

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 19, 2024

NEW ISSUES

RATINGS: See “Ratings” herein.

In the opinion of Bond Counsel and the Attorney General of the State of Michigan, under existing law, (i) interest on the 2024 Series D Bonds (as defined below) is excluded from gross income for federal income tax purposes to the extent and subject to the conditions described herein; (ii) interest on the 2024 Series D Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax; (iii) the Offered Bonds (as defined below), and the interest thereon, are exempt from all state, city, county or other taxation provided by the laws of the State of Michigan except for estate and gift taxes and taxes on transfers; and (iv) interest on the 2024 Series E Bonds and the 2024 Series F Bonds (each as defined below) is not excluded from gross income for federal income tax purposes. See “Tax Matters” herein.

\$494,905,000*

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Single-Family Mortgage Revenue Bonds



Social Bonds

\$300,200,000*
2024 Series D
(Non-AMT)

\$144,705,000*
2024 Series E
(Federally Taxable)

\$50,000,000*
2024 Series F
(Federally Taxable)

Dated: Date of Delivery

Maturity Dates and Prices/Yields: As shown on inside cover page

Michigan State Housing Development Authority’s (the “Authority”) Single-Family Mortgage Revenue Bonds, 2024 Series D (the “2024 Series D Bonds”), Single-Family Mortgage Revenue Bonds, 2024 Series E (Federally Taxable) (the “2024 Series E Bonds”) and Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable) (the “2024 Series F Bonds” and, collectively with the 2024 Series D Bonds and the 2024 Series E Bonds, the “Offered Bonds”) will bear interest from their dated date to their maturity or prior redemption at the respective fixed rates set forth on the inside cover page. Interest on the Offered Bonds is payable on December 1, 2024, and thereafter on each June 1 and December 1. The Offered Bonds are deliverable only as fully-registered bonds without coupons in book-entry form, registered to Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which payments of principal and interest will be made. Individual purchases of Offered Bonds may be made in the principal maturity amount of \$5,000 or any integral multiple thereof. Purchasers of the Offered Bonds will not receive physical delivery of bond certificates representing their beneficial ownership interests. See Exhibit I — “Book-Entry Only” herein. U.S. Bank Trust Company, National Association (as successor to U.S. Bank National Association), Detroit, Michigan, is the Trustee with respect to the Bonds (as defined herein). The Offered Bonds are subject to redemption prior to maturity at par, as described herein.

The Authority has no taxing power. The State of Michigan is not liable on the Bonds, and the Bonds are not a debt of the State of Michigan. Subject to any agreements now or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, the Bonds shall be general obligations of the Authority, and the full faith and credit of the Authority are pledged to the payment of the principal or redemption price of and interest on the Bonds. In addition, the Pledged Property established by the General Resolution (as defined herein), including all mortgage loans financed under the General Resolution, is pledged to the payment of the principal or redemption price of and interest on the Bonds.

The Offered Bonds will be issued for the purposes, as described further herein, of (i) financing, including paying off borrowing facilities used for financing, new single-family mortgage loans and down payment assistance loans (including financing the payment of certain fees to originating lenders), or, for tax purposes, replacing and refunding certain outstanding Bonds, (ii) if required to satisfy the Capital Reserve Fund Requirement, making a deposit to the Capital Reserve Fund, and (iii) at the discretion of the Authority, paying the costs of issuance of the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of the Offered Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The 2024 Series D Bonds and the 2024 Series E Bonds are offered when, as and if issued by the Authority and received by the underwriters named below (collectively, the “2024 Series DE Underwriters”), subject to prior sale, withdrawal or modification of the offer without notice. The 2024 Series F Bonds are offered when, as and if issued by the Authority and received by RBC Capital Markets, LLC (the “2024 Series F Underwriter” and, together with the 2024 Series DE Underwriters”, the “Underwriters”), subject to prior sale, withdrawal or modification of the offer without notice. The issuance of the Offered Bonds is subject to the approval of legality by Dykema Gossett PLLC and Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel to the Authority, and by the Attorney General of the State of Michigan. Certain legal matters in connection with the Offered Bonds will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. The Underwriters intend, but are not obligated, to make a market in the relevant Offered Bonds. For information concerning the terms of the Underwriters’ compensation, see “Underwriting” herein. It is expected that the Offered Bonds will be available for delivery through the facilities of DTC on or about October 17, 2024.**

RBC Capital Markets†

Barclays
Morgan Stanley

BofA Securities
Raymond James

J.P. Morgan
Wells Fargo Securities

Dated: October __, 2024

* Preliminary, subject to change.

† Sole underwriter of the 2024 Series F Bonds, and representative of the underwriters of the 2024 Series D Bonds and 2024 Series E Bonds.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. 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 qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

\$300,200,000 2024 Series D Bonds (Non-AMT)

\$49,285,000 2024 Series D Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP†	Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP†
June 1, 2025	\$2,490,000	%	%		June 1, 2031	\$1,480,000	%	%	
December 1, 2025	2,200,000				December 1, 2031	1,510,000			
June 1, 2026	2,240,000				June 1, 2032	1,545,000			
December 1, 2026	2,285,000				December 1, 2032	1,580,000			
June 1, 2027	2,325,000				June 1, 2033	1,620,000			
December 1, 2027	2,375,000				December 1, 2033	1,650,000			
June 1, 2028	2,420,000				June 1, 2034	1,690,000			
December 1, 2028	2,465,000				December 1, 2034	1,730,000			
June 1, 2029	2,515,000				June 1, 2035	1,770,000			
December 1, 2029	2,555,000				December 1, 2035	1,810,000			
June 1, 2030	2,610,000				June 1, 2036	1,855,000			
December 1, 2030	2,665,000				December 1, 2036	1,900,000			

\$12,390,000 ___% 2024 Series D Term Bonds maturing December 1, 2039 @ ___%, CUSIP†: _____

\$25,325,000 ___% 2024 Series D Term Bonds maturing December 1, 2044 @ ___%, CUSIP†: _____

\$32,975,000 ___% 2024 Series D Term Bonds maturing December 1, 2049 @ ___%, CUSIP†: _____

\$67,765,000 ___% 2024 Series D Term Bonds maturing June 1, 2055 @ ___%, CUSIP†: _____

\$112,460,000 ___% 2024 Series D PAC Term Bonds ("PAC Bonds") maturing June 1, 2055 @ ___%, CUSIP†: _____

\$144,705,000 2024 Series E Bonds (Federally Taxable)

\$27,335,000 2024 Series E Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP†	Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP†
June 1, 2025	\$1,280,000	%	%		June 1, 2030	\$1,355,000	%	%	
December 1, 2025	1,140,000				December 1, 2030	1,385,000			
June 1, 2026	1,160,000				June 1, 2031	1,415,000			
December 1, 2026	1,185,000				December 1, 2031	1,445,000			
June 1, 2027	1,210,000				June 1, 2032	1,475,000			
December 1, 2027	1,230,000				December 1, 2032	1,510,000			
June 1, 2028	1,250,000				June 1, 2033	1,540,000			
December 1, 2028	1,275,000				December 1, 2033	1,580,000			
June 1, 2029	1,300,000				June 1, 2034	1,615,000			
December 1, 2029	1,335,000				December 1, 2034	1,650,000			

\$18,830,000 ___% 2024 Series E Term Bonds maturing December 1, 2039 @ ___%, CUSIP†: _____

\$24,175,000 ___% 2024 Series E Term Bonds maturing December 1, 2044 @ ___%, CUSIP†: _____

\$31,525,000 ___% 2024 Series E Term Bonds maturing December 1, 2049 @ ___%, CUSIP†: _____

\$42,840,000 ___% 2024 Series E Term Bonds maturing June 1, 2055 @ ___%, CUSIP†: _____

\$50,000,000 2024 Series F Bonds (Federally Taxable)

\$50,000,000 ___% 2024 Series F Term Bonds maturing June 1, 2055 @ ___%, CUSIP†: _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau of CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau database. These CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the applicable Offered Bonds. The Authority and the Underwriters are not responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness by the Authority or the Underwriters or as included herein. The CUSIP number for a specific maturity and interest rate of a Series is subject to being changed after the issuance of the Offered Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities and interest rates of a Series of the Offered Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The offering of the Offered Bonds is made only by means of this entire Official Statement. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offered Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

In making an investment decision, investors must rely on their own examination of the terms of the offering including the merits and risks involved. The Offered Bonds have not been recommended by any federal or State securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document.

This Official Statement is submitted in connection with the sale of the Offered Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is being provided to prospective purchasers either in bound printed form (*“Original Bound Format”*) or in electronic format on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access portal. This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward looking statements. A number of important factors affecting the Authority and its programs could cause actual results to differ materially from those stated in the forward looking statements.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose, including for purposes of Rule 15c2-12 promulgated by the SEC. There can be no assurance that such hyperlinks will continue to be operational, or that the referenced information will continue to be available at such addresses.

The order and placement of material in this Official Statement, including the exhibits, are not to be deemed a determination of relevancy, materiality or importance, and this Official Statement, including the exhibits, must be reviewed and considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement.

