/1/2025	5,140,000	8,840,000
7/1/2025	4,845,000	8,550,000

\* Preliminary; subject to change

† The Outstanding Bond Amounts in each column are subject to reduction if Bonds are subject to mandatory redemption due to failure to purchase GNMA Certificates from moneys in the Program Fund.

**APPENDIX D**  
**TABLE OF OUTSTANDING BOND AMOUNTS (continued)\* †**

Date	100% PSA Outstanding Bond Amount for Premium PAC Bonds (\$)	450% PSA Outstanding Bond Amount for All Bonds (\$)
8/1/2025	4,555,000	8,275,000
9/1/2025	4,270,000	7,965,000
10/1/2025	4,270,000	7,900,000
11/1/2025	4,270,000	7,645,000
12/1/2025	4,175,000	7,395,000
1/1/2026	3,890,000	7,150,000
2/1/2026	3,610,000	6,915,000
3/1/2026	3,335,000	6,655,000
4/1/2026	3,335,000	6,595,000
5/1/2026	3,335,000	6,375,000
6/1/2026	3,255,000	6,165,000
7/1/2026	2,980,000	5,960,000
8/1/2026	2,705,000	5,760,000
9/1/2026	2,440,000	5,540,000
10/1/2026	2,440,000	5,490,000
11/1/2026	2,440,000	5,305,000
12/1/2026	2,370,000	5,125,000
1/1/2027	2,105,000	4,955,000
2/1/2027	1,840,000	4,785,000
3/1/2027	1,585,000	4,590,000
4/1/2027	1,585,000	4,555,000
5/1/2027	1,585,000	4,400,000
6/1/2027	1,520,000	4,245,000
7/1/2027	1,265,000	4,100,000
8/1/2027	1,010,000	3,955,000
9/1/2027	765,000	3,790,000
10/1/2027	765,000	3,760,000
11/1/2027	765,000	3,625,000
12/1/2027	720,000	3,500,000
1/1/2028	470,000	3,375,000
2/1/2028	225,000	3,250,000
3/1/2028	0	3,105,000
4/1/2028	0	3,085,000
5/1/2028	0	2,970,000
6/1/2028	0	2,865,000
7/1/2028	0	2,755,000
8/1/2028	0	2,655,000
9/1/2028	0	2,525,000
10/1/2028	0	2,515,000
11/1/2028	0	2,420,000
12/1/2028	0	2,330,000
1/1/2029	0	2,235,000

\* Preliminary; subject to change

† The Outstanding Bond Amounts in each column are subject to reduction if Bonds are subject to mandatory redemption due to failure to purchase GNMA Certificates from moneys in the Program Fund.

**APPENDIX D**  
**TABLE OF OUTSTANDING BOND AMOUNTS (continued)\* †**

Date	100% PSA Outstanding Bond Amount for Premium PAC Bonds (\$)	450% PSA Outstanding Bond Amount for All Bonds (\$)
2/1/2029	0	2,150,000
3/1/2029	0	2,035,000
4/1/2029	0	2,025,000
5/1/2029	0	1,945,000
6/1/2029	0	1,865,000
7/1/2029	0	1,785,000
8/1/2029	0	1,710,000
9/1/2029	0	1,615,000
10/1/2029	0	1,605,000
11/1/2029	0	1,540,000
12/1/2029	0	1,470,000
1/1/2030	0	1,410,000
2/1/2030	0	1,345,000
3/1/2030	0	1,260,000
4/1/2030	0	1,245,000
5/1/2030	0	1,185,000
6/1/2030	0	1,130,000
7/1/2030	0	1,080,000
8/1/2030	0	1,025,000
9/1/2030	0	960,000
10/1/2030	0	930,000
11/1/2030	0	880,000
12/1/2030	0	835,000
1/1/2031	0	790,000
2/1/2031	0	745,000
3/1/2031	0	705,000
4/1/2031	0	675,000
5/1/2031	0	635,000
6/1/2031	0	595,000
7/1/2031	0	555,000
8/1/2031	0	520,000
9/1/2031	0	485,000
10/1/2031	0	460,000
11/1/2031	0	425,000
12/1/2031	0	390,000
1/1/2032	0	360,000
2/1/2032	0	325,000
3/1/2032	0	295,000
4/1/2032	0	275,000
5/1/2032	0	245,000
6/1/2032	0	215,000
7/1/2032	0	190,000

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\* Preliminary; subject to change

† The Outstanding Bond Amounts in each column are subject to reduction if Bonds are subject to mandatory redemption due to failure to purchase GNMA Certificates from moneys in the Program Fund.

**APPENDIX D**  
**TABLE OF OUTSTANDING BOND AMOUNTS (continued)\* †**

<b>Date</b>	<b>100% PSA Outstanding Bond Amount for Premium PAC Bonds (\$)</b>	<b>450% PSA Outstanding Bond Amount for All Bonds (\$)</b>
8/1/2032	0	160,000
9/1/2032	0	135,000
10/1/2032	0	115,000
11/1/2032	0	90,000
12/1/2032	0	65,000
1/1/2033	0	45,000
2/1/2033	0	20,000
3/1/2033 and thereafter	0	0

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\* Preliminary; subject to change

† The Outstanding Bond Amounts in each column are subject to reduction if Bonds are subject to mandatory redemption due to failure to purchase GNMA Certificates from moneys in the Program Fund.

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