In connection with the offering of the Offered Bonds, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the Offered Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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\$494,905,000*
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
Single-Family Mortgage Revenue Bonds
Social Bonds

\$300,200,000* 2024 Series D (Non-AMT)	\$144,705,000* 2024 Series E (Federally Taxable)	\$50,000,000* 2024 Series F (Federally Taxable)
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INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the exhibits hereto, is to set forth certain information concerning the Michigan State Housing Development Authority (the “*Authority*”) and its Single-Family Mortgage Revenue Bonds, 2024 Series D (the “*2024 Series D Bonds*”), Single-Family Mortgage Revenue Bonds, 2024 Series E (Federally Taxable) (the “*2024 Series E Bonds*”) and Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable) (the “*2024 Series F Bonds*” and, collectively with the 2024 Series D Bonds and the 2024 Series E Bonds, the “*Offered Bonds*”). The 2024 Series D Bonds are sometimes herein referred to as the “*Tax-Exempt Bonds*”, and the 2024 Series E Bonds and the 2024 Series F Bonds are sometimes herein collectively referred to as the “*Taxable Bonds*”.

Except as the context otherwise indicates, capitalized terms used in this Official Statement have the same meanings as set forth herein, including under Exhibit E — “Summary of Certain Provisions of the General Resolution — Certain Definitions,” or in the resolution adopted by the Authority on December 17, 1987, as amended and supplemented (the “*General Resolution*”), providing for the issuance of Single-Family Mortgage Revenue Bonds. The single-family financing activities of the Authority under the General Resolution are referred to herein as the Authority’s “*Single-Family Mortgage Revenue Bond Program*” or the “*Program*.” The financing activities of the Authority with respect to its single-family housing units financed under its Single-Family Homeownership Revenue Bonds General Resolution (the “*Homeownership Resolution*”), or from the Authority’s Operating Fund, are referred to herein as the Authority’s “*Other Single-Family Programs*.” The Trustee and Bond Registrar under the General Resolution is U.S. Bank Trust Company, National Association (as successor to U.S. Bank National Association), located in Detroit, Michigan.

The 2024 Series D Bonds and the 2024 Series E Bonds are being purchased by the underwriters listed on the front cover of this Official Statement (collectively, the “*2024 Series DE Underwriters*”), and the 2024 Series F Bonds are being purchased solely by RBC Capital Markets, LLC (the “*2024 Series F Underwriter*” and, together with the 2024 Series DE Underwriters, the “*Underwriters*”), all as described herein under “Underwriting.”

Act 346, Public Acts of Michigan, 1966, as amended (the “*Act*”), authorizes the Authority to issue its notes and bonds to finance its housing programs within the State of Michigan (the “*State*”). See “The Authority” and Exhibit C — “Outstanding Indebtedness” for information concerning the outstanding general obligation indebtedness of the Authority.

The Authority has previously issued 101 series of Bonds (as hereinafter defined) under the General Resolution. Single-Family Mortgage Revenue Bonds issued under the General Resolution prior to the issuance of the Offered Bonds are herein referred to as the “*Prior Bonds*.” The Prior Bonds, the

* Preliminary, subject to change.

Offered Bonds and all other Single-Family Mortgage Revenue Bonds to be issued under the General Resolution are herein referred to individually as a “Bond” and, collectively, as “Bonds.” All bonds (*including* the Bonds) and notes of the Authority other than limited obligation bonds, regardless of the resolution under which issued, are referred to herein as “bonds” and “notes,” respectively. When referred to individually, each series of Single-Family Mortgage Revenue Bonds is referred to by its year of issuance, followed by the word “Series,” followed by its letter designation. Series of Bonds issued in a single year, for convenience, may be described collectively by the year of issuance, followed by the word “Bond.” If a series included subseries, an additional designation may identify a particular subseries. To the extent any reference is made to more than one, but less than all, of the series of Bonds issued in a calendar year, the reference will include the letter designations for the particular series.

Under the General Resolution, the Authority may issue Bonds and apply the proceeds thereof to (i) refund outstanding obligations of the Authority, (ii) finance loans evidenced by a mortgage note and secured, except as set forth in a Series Resolution authorizing the issuance of Bonds, by a first lien mortgage, (iii) acquire any instrument evidencing an ownership interest in such loans, unless otherwise provided in a Series Resolution, and (iv) make such deposits in amounts, if any, required by the General Resolution or a Series Resolution to be paid into various funds (including the Down Payment Assistance Fund for the purpose of financing down payment assistance loans secured by a second lien mortgage, as further described under “Sources of Payment for the Bonds – Down Payment Assistance Loans” below). See Exhibit E — “Summary of Certain Provisions of the General Resolution.” The General Resolution allows a Series Resolution to set forth terms and conditions under which a Mortgage Loan is not required to be evidenced by a mortgage document constituting a first lien on the property as described in clause (ii) in the second preceding sentence.

The Series Resolution authorizing the issuance of a series of Bonds will establish the eligibility criteria for the Mortgage Loans (as defined below) to be financed with the proceeds of that series of Bonds. Mortgage loans financed with the proceeds of Bonds and other amounts held under the General Resolution, and instruments evidencing an ownership interest in such mortgage loans, are referred to as “*Mortgage Loans*.” Mortgage Loans are to be made to persons whose incomes do not exceed the limitations set forth in the Act (“*Mortgagors*”) for the purchase and the purchase and rehabilitation of single-family housing units which will be their principal residences (“*Residences*”) and for the making of improvement to a year-round Residence. (The Series Resolutions adopted by the Authority authorizing the Offered Bonds, referred to as the “*Offered Bonds Resolutions*”, and the General Resolution are referred to herein, collectively, as the “*Resolution*”.)

The proceeds of the Offered Bonds are expected to be used to finance, including to pay off borrowing facilities used to finance, the acquisition of new single-family mortgage loans and down payment assistance loans (including to finance the payment of certain fees to originating lenders), or, for tax purposes, replacing and refunding certain outstanding Bonds. Furthermore, if required to satisfy the Capital Reserve Fund Requirement, proceeds of the 2024 Series D Bonds and 2024 Series E Bonds are expected to be used to make a deposit to the Capital Reserve Fund (unless the Authority obtains and credits Cash Equivalents for such purpose); and at the discretion of the Authority, proceeds of the 2024 Series D Bonds and 2024 Series E Bonds are expected to be used to pay the costs of issuance of the Offered Bonds.

The Authority uses its own funds or funds borrowed under the Revolving Credit Agreement or the Short Term Borrowing Facility (each as defined herein) to finance, or make commitments to use such funds to finance, mortgage loans and down payment assistance loans. The Authority expects that, as of the date of issuance of the Offered Bonds, funds in an amount at least equal to the lendable proceeds of the Offered Bonds will have financed or made commitments to finance mortgage loans and down payment assistance loans, with the intention that such funds would be restored when the loans were

purchased with or allocated to the proceeds of the Offered Bonds (such mortgage loans and down payment assistance loans will become, as applicable, Offered Bonds Mortgage Loans or Offered Bonds Down Payment Assistance Loans, as each such term is defined below). See “Estimated Sources and Uses of Funds.”

The Offered Bonds Resolutions set forth certain requirements with respect to the Mortgage Loans, or portions of Mortgage Loans, to be financed from the proceeds of, or Revenues received that are allocable to, the Offered Bonds (the “*Offered Bonds Mortgage Loans*”). Each Offered Bonds Mortgage Loan will be, unless it has a qualifying loan-to-value ratio, the subject of (i) mortgage insurance issued by a private mortgage insurance company, (ii) insurance by the Federal Housing Administration (“*FHA*”), (iii) a guaranty by the United States Department of Veterans Affairs (“*VA*”), or (iv) a guaranty by the Rural Housing Service, an agency within the United States Department of Agriculture’s Rural Development agency (“*RHS*”) (see Exhibit F — “Mortgage Insurance and Mortgage Loan Modification Programs” herein). Substantially identical mortgage loan eligibility requirements are applicable to the home acquisition Mortgage Loans financed or to be financed from the proceeds of the Prior Bonds, or otherwise attributable to the Prior Bonds (the “*Prior Bonds Mortgage Loans*”). Prior Bonds Mortgage Loans financed by particular series of Prior Bonds are referred to herein with the series designation of the Prior Bonds that financed the applicable Prior Bonds Mortgage Loans, followed by the phrase “Mortgage Loans”. For information concerning the Offered Bonds Mortgage Loans and the Prior Bonds Mortgage Loans see, as applicable, “The Program – Mortgage Loan Characteristics,” “The Program – Offered Bonds Mortgage Loans” and “– Prior Bonds Mortgage Loans,” Exhibit E — “Summary of Certain Provisions of the General Resolution,” and Exhibit F — “Mortgage Insurance and Mortgage Loan Modification Programs.” The General Resolution permits the Series Resolutions for future Bonds to establish mortgage loan eligibility criteria substantially different from those established for the Offered Bonds Mortgage Loans and the Prior Bonds Mortgage Loans. As a result, Mortgage Loans financed with the proceeds of future Bonds may or may not be the subject of mortgage insurance and Supplemental Mortgage Coverage depending upon the requirements set forth in the applicable Series Resolution.

The applicable Offered Bonds Resolutions authorize the use of proceeds of the Offered Bonds and other moneys available by the Authority to finance Down Payment Assistance Loans to Mortgagors who have or will receive a Mortgage Loan. Down Payment Assistance Loans financed pursuant to the Offered Bonds Resolutions in connection with Offered Bonds Mortgage Loans are referred to herein as the “*Offered Bonds Down Payment Assistance Loans*.” (Offered Bonds Mortgage Loans and Offered Bonds Down Payment Assistance Loans are collectively referred to herein as the “*Offered Bonds Loans*”.) The Offered Bonds Down Payment Assistance Loans and all other down payment assistance loans financed with Bond proceeds and other available Authority moneys and made to Mortgagors who received Mortgage Loans (collectively, the “*Down Payment Assistance Loans*”) and the payments thereunder are pledged to secure the Bonds. Down Payment Assistance Loans are not insured. Though Down Payment Assistance Loans will be made only in connection with Mortgage Loans, the Authority may subsequently separate a Down Payment Assistance Loan from its related Mortgage Loan. See “Sources of Payment for the Bonds – Down Payment Assistance Loans” and “–Cash Flow Statements” and “The Program – Mortgage Loan Characteristics – General” for additional information. Authority moneys and proceeds of Prior Bonds have financed Down Payment Assistance Loans. The Authority may continue to finance Down Payment Assistance Loans in connection with future Bond series and will establish the characteristics of such down payment assistance loans in the applicable Series Resolutions.

Subject to any agreements heretofore or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues, the Bonds are general obligations of the Authority, and the Authority’s full faith and credit are pledged for the payment of the principal or Redemption Price of and interest on said Bonds. See “Sources of Payment for the Bonds – Net Position, Allowances for Possible Losses and Certain Expenses” for a discussion of the net assets that may be

available for the payment of debt service on the Bonds. **The Authority has no taxing power. The State of Michigan is not liable on the Bonds, and said Bonds are not a debt of the State of Michigan.** *Except* as otherwise described herein and *except* to the extent that subsequently issued series of Bonds are made expressly subordinate to other series of Bonds, payments of principal or Redemption Price of and interest on the Prior Bonds, the Offered Bonds and any other Bonds issued by the Authority, notwithstanding the series of which they are a part or their date or dates of issuance, are secured equally and proportionately by the Pledged Property (as hereinafter defined). See “Sources of Payment for the Bonds” herein.

All references in this Official Statement to the Act, the Resolution and any Series Resolution are qualified in their entirety by reference to such documents, copies of which are available from the Authority. All references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in this Official Statement and the related Series Resolution.

THE AUTHORITY

General

The Authority was created in 1966 and under the terms of the Act is a public body corporate and politic and, by Executive Order, effective in August 2019, became a part of the Michigan Department of Labor and Economic Opportunity (the “*Department*”). The Authority is authorized to issue its bonds and notes to the investing public in order to create a flow of private capital through the Authority into mortgage loans to qualified housing sponsors and to certain qualified individuals. The Authority and its corporate existence continue until terminated by law.

The Act permits the Authority to have general and limited obligations outstanding in the aggregate principal amount of \$10,000,000,000, subject to certain exclusions. As of June 30, 2023, the aggregate principal amount of Authority general obligation bonds (including Bonds and outstanding amounts under the Revolving Credit Agreement (as defined below)) outstanding was \$4,317,858,000 of which an aggregate principal amount of \$2,459,700,000 were Outstanding Bonds (as hereinafter defined). (Since June 30, 2023, the Authority has issued its \$392,925,000 Single-Family Mortgage Revenue Bonds 2023 Series B and 2023 Series C, and its \$424,625,000 Single-Family Mortgage Revenue Bonds 2024 Series A, 2024 Series B and 2024 Series C. On September 6, 2024, the Authority executed a contract for the sale of \$424,710,000 Rental Housing Revenue Bonds, 2024 Series A, which are expected to be issued on September 25, 2024. In addition, on July 19, 2024, the Authority executed a loan agreement with Royal Bank of Canada, acting through a branch located at 200 Vesey Street, New York, New York (the “*Short Term Borrowing Facility*”), pursuant to which the Authority may borrow up to an aggregate of \$150,000,000, evidenced by a note (the “*Short Term Note*”), which bears a variable interest rate and which matures on October 18, 2024. As of the date of this Official Statement, \$150,000,000 has been drawn under the Short Term Borrowing Facility. Proceeds of the Short Term Borrowing Facility have been used by the Authority to acquire single-family mortgage loans and down payment assistance loans that the Authority expects to finance with proceeds of the Offered Bonds. The Authority expects to use such proceeds of the Offered Bonds to repay the Short Term Note.) As of June 30, 2023, the Authority had outstanding under its general obligation programs, mortgage loans, mortgage loan commitments, home improvement loans and down payment assistance loans aggregating approximately \$4,456,117,000, including an approximate aggregate of \$2,567,439,000 involving financing for 24,229 units of single-family housing under the Program pursuant to the Single-Family Mortgage Revenue Bonds issued under the General Resolution, and \$25,970,000 involving financing for single-family housing and down payment assistance under the Authority’s Other Single-Family Programs. On March 16, 2021, the Authority entered into a two-year revolving credit agreement with U.S. Bank National Association, and

on March 13, 2023 extended such agreement through September 10, 2024 and on September 6, 2024 further extended such agreement through March 6, 2026 (the “*Revolving Credit Agreement*”). The Revolving Credit Agreement allows a \$200,000,000 outstanding principal amount at any time during its term. Each loan made under the Revolving Credit Agreement bears interest at the index rate in effect on the date of loan disbursement. Currently, the index rate is, generally, Term SOFR plus a pre-determined spread. The Authority has used and will use proceeds of loans under the Revolving Credit Agreement and the Short Term Borrowing Facility for the principal purpose of financing single-family mortgage loans and down payment assistance loans. Payment of amounts due under the Revolving Credit Agreement and Short Term Borrowing Facility are general obligations of the Authority. As of the date of this Official Statement, \$100,000,000 is outstanding under the Revolving Credit Agreement, and the Authority expects to draw an additional \$70,000,000 under the Revolving Credit Agreement on September 20, 2024. The Authority expects to repay all outstanding draws under the Revolving Credit Agreement with proceeds of the Offered Bonds.

For more information concerning outstanding general obligation indebtedness of the Authority, see Exhibit C — “Outstanding Indebtedness” to this Official Statement.

Membership

The membership of the Authority includes three heads of principal departments of the executive branch of the State government. The Governor of the State (the “*Governor*”) has appointed the Director of the Department, the Treasurer of the State of Michigan and the President of the Michigan Strategic Fund as such ex-officio members. Four additional Members of the Authority are appointed by the Governor with the advice and consent of the Senate. If required by federal law, the Governor may also appoint one additional member who is an individual directly assisted by a federal housing program administered through the Authority. The appointed Members serve terms of four years each from the date of their appointment or until their successors have been appointed and qualified. The powers of the Authority are vested in and exercised by a majority of its Members then in office and eligible to vote. The Chairperson is the Director of the Department, and the Vice Chairperson of the Authority is elected by the Members. The Authority may delegate to one or more of its Members, or to its officers, agents and employees, such powers and duties as it may deem proper.

The Authority’s Members are:

Susan Corbin	Chair, Director, Department of Labor and Economic Opportunity
Rachael A. Eubanks	State Treasurer, Michigan Department of Treasury
Quentin L. Messer, Jr.	President and Chair, Michigan Strategic Fund
Jennifer Grau	President, Grau Interpersonal Communications
Regina Bell	Director of Government Relations and Public Policy, Council of Michigan Foundations
Jonathan P. Bradford	Former CEO, Inner City Christian Federation (retired)
Warren Call	President and CEO, Traverse Connect

The membership position for an individual directly assisted by a federal housing program administered through the Authority is currently vacant.

Management

The Authority’s permanent staff of approximately 269 full-time persons includes managers, analysts, specialists, technicians, architects, engineers, attorneys, paralegals, office assistants, auditors,

graphic arts designers, communication representatives, secretaries, buyers, accountants and specialists in residential construction, computer services and housing management. The Authority's limited and part-time staff includes 25 limited term, 2 job share/part-time, 1 permanent intermittent, and 7 student assistants. The Authority also has contract staff of approximately 2 persons and additionally utilizes, through consulting contracts, the professional services of architects, engineers, lawyers, market analysts and specialists in real estate finance, construction technology, marketing, and other technical fields.

Amy Hovey joined the Authority as its Executive Director in January 2023. As of November 16, 2023, Ms. Hovey's title was changed to Chief Executive Officer (CEO) and Executive Director. Ms. Hovey is the first woman to serve as Executive Director & CEO of the Authority in the Authority's 58-year history. She brings a unique perspective as the Authority's Executive Director & CEO, having been both a funder and developer of housing. Before joining the Authority, she worked at the Charles Stewart Mott Foundation, where for six years she directed special projects in Flint. Ms. Hovey has prior experience in finance, government relations, commercial real estate, construction, housing and neighborhood revitalization. She began her career as a banker, and went on to hold the position of senior vice president and CEO of the Center for Community Progress in Washington, D.C. She also worked as a program director for the Local Initiatives Support Corporation in Lansing, Michigan, and as district chief of staff for Congressman Dan Kildee (D-Michigan) before joining the Mott Foundation. Ms. Hovey currently sits on the National Advisory Council of the National Housing Conference (NHC), chartered to actively support and promote NHC and its mission, which provides high-level guidance, offers insight into pressing issues in the field and addresses emerging policy and research questions. A graduate of Alma College, Ms. Hovey has also earned a Master of Public Administration from the University of Michigan-Flint's Rackham Graduate Program.

Jeffrey J. Sykes was appointed the Director of the Division of Finance in May 2008. As of March 3, 2016, Mr. Sykes' title was changed to Chief Financial Officer. Mr. Sykes joined the Authority staff in 1988. He received a Bachelor of Arts degree in Financial Management from Michigan State University in 1992. Since joining the Authority, Mr. Sykes has served as an Auditor, Accountant, Chief Accountant, Financial Manager, Interim Director of Finance, Director of Finance and now as the Chief Financial Officer. As Chief Financial Officer, Mr. Sykes oversees the Division of Finance, which is made up of 24 staff members, and is responsible for Authority accounting, financing, auditing, budgeting, and mortgage servicing function. Mr. Sykes also oversees the Authority's Homeownership Division, which is supervised by Tonya Coon.

Tonya Coon is the Director of the Authority's Homeownership Division, a position she has held since August 7, 2023. Ms. Coon supervises a staff made up of approximately 32 staff members. The Homeownership Division is responsible for loan origination, underwriting, purchasing, and homeownership counseling for the single-family program, and administration of the mortgage credit certificate program. Ms. Coon holds a degree in Business Administration from Baker College and has over 20 years of mortgage lending, loan servicing, and consumer banking experience.

Clarence L. Stone, Jr. was appointed the Authority's Director of Legal Affairs Division in 2012. (As of April 28, 2024, Mr. Stone's title was changed to Chief Legal Affairs Officer.) He received his B.A. degree from the University of Michigan and his J.D. degree from the University of Virginia School of Law. The Legal Affairs Division has approximately 19 staff members who (i) review legal matters in the underwriting of multi-family mortgage loans, (ii) close multi-family mortgage loans and workouts, (iii) address legal issues subsequent to multi-family mortgage loan closings, (iv) review and develop administrative procedures and legislation, (v) address legal issues that arise with programs administered by the Authority, (vi) organize and prepare materials for Authority Member meetings, and (vii) oversee professional services contracts. (Litigation matters are referred to the Office of Attorney General.)

Kelly A. Rose was appointed as the Chief Operating Officer (COO) in January 2024. In that capacity, she oversees the Operations division, Audit, Compliance and Fraud Investigation division and the Rental Assistance and Homeless Solutions division. Prior to serving as the COO, Ms. Rose was the Chief Housing Solutions Officer from 2016-2023 and the director of Rental Assistance and Homeless Solutions from 2013-2015. Ms. Rose is also the Chair of the Governor-appointed Michigan Interagency Council on Homelessness. She joined the Authority in December 2008 as a Closing Specialist within the Rental Development Division where she monitored a portfolio of Authority financed multi-family developments during closing, construction and stabilization. Ms. Rose coordinated with external partners (owners, general contractors, tax-credit syndicators and private lenders) ensuring the financial feasibility and on-time delivery of housing units. Ms. Rose is a West Point graduate with a B.S. in Engineering Management and served for seven years as an officer in the U.S. Army earning a Bronze Star Medal for her service in Operation Enduring Freedom in Afghanistan. The Division of Rental Assistance and Homeless Solutions has a staff of approximately 47, which has statewide responsibility for the State's allocation of rental assistance vouchers to assure compliance with federal regulations and to assist low-income Michigan residents to be self-sufficient and administers approximately 29,000 vouchers statewide, which also includes components for Family Self-Sufficiency (“FSS”) and the Key to Own (“KTO”) homeownership programs for the Authority’s voucher participants. The Authority’s voucher program is the largest statewide program in the country. Both the Authority’s FSS and KTO programs have received national recognition. The Division of Rental Assistance and Homeless Solutions works with the Rental Development Division in the creation of Permanent Supportive Housing.

Anthony Lentych was appointed as the Authority’s Chief Housing Investment Officer, effective May 17, 2023, where he oversees the Rental Development, Asset Management, and Neighborhood Housing Initiatives divisions. He previously served a full term as a member of the Authority’s Board having been appointed by Governor Jennifer Granholm. Mr. Lentych holds a Master’s degree in Public Affairs from Indiana University and has over 20 years of experience in affordable housing and community development.

Matt Bergeon was selected as the Director of Asset Management in October 2022. Mr. Bergeon joined the Authority in 2005 as an Asset Manager with a specialty in construction related issues. He later became the Manager of Core Properties and Intake within the Asset Management Division in May of 2013. In his role as Director of Asset Management, Mr. Bergeon currently supervises a staff of approximately 48 (7 managers, 40 analysts, technicians and specialists, and 1 general office) who oversee the Authority’s rental bond financed and HOME-assisted multi-family portfolio of approximately 800 developments with more than \$2.05 billion in permanent loans receivable. This includes the oversight of the Authority’s compliance monitoring unit, which provides compliance monitoring for over 1,500 properties funded with LIHTC, HOME and other affordable funding sources. Since 2001, his division has acted as the United States Department of Housing and Urban Development’s (“HUD”) Performance Based Contract Administrator (“PBCA”) overseeing the asset management and the disbursement of federal subsidy to an additional 400 federally assisted properties in Michigan. Mr. Bergeon received his Bachelor of Arts degree in Construction Management from Michigan State University in 1993.

Chad Benson is the Authority’s Director of Development overseeing the Rental Development Division. In his time with the Authority, Mr. Benson has worked with the underwriting, selection, and development of complex multifamily developments and has been highly involved with the development and implementation of numerous Qualified Allocation Plans, which determine how the Low-Income Housing Tax Credit resource will be allocated throughout the State of Michigan. Additionally, Mr. Benson has been a member of various groups that have worked to develop new processes and programs for the Authority. Prior to joining the Authority, Mr. Benson received his bachelor’s degree in Economics and Business Management from Hope College.

DESIGNATION OF THE OFFERED BONDS AS SOCIAL BONDS

The Authority has designated the Offered Bonds as “Social Bonds” based on, among other things, the intended or actual use of proceeds to permanently finance affordable single-family mortgage loans and down payment assistance loans generally made to first-time homebuyers of low and moderate income in communities across the State.

The Authority’s Social Bonds designation reflects the intended or actual use of proceeds of the Offered Bonds in a manner that is consistent with the “ICMA Social Bond Principles: Voluntary Process Guidelines for Issuing Social Bonds” (the “*ICMA Social Bond Principles*”) as promulgated by the International Capital Market Association (“*ICMA*”) and updated most recently in June 2023. The ICMA Social Bond Principles include project categories for the most commonly used types of projects (defined as “*Social Projects*”) supported by or expected to be supported by the Social Bond market. The ICMA Social Bond Principles expressly include “affordable housing.” The Authority’s programs, as summarized below, provide affordable housing in the State and serve certain of the target populations included by the ICMA in the ICMA Social Bond Principles such as (i) excluded and/or marginalized populations, (ii) communities that are underserved regarding affordable homeownership, and (iii) minorities and other target populations. The Authority’s Social Bonds designation also reflects the process by which the Authority has determined that its activities further advance affordable housing in the State, including the way the Authority tracks the use of Offered Bond proceeds to fund its affordable housing programs and reports on such activities.

The term “Social Bonds” is neither defined in nor related to provisions of the Resolution. Owners of the Offered Bonds do not have any security other than as provided in the Resolution and described under “Sources of Payment for the Bonds.” The Authority does not assume any obligation to ensure that the loans financed with proceeds of the Offered Bonds comply with any legal or other standards or principles that may be related to the ICMA Social Bond Principles or that the Offered Bonds comply with any legal or other standards or principles that may be related to “Social Bonds.”

The ICMA Social Bond Principles, updated as of June 2023, include the following four core components: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting. The Authority’s determination of the Social Bonds designation is based, in summary, on the following:

Use of Proceeds. The proceeds of the Offered Bonds will be used to finance first-lien single family mortgage loans and down payment assistance loans to provide affordable housing for low-to-moderate income primarily first-time homebuyers throughout the State pursuant to the Program. The Authority’s designation of the Offered Bonds as Social Bonds is based upon the anticipated use of proceeds and satisfaction of the other core components of the ICMA Social Bond Principles.

Project Evaluation and Selection. Loans funded by Offered Bonds proceeds will be originated by participating lenders and will be consistent with the Program, as described in “The Program.”

Management of Proceeds. Net of certain transaction costs, the proceeds of the Offered Bonds will be invested in Investment Obligations until disbursed to finance the single-family program mortgage loans and down payment assistance loans. Such disbursements will be tracked by the Authority, and the mortgage loans and down payment assistance loans are tracked for compliance with Program requirements.

Reporting. With respect to the Offered Bonds, the Authority expects to prepare a one-time report on the new mortgage loans and new down payment assistance loans funded from the Offered Bonds

proceeds, at such time as the proceeds have been fully expended (the specific form and content of which are in the absolute discretion of the Authority). The Authority expects that such report will consist of the information outlined in the Form of Social Bonds Reporting in Exhibit L — “Form of Social Bonds Reporting” in this Official Statement. Once all the proceeds of the Offered Bonds have been fully disbursed from the Authority’s Bond Proceeds Fund, no further updates will be provided.

The Authority expects to post such report as a voluntary filing on the Electronic Municipal Market Access system (“EMMA”) of the Municipal Securities Rulemaking Board. Although the Authority intends to provide such report, the Authority is not required to provide this report pursuant to its continuing disclosure obligations (as hereinafter described) or any other agreement to provide continuing disclosure, and the failure to do so will not constitute an event of default thereunder or under the General Resolution and subsequent resolutions.

Mission of the Authority’s Single-Family Program and Summary Statistics

The Authority’s mission is to serve the people of the State by partnering to provide quality housing that is affordable, a cornerstone of diverse, thriving communities.

The Authority limits the purchase price of a unit to an amount that does not exceed the requirements of the Internal Revenue Code of 1986 (the “Code”) or State law. The present statewide purchase price limit is \$224,500 (lower than what is permitted by the Code) for all units, and can be increased by the Authority by an amount up to \$3,500 to cover the costs of improving the unit for use by disabled individuals. The Authority is in the process of seeking State legislation allowing the Authority to use the Code limits. At present, the family income limit for eligibility to purchase a unit with Authority financing ranges from \$91,200 to \$174,720. The Authority has the right, at its option, to change these limits, subject to applicable law. The Act requires that for the first 60 days following the announcement of a program funded by the proceeds of bonds, 50% of the proceeds of those bonds available to make loans must be reserved for applicants with gross annual incomes at or below 60% of the statewide median gross income, which is currently \$54,720. The Authority by resolution may waive this requirement. The maximum principal amount of a Down Payment Assistance Loan is \$10,000; such amount has been applicable to all ZIP codes in the State as of May 2023. The Authority provides (through nonprofit agencies), at no cost (or nominal cost) to the potential applicant, homeownership counseling. The homeownership counseling has been designed to increase the applicant’s success in homeownership. The counseling is available to all applicants but is required for applicants receiving down payment assistance.

The Authority has been using available moneys to temporarily finance mortgage loans and down payment assistance loans (“*Temporarily Financed Loans*”) originated with the expectation that it will reimburse those moneys with the proceeds of future bond issuances. Proceeds of the Offered Bonds are to be used to reimburse the moneys used for such temporary financing and are expected to be used to finance newly originated mortgage loans and down payment assistance loans (“*Newly Originated Loans*”). The Temporarily Financed Loans and the Newly Originated Loans have been or are to be originated pursuant to the Program and the applicable provisions described in the preceding paragraph.

The table below provides information about the Temporarily Financed Loans, including the distribution of household Area Median Incomes (“*AMI*”) of borrowers who received Temporarily Financed Loans. The household income used in underwriting a mortgage loan is a borrower’s AMI. The Authority expects the distribution of household AMIs of borrowers who receive Newly Originated Loans to be substantially the same as shown below for the borrowers who received Temporarily Financed Loans. The Authority determines AMI based on requirements of the Code, which AMI limits are

published for the State and by area (county or metropolitan statistical area), annually by HUD. As permitted by the Code, the Authority uses the statewide limits.

The data provided below and the Authority’s expectations regarding the household AMIs of borrowers receiving Newly Originated Loans assisted the Authority in making its determination that the anticipated use of the proceeds of the Offered Bonds is expected to meet the goals discussed herein for their designation as Social Bonds.

Temporarily Financed Loans and Expected Newly Originated Loans as of August 31, 2024*	
Expected Total of Temporarily Financed Loans and Newly Originated Loans	\$480,574,344
Moneys Spent to Finance Temporarily Financed Loans and Committed to Finance Temporarily Financed Loans or Newly Originated Loans	219,952,297
Moneys Reserved for Temporarily Financed or Newly Originated Loans Under Review for Approval	175,099,637
Uncommitted and Unreserved Offered Bonds Proceeds	85,522,410

* Preliminary, subject to change.

Temporarily Financed Loans Originated or Commitments to Finance Temporarily Financed Loans or Newly Originated Loans as of August 31, 2024 by Borrower Income as a Percentage of Area Median Income (AMI)*			
AMI Band	# of Loans	\$ of Loans	% of Principal Amount Purchased and Committed
50% and below	193	\$22,058,682	10.03%
50.1% - 60%	167	23,235,426	10.56
60.1% - 70%	197	30,522,081	13.88
70.1% - 80%	209	34,559,610	15.71
80.1% - 90%	187	31,860,972	14.49
90.1% - 100%	175	29,811,816	13.55
100.1% - 133%	268	47,903,710	21.78
Totals⁽¹⁾	1,396	\$219,952,297	100.00%

* Preliminary, subject to change.

⁽¹⁾ Totals may not add due to rounding.

The information set forth under this heading “Designation of the Offered Bonds as Social Bonds” concerning the designation of the Offered Bonds as “Social Bonds” has been furnished by the Authority from sources that it believes to be reliable but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority. The information and expressions of opinion related to the designation as Social Bonds 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 an implication that there has been no change in the affairs of the Authority since the date hereof.

SOURCES OF PAYMENT FOR THE BONDS

General Obligation of the Authority

All Bonds issued under the General Resolution are general obligations of the Authority, subject to any agreements heretofore or hereafter made with the owners of any other notes or bonds of the Authority pledging any particular receipts or revenues and, although the Authority has no taxing power, its full faith and credit are pledged to the payment of the interest on and the principal or Redemption Price of the Bonds. See “—Net Position, Allowances for Possible Losses and Certain Expenses” below for a discussion of the Authority’s net assets that may be available for the payment of debt service on the Bonds. The State of Michigan is not liable on the Bonds, and the Bonds are not a debt of the State of Michigan.

The Authority has other general obligations, including outstanding bonds, outstanding short-term loans (such as the Short Term Borrowing Facility) and the Revolving Credit Agreement, and certain obligations under liquidity facilities, insurance policies, letters of credit and interest rate exchange agreements, and also has committed its general credit to support other programs.

The general credit of the Authority is committed to, among others, counterparties to make net payments on all of the Authority’s outstanding interest rate exchange agreements, including payments, if any, owed upon termination of such interest rate exchange agreements and any obligation to post collateral thereunder. The Authority may, from time to time, add to or terminate such commitments in a manner that may have an impact on the security for the Bonds. See “—General Obligation Bonds Bearing Variable Rates of Interest – Interest Rate Exchange Agreements” below.

A portion of the Authority’s annual expenses include contributions made in connection with the Authority’s participation in the State’s defined benefit and defined contribution plans system for its employees. See Note 9 to the Authority’s Financial Statements, attached hereto as Exhibit A — “Financial Statements of the Michigan State Housing Development Authority.”

Pledge of the General Resolution

“*Pledged Property*” is defined in the General Resolution to include the proceeds of the sale of the Bonds, Revenues (see definition below) and all other moneys in all Funds and Accounts established under the General Resolution, including the investments thereof, and the earnings, if any, thereon until applied in accordance with the terms of the Resolution; and all right, title and interest of the Authority in and to the Mortgage Loans and the notes evidencing such Mortgage Loans. The Down Payment Assistance Loans are included in the Pledged Property. Pledged Property does not include (i) amounts paid or payable under the Mortgage Loans as to which the United States or the obligor is required to be given a payment or credit under the applicable provisions of the Code and (ii) Mortgage Loan accrued interest not purchased by the Authority. In addition, the pledge of Funds and Accounts established in a Series Resolution may be limited in purpose and time, as set forth in that Series Resolution. “*Revenues*” is defined in the General Resolution to include all moneys received by or on behalf of the Authority or the Trustee representing (i) principal and interest payments on the Mortgage Loans including all Principal Prepayments (see definition below) and all prepayment premiums or penalties received by or on behalf of the Authority with respect to the Mortgage Loans less any servicing fees paid to or retained by Mortgage Lenders (as hereinafter defined) or the Authority, (ii) interest earnings received on the investment of amounts in any Fund, (iii) amounts transferred to the General Receipts Fund in accordance with Article IV of the General Resolution, and (iv) amounts transferred to the Redemption Fund from the Capital Reserve Fund. The DPA Series Resolutions (as defined below) direct that payments received in connection with the Down Payment Assistance Loans be treated as Revenues. “*Principal Prepayment*” is defined in the General Resolution to include (i) any payment by a mortgagor or other recovery of principal on a Mortgage Loan which is not applied to a scheduled installment of principal of and interest

on a Mortgage Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a Mortgage Loan), (ii) the portion of any payments received with respect to any Mortgage Loans under any insurance policy or guarantee or under any fidelity bond (“*Insurance Proceeds*”) to the extent not applied to the repair or restoration of any mortgage premises, and (iii) any amounts (*except Insurance Proceeds*) received in connection with the liquidation of a defaulted Mortgage Loan or other payments representing such principal amounts including payments from the sale of a Mortgage Loan. “Principal Prepayment” does not include any payments made in connection with Down Payment Assistance Loans.

Amounts on deposit in the Funds and Accounts may be applied only as provided in the General Resolution. Amounts in the General Receipts Fund may, *however*, at the request of the Authority, be withdrawn free and clear of the pledge of the Resolution; *provided, however*, that no such withdrawal shall be made unless either such withdrawal is not in excess of the amount which the Authority could so withdraw as shown in the last Cash Flow Statement (as defined below) filed with the Trustee or the Authority files a new Cash Flow Statement with the Trustee evidencing the right to make such withdrawal. See “—Cash Flow Statements” below.

Capital Reserve Fund

The Capital Reserve Fund of the Authority securing the Bonds is required to be maintained by the provisions of the Act and the General Resolution. In addition to the requirements described in the following subparagraph with respect to the Capital Reserve Fund Requirement, the Debt Reserve Requirement (as defined below) is described below in the subparagraph “—The General Resolution.” As a result of the separate requirements of the Act and the General Resolution, the amount required to be on deposit in the General Resolution will always be equal to the Debt Reserve Requirement, although the amount reimbursable by the State, if any, under the Act pursuant to the provisions described below, will not exceed the Capital Reserve Fund Requirement. Additional matters are discussed under the subparagraph “—General.”

The Act. The Act prohibits the Authority from issuing bonds at any time if, upon the issuance of the bonds, the amount in the Capital Reserve Fund would be less than the Capital Reserve Fund Requirement established for the bonds, unless the Authority at the time of the issuance of the bonds deposits in the Capital Reserve Fund from the proceeds of the bonds to be issued, or from other sources, an amount which, together with the amount then on deposit in the Capital Reserve Fund, shall not be less than the Capital Reserve Fund Requirement. The Capital Reserve Fund Requirement has been established by the General Resolution as an amount equal to the lesser of the Debt Reserve Requirement or the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on the Bonds. As of September 18, 2024 and based on (i) the amount of Outstanding Bonds as of June 30, 2024 and (ii) the expected issuance of \$494,905,000* aggregate principal amount of the Offered Bonds on or about October 17, 2024* (the expected date of issuance of the Offered Bonds), the Capital Reserve Fund Requirement would be, on the date of delivery of the Offered Bonds, the Debt Reserve Requirement.

If the amount on deposit in the Capital Reserve Fund is less than the Capital Reserve Fund Requirement, the Authority shall transfer moneys from the Capital Reserve Capital Account (as defined below) in order to remedy the deficiency. The Act further provides that, if the Capital Reserve Fund Requirement exceeds the aggregate amount on deposit in the Capital Reserve Fund and the Capital Reserve Capital Account, the Chairperson of the Authority must certify annually, on or before September 1, to the Governor and the Budget Director of the State of Michigan, the amount necessary to restore the Capital Reserve Fund to the Capital Reserve Fund Requirement. The Governor and the

* Preliminary, subject to change.

Budget Director must include such amount in the annual budget but the State of Michigan has no legally enforceable obligation to appropriate moneys to the Capital Reserve Fund.

The Authority, in the General Resolution, has covenanted to comply with the above-described provisions of the Act. Under the Constitution of the State of Michigan, all moneys paid to the Authority pursuant to the above-described provisions of the Act are subject to appropriation by the State Legislature for such purpose. Accordingly, such provisions of the Act do not constitute legally enforceable obligations of the State of Michigan nor do they create a debt on behalf of the State of Michigan enforceable against the State under the State Constitution. The Supreme Court of Michigan has stated that the appropriations to the Capital Reserve Fund are permissive only, that the State of Michigan has no legal obligation to appropriate moneys to the Capital Reserve Fund to pay bonds issued by the Authority and that all such appropriations by the Michigan Legislature require the vote of two-thirds of the members of each house thereof. *In Re Advisory Opinion on the Constitutionality of Act No. 346 of the Public Acts of 1966*, 380 Mich. 554, 158 N.W.2d 416 (1968). **Therefore, in evaluating the investment risks of the Bonds, a potential investor cannot assume that the State of Michigan will appropriate moneys for deposit to the Capital Reserve Fund to pay the Bonds since there is not, and under the Michigan Constitution there cannot be, any commitment by the Legislature of the State of Michigan to appropriate moneys in the future to the Capital Reserve Fund.**

The General Resolution. The General Resolution states that additional Bonds cannot be issued unless the amount on deposit in the Capital Reserve Fund at the time of issuance is at least equal to the Debt Reserve Requirement. In addition, the General Resolution provides that, if on any debt service payment date, the amount on deposit in the Capital Reserve Fund is less than the Debt Reserve Requirement the Trustee shall transfer available Revenues to the Capital Reserve Fund to remedy such deficiency. Available Revenues (as described in the preceding sentence) are those that, on such debt service payment date, remain after payment of obligations with a higher payment priority under the General Resolution, such as transfers to the Rebate Fund or Account, debt service on Bonds and Authority Expenses (including fees in connection with liquidity facilities). The “*Debt Reserve Requirement*” is the amount equal to the aggregate of all amounts required to be deposited and maintained on deposit in such Fund by each Series Resolution authorizing a series of Outstanding Bonds (as described in the next paragraph), at least equal in the aggregate to 4% of the sum of (i) the outstanding principal balance of Mortgage Loans (*except* Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association) and (ii) the amount on deposit to the credit of the Bond Proceeds Fund and allocated to the purchase or financing of Mortgage Loans (*except* Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association). The Debt Reserve Requirement for any Series of Bonds shall be reduced to zero when all Bonds of such Series are no longer outstanding.

The Offered Bonds Resolutions and each of the Series Resolutions authorizing the Prior Bonds (the “*Prior Series Resolutions*”) specify an amount required to be deposited and maintained on deposit in the Capital Reserve Fund, which amount is determined by calculating a stated percentage of the sum of (i) the outstanding principal balance of Mortgage Loans and Down Payment Assistance Loans financed with the proceeds of such series of Bonds and (ii) the amount on deposit in the Bond Proceeds Fund and allocated to the purchase or financing of Mortgage Loans and Down Payment Assistance Loans in connection with such series of Bonds. Each such requirement for any Series of Prior Bonds and the Offered Bonds is referred to herein as a “*Series Debt Reserve Percentage*.” The Series Debt Reserve Percentage for the Offered Bonds and each series of Outstanding Prior Bonds is 4%.

Based upon (i) the aggregate principal amount of Mortgage Loans and Down Payment Assistance Loans outstanding as of June 30, 2024, (ii) the aggregate amount on deposit in the Bond Proceeds Fund as of such date and (iii) the amount of Offered Bonds proceeds that are expected to be used to finance

Mortgage Loans and Down Payment Assistance Loans, the Debt Reserve Requirement as of the delivery of the Offered Bonds would be approximately \$141,813,754.32*. If necessary in order to cause the amount on deposit in the Capital Reserve Fund, including Cash Equivalents credited thereto, to satisfy the Debt Reserve Requirement (calculated as described in the preceding sentence), no later than the date of delivery of the Offered Bonds, the Authority will cause to be deposited in the Capital Reserve Fund, either proceeds of the Offered Bonds or moneys currently held under the General Resolution.

The General Resolution provides that a Series Resolution may provide that amounts required to be deposited in the Capital Reserve Fund with respect to the applicable series of Bonds may be satisfied through Cash Equivalents. The Offered Bonds Resolutions and the Prior Series Resolutions permit the applicable Series Debt Reserve Percentage of the Debt Reserve Requirement to be satisfied through Cash Equivalents.

The Authority has satisfied the requirement to fund the Capital Reserve Fund with respect to all Prior Bonds currently Outstanding by making cash deposits (which have been invested in Investment Obligations) to the Capital Reserve Fund. Such deposits have been in amounts equal to the respective portions of the Debt Reserve Requirement attributable to each such series of Prior Bonds. See Exhibit B — “Certain Authority Financial Information and Operating Data — Certain Investments.” The Authority expects to satisfy the increase in the Capital Reserve Requirement in connection with the issuance of the Offered Bonds by depositing a portion of the Offered Bonds proceeds and/or other available Authority moneys into the Capital Reserve Fund.

For purposes of the description under this heading, references to amounts on deposit in the Capital Reserve Fund shall refer to cash and investments on deposit therein and to amounts that may be provided in the future through Cash Equivalents.

If the Authority shall fail to make available to the Trustee sufficient moneys to meet a required payment of principal of or interest on, Bonds when due, the Resolution requires the Trustee, to the extent that amounts on deposit in all other Funds (other than (i) the Redemption Fund, to the extent amounts on deposit therein have been set aside for payment of Bonds which have been identified for purchase or called for redemption, or (ii) the Bond Proceeds Fund in connection with a withdrawal with respect to which the Authority has not received a Counsel’s Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for federal income tax purposes), are insufficient to make such payment, to apply moneys from the Capital Reserve Fund to the extent necessary to make the required payments to Bondowners in the following order of priority: *first*, by the withdrawal of funds on deposit in the Capital Reserve Fund, and *second*, if the funds on deposit in the Capital Reserve Fund are not sufficient to make up such deficiency, then by draw(s) upon each Cash Equivalent (if any) credited to the Capital Reserve Fund in the order of priority determined by the Authority, except as may be limited further by agreement between the providers of other Cash Equivalents and the Authority.

Moneys in the Capital Reserve Fund are not available to pay the purchase price of or accrued interest on remarketed Bonds tendered for purchase.

If necessary to restore the amount on deposit in the Capital Reserve Fund to the Debt Reserve Requirement, as of each debt service payment date, the Trustee is required to withdraw moneys (to the extent moneys are available) from the General Receipts Fund for deposit to the credit of the Capital Reserve Fund.

* Preliminary, subject to change.

Capital Reserve Capital Account

In 1968, the Michigan Legislature appropriated \$2,000,000 for the purposes of a Capital Reserve Capital Account (the “*Capital Reserve Capital Account*”) which secures all bonds and notes of the Authority. As of June 30, 2023, the estimated market value of investments (exclusive of accrued interest) in the Capital Reserve Capital Account was \$98,921,000. The Capital Reserve Capital Account may become available to bondowners of the Authority through replenishment of any deficiencies in the capital reserve funds established by bond resolutions pursuant to which bonds have been issued, including the Capital Reserve Fund with respect to the Bonds. In the event a deficiency exists in more than one capital reserve fund, the Act provides that moneys in the Capital Reserve Capital Account shall be allocated among deficient capital reserve funds pro rata in accordance with the amounts of any such deficiencies.

Mortgage Loans

In the General Resolution the Authority warrants and covenants (1) that no Mortgage Loan shall be financed by the Authority under the Single-Family Mortgage Revenue Bond Program *unless* the Mortgage Loan complies in all respects with the Act in effect on the date of financing and *unless*, to the extent applicable, the Authority shall have received the representations and warranties of the Mortgage Lender required by the Resolution and (2) to comply with any applicable additional Single-Family Mortgage Revenue Bond Program covenants contained in any Series Resolution. Except as described in the next sentence, the General Resolution requires that each Mortgage Lender warrant with respect to each Mortgage Loan that (a) the Mortgage Loan is evidenced by a promissory note and a mortgage document which has been properly recorded and constitutes a valid first lien on the property subject only to real property taxes or assessments not yet due, easements and restrictions which do not materially adversely affect the use or value of the property; and (b) the property financed by the Mortgage Loan is covered by a valid and subsisting insurance policy issued by a company authorized to issue such policies in the State and providing fire and extended coverage in an amount not less than the greater of (i) 80% of the insurable value of the mortgaged property; or (ii) the outstanding principal balance of the Mortgage Loan. Notwithstanding the foregoing, if provided for in a Series Resolution, the Authority may set forth the terms and conditions under which a Mortgage Loan is not required to be evidenced by a mortgage document that constitutes a first lien on the property as set forth in (a) above. The Authority expects that proceeds of future Bonds will finance Mortgage Loans to provide home improvements and that such Mortgage Loans will not be secured by a first lien but will be insured under the FHA Title I Property Insurance Loan Program.

In addition, the General Resolution provides that certain requirements and certain matters with respect to Mortgage Loans (the “*Series Program Determinations*”) shall be determined (or provisions for establishing requirements with respect to matters to be determined at certain specified times in the future shall be set forth) with respect to each series of Bonds which will finance Mortgage Loans in the Series Resolution authorizing the issuance of such series. See Exhibit E — “Summary of Certain Provisions of the General Resolution – Certain Definitions.” Since all Bonds (*except* any Additional Bonds expressly subordinated) are secured equally and ratably under the General Resolution, future Series Program Determinations may affect the security for and payment of the Offered Bonds.

The general characteristics of the Offered Bonds Mortgage Loans and the Prior Bonds Mortgage Loans, and of the Series Program Determinations with respect thereto, are described under “The Program” herein. Certain other requirements applicable to the Offered Bonds Mortgage Loans financed in whole or in part by the Tax-Exempt Bonds are described herein under Exhibit D — “Certain Additional Federal Income Tax Matters – Mortgage Eligibility Requirements.”

The Offered Bonds Resolutions and the Prior Series Resolutions require that each Mortgage Loan, unless it has a qualifying loan-to-value ratio, must be insured or guaranteed by FHA, VA, RHS, or a private mortgage insurer. After an approximately seven year period during which the Authority did not allow private mortgage insurance for new Mortgage Loans, the Authority in October 2017 began acquiring Mortgage Loans insured by Mortgage Guaranty Insurance Corporation (“*MGIC*”) or Arch Mortgage Insurance Company (“*Arch*”). Allowing private mortgage insurance has enabled the Authority to expand its pool of lenders and to provide greater options to potential borrowers. Among the factors the Authority considered, and will continue to consider, in making private primary mortgage insurance an option for borrowers is the credit quality of the providers.

See “The Program – Mortgage Loan – Characteristics – General.” If the value of a property that secures a Mortgage Loan being foreclosed has declined substantially since the origination of the Mortgage Loan, the proceeds of any foreclosure sale may not be sufficient to pay foreclosure expenses and the uninsured portion of the amounts due under the Mortgage Loan, resulting in uninsured losses with respect to such Mortgage Loan. Different types of Mortgage Loans may experience differing rates of default and foreclosure and differing degrees of uninsured losses. Also, see “—Net Position, Allowances for Possible Losses and Certain Expenses” below and Exhibit B — “Certain Authority Financial Information and Operating Data – Prior Bonds Mortgage Loans – Losses on Foreclosures.” The General Resolution does not require Cash Flow Statements to assume losses on foreclosed Mortgage Loans, and the Cash Flow Statement to be delivered in connection with the issuance of the Offered Bonds will not assume any such losses. See “—Cash Flow Statements” below.

Legislation and certain mortgage modification programs may affect the Revenues received by the Authority from Mortgage Loans. The Authority cannot predict whether mortgage insurance would cover any losses sustained by the Authority as a result of the passage of any such legislation or the implementation of any such program.

See Exhibit F — “Mortgage Insurance and Mortgage Loan Modification Programs” for a discussion of certain obligations to repair foreclosed property before receiving payments under insurance or guaranties, private mortgage insurance, federal programs, certain mortgage modification programs and pending State legislation that may affect Revenues. Also see Exhibit B — “Certain Authority Financial Information and Operating Data – Prior Bonds Mortgage Loans – Mortgage Insurance” and “– Delinquencies.”

Supplemental Mortgage Coverage

The General Resolution requires that, before issuing each series of Bonds, the Authority determine whether to provide Supplemental Mortgage Coverage (“*SMC*”) for Mortgage Loans to be financed by such series of Bonds. There is no *SMC* for the Prior Bonds Mortgage Loans and the Authority will not provide *SMC* for the Offered Bonds Mortgage Loans. However, the Authority would consider providing *SMC* with respect to future series of Bonds if it determines that doing so would enable the Authority to better address the housing needs of Michigan residents.

Down Payment Assistance Loans

The Authority expects to continue to finance Down Payment Assistance Loans as part of its Program. See “The Program — Mortgage Loan Characteristics — General.” It may also elect to provide down payment assistance to borrowers from sources other than those related to the Program. The discussion under this heading does not include such loans.

General. Series Resolutions adopted since 2004 (collectively, the “*DPA Series Resolutions*”) instructed the Trustee to deposit a portion of the proceeds of the related Bonds, and also authorized the Authority to deposit Authority unrestricted moneys, into the Down Payment Assistance Fund to finance Down Payment Assistance Loans. The DPA Series Resolutions pledge the related Down Payment Assistance Loans as security for the payment of the Bonds and the interest and redemption premium, if any, thereon and for the equal and proportionate benefit and security from time to time of Owners of the Bonds.

“*Down Payment Assistance Loan Principal Prepayments*” means any payment by a Mortgagor or other recovery of principal on a Down Payment Assistance Loan which is not applied on a scheduled installment of principal and interest on a Down Payment Assistance Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a Down Payment Assistance Loan) and the portion of any amounts received in connection with the liquidation of a defaulted Down Payment Assistance Loan (whether through foreclosure, trustee’s sale or otherwise) or other payments representing such principal amounts, including payments from the sale of a Down Payment Assistance Loan.

The DPA Series Resolutions state that amounts in the Down Payment Assistance Fund may be transferred at any time, upon Authority Request, to the Bond Proceeds Fund. Such transferred amounts can then be used to finance Mortgage Loans or redeem Bonds.

Down Payment Assistance Loans. The DPA Series Resolutions set forth the following terms, conditions, provisions and limitations for each Down Payment Assistance Loan: (i) it shall be made to provide down payment assistance only to a Mortgagor who has received a Mortgage Loan secured by a first lien on the property financed by the Mortgage Loan; (ii) it shall be evidenced by a promissory note and a mortgage document which has been properly recorded and constitutes a valid second lien on the property subject only to the mortgage securing the related Mortgage Loan and real property taxes or assessments not yet due; provided, that if the related Mortgage Loan is refinanced with proceeds of an Authority financed mortgage loan (an “*Authority Refinance Loan*”), at the option of the Authority, the Down Payment Assistance Loan may be subordinated to the related Authority Refinance Loan; (iii) its promissory note must be payable or endorsed to the Authority and the Down Payment Assistance Loan must be originated in the name of the Authority or be assigned to the Authority; and (iv) its term shall not exceed the term of the related Mortgage Loan, it shall bear interest, if at all, as determined by the Authority and it shall be payable on the earliest of (A) the sale of the residence to which it relates, (B) its maturity date, (C) the date of payment in full of the related Mortgage Loan (or if the related Mortgage Loan has been refinanced with an Authority Refinance Loan, the date of payment in full of such related Authority Refinance Loan if approved by the Authority). The maximum principal amount of a Down Payment Assistance Loan is \$10,000; such amount has been applicable to all ZIP codes in the State as of May 2023. The Offered Bonds Resolutions authorize Down Payment Assistance Loans in a principal amount not to exceed \$15,000.

The DPA Series Resolutions (including the Offered Bonds Resolutions) do not require mortgage insurance for Down Payment Assistance Loans.

Treatment in Cash Flow Statements. The DPA Series Resolutions require that amounts on deposit in the Down Payment Assistance Fund and the Down Payment Assistance Loans shall be taken into account when preparing a Cash Flow Statement in accordance with the General Resolution. The DPA Series Resolutions state that, upon filing a Cash Flow Statement with the Trustee, the Authority shall thereafter administer its program for making Down Payment Assistance Loans in all material respects in accordance with the assumptions set forth in such Cash Flow Statement. The DPA Series Resolutions state that, except as necessary to dispose of defaulted Down Payment Assistance Loans or to

comply with tax covenants or requirements of the Authority relating to its program for making Down Payment Assistance Loans, if the Cash Flow Statement delivered in connection with any sale of Down Payment Assistance Loans at a price below book value does not project Revenues sufficient to pay Expenses and debt service on the Bonds when due in each bond year, an Authorized Officer must certify to the Trustee that the projected deficiency in each bond year is less than it would have been if all or a portion of the amounts transferred or used had been applied to the financing of Down Payment Assistance Loans or invested in Investment Obligations on terms then available. See “—Cash Flow Statements” below.

Additional Bonds

The General Resolution provides that the Authority may issue Additional Bonds and refunding Bonds. See the subheadings “—Issuance of Bonds” and “—Refunding Bonds” in Exhibit E — “Summary of Certain Provisions of the General Resolution.” Additional Bonds may have interest payment dates which differ from such dates for the Prior Bonds and the Offered Bonds. The Authority may issue any evidences of indebtedness which are payable from or secured by a lien on and pledge of the Pledged Property so long as the payment of such evidences of indebtedness and such lien and pledge shall be in all respects subordinate to the provisions of the Resolution and the lien and pledge created by the Resolution.

Cash Flow Statements

The General Resolution provides that the Authority shall file with the Trustee a current Cash Flow Statement (i) whenever any series of Bonds is issued or remarketed (*i.e.*, in connection with the adjustment of the interest rate thereon); (ii) on any February 1 or August 1, if a Cash Flow Statement has not been filed within the past two years and six months, or such longer period as the Authority shall adopt, *provided* that the adoption of such period shall not, in and of itself, impair, or cause the Bonds to fail to retain the then-existing rating assigned to them by the rating agency currently rating the Bonds; (iii) upon purchase or redemption of Bonds in a manner other than as contemplated in the last Cash Flow Statement filed by the Authority with the Trustee; (iv) prior to applying amounts in the General Receipts Fund in excess of the amounts to be withdrawn by the Authority for its expenses as provided by the Series Resolutions; (v) prior to transferring amounts to the Bond Proceeds Fund to finance Mortgage Loans in excess of the amounts contemplated in the last Cash Flow Statement to be so transferred, or prior to applying amounts previously transferred to the Bond Proceeds Fund to finance Mortgage Loans on terms materially different from those assumed in the last Cash Flow Statement; (vi) prior to withdrawing moneys held under the General Resolution for payment to the Authority, for any purpose authorized or required by the Act, free and clear of the pledge and lien of the General Resolution (subject to the limitations set forth in the General Resolution); or (vii) at any time at the option of the Authority. In lieu of filing a Cash Flow Statement, a Cash Flow Certificate certifying that the action to be taken is consistent with the assumptions as set forth in the latest filed Cash Flow Statement may be filed in order to take the actions described in clauses (iv) and (vi).

A Cash Flow Statement shall consist of a statement of an Authorized Representative of the Authority giving effect to the action proposed to be taken and demonstrating in the current and each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that amounts then expected to be on deposit in the Funds and Accounts maintained under the General Resolution in each such Fiscal Year will be at least equal to all amounts required by the General Resolution to be on deposit in such Funds and Accounts for the payment of the principal and Redemption Price of, and interest on the Bonds, for the payment of Trustee’s fees and for the funding of the Capital Reserve Fund to the Debt Reserve Requirement. A Series Resolution may provide, *however*, that a Fund or Account established in such Series Resolution shall not be taken into account when preparing the Cash Flow Statement. The Cash

Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Authority's reasonable expectations at the time such Cash Flow Statement is filed. Upon filing a Cash Flow Statement with the Trustee, the Authority shall administer the Program and perform its obligations under the General Resolution in accordance, in all material respects, with the assumptions set forth in such Cash Flow Statement. *Except* with respect to actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to a date not more than 180 days prior to the date of delivery of such statement.

If any Cash Flow Statement shall show a deficiency in any Fiscal Year in the amount of funds expected to be available for the purposes described in the General Resolution during such Fiscal Year, the Authority shall not be in default under the General Resolution but shall take all reasonable actions to eliminate such deficiency. The Authority shall be precluded from taking the actions described or referenced in clauses (i), (iii), (iv), (v), and (vi) in the second preceding paragraph if the Cash Flow Statement on file with the Trustee shall show that the taking of such action shall cause a deficiency to occur or shall increase any existing deficiency.

Except as necessary to dispose of defaulted Mortgage Loans or to comply with tax covenants or Program requirements, if the Cash Flow Statement delivered in connection with any redemption of Bonds or sale of Mortgage Loans at a price below book value does not project Revenues sufficient to pay Expenses and debt service on the Bonds when due in each bond year, an Authorized Representative must certify to the Trustee that the projected deficiency in each bond year is less than it would have been if all or a portion of the amounts transferred or used had been applied to the purchase of Mortgage Loans or invested in Investment Obligations on terms then available.

A cash flow statement that conforms to the requirements set forth in the preceding four paragraphs is referred to herein as a "*Cash Flow Statement*."

See "— Down Payment Assistance Loans — Treatment in Cash Flow Statements" above for information regarding the inclusion of Down Payment Assistance Loans and related amounts in Cash Flow Statements.

General Obligation Bonds Bearing Variable Rates of Interest

General. The Authority has outstanding general obligation bonds, including Prior Bonds, that bear interest at variable interest rates (collectively, "*Variable Rate Bonds*"), certain of which are subject to optional or mandatory tender (such Variable Rate Bonds are "*Variable Rate Demand Bonds*"). Drawings under the Revolving Credit Agreement and Short Term Borrowing Facility also bear variable rates of interest. In connection with Variable Rate Demand Bonds, the Authority has entered into standby bond purchase agreements (each, an "*SBPA*" and collectively, the "*SBPAs*") or irrevocable direct pay letters of credit (each, an "*LOC*" and collectively, the "*LOCs*" and, together with the SBPAs, are collectively referred to as "*Agreements*") with various providers (each, a "*Provider*" and collectively, the "*Providers*"), each of which Agreements requires the applicable Provider to provide funds to pay the purchase price of any bonds that are the subject of such Agreement that are tendered for purchase and not remarketed. In addition, the Trustee is required to draw upon each LOC to pay scheduled principal (including redemption from mandatory Redemption Requirements) and accrued interest as of the respective payment dates on the related Bonds. The Authority has entered into interest rate exchanges, swaps, or similar agreements ("*Interest Rate Exchange Agreements*") in connection with the issuance of certain Prior Bonds and certain of its Rental Housing Revenue Bonds ("*RHRBs*"). RHRBs are general obligations of the Authority. The following tables set forth information regarding the Variable Rate Bonds.

VARIABLE RATE BONDS⁽¹⁾

	Variable Rate Bonds	Variable Rate Demand Bonds		Indexed or Other Floating Rate Bonds	Unhedged Variable Rate Bonds
		With Liquidity	Without Liquidity		
ALL AUTHORITY GENERAL OBLIGATION BONDS					
Aggregate Principal Amount (000 Omitted)	\$816,300	\$671,145 ⁽²⁾	\$0	\$145,155	\$353,850 ⁽³⁾
Percentage of Aggregate Principal Amount of All Authority General Obligation Bonds	18.91%	15.54% ⁽²⁾	0.00%	3.36%	8.20% ⁽³⁾
RHRBs					
Aggregate Principal Amounts (000 Omitted)	\$359,150	\$359,150 ⁽⁴⁾	\$0	\$0	\$137,895 ⁽⁵⁾
Percentage of Aggregate Principal Amount of RHRBs	19.33%	19.33% ⁽⁴⁾	0.00%	0.00%	7.42% ⁽⁵⁾
SFMRBs (PRIOR BONDS)					
Aggregate Principal Amounts (000 Omitted)	\$457,150	\$311,995 ⁽⁶⁾	\$0	\$145,155	\$215,955 ⁽⁷⁾
Percentage of Aggregate Principal Amount of SFMRBs	18.59%	12.68% ⁽⁶⁾	0.00%	5.90%	8.78% ⁽⁷⁾

⁽¹⁾ As of June 30, 2023.

⁽²⁾ Refers to Authority general obligations bonds that are the subject of Agreements.

⁽³⁾ Refers to Authority general obligation bonds that are not the subject of Interest Rate Exchange Agreements.

⁽⁴⁾ Refers to RHRBs that are the subject of Agreements.

⁽⁵⁾ Refers to RHRBs that are not the subject of Interest Rate Exchange Agreements.

⁽⁶⁾ Refers to Prior Bonds that are the subject of Agreements.

⁽⁷⁾ Refers to Prior Bonds that are not the subject of Interest Rate Exchange Agreements.

Interest Rate Exchange Agreements for General Obligation Variable Rate Bonds. The table below shows certain information regarding the number and aggregate notional amounts, as of June 30, 2023, of Interest Rate Exchange Agreements. For additional information concerning the Interest Rate Exchange Agreements with respect to Prior Bonds (“*SFMRB Interest Rate Exchange Agreements*”) and the Interest Rate Exchange Agreements with respect to RHRBs (“*RHRB Interest Rate Exchange Agreements*”), see Note 15 to the Authority’s Financial Statements included in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority.”

**AGGREGATE CHART OF EXISTING INTEREST RATE EXCHANGE AGREEMENTS
FOR GENERAL OBLIGATION VARIABLE RATE BONDS**

Related Authority General Obligations	Counterparty⁽¹⁾	Aggregate Notional Amount⁽²⁾
SFMRBs (PRIOR BONDS)	Barclays ⁽³⁾	<u>\$241,195,000</u>
RHRBs	GSMMDP ⁽⁴⁾ BANA ⁽⁵⁾	\$ 36,345,000 <u>184,910,000</u> \$221,255,000
TOTAL		<u>\$462,450,000</u>

⁽¹⁾ The Authority makes no representations about the financial condition of any of the listed counterparties or their ability to make full and timely payment to the Authority under the terms of their applicable Interest Rate Exchange Agreements.

⁽²⁾ As of June 30, 2023.

⁽³⁾ Barclays Bank PLC.

⁽⁴⁾ Goldman Sachs Mitsui Marine Derivative Products, L.P.

⁽⁵⁾ Bank of America, National Association.

The Authority's payments under the SFMRB Interest Rate Exchange Agreements are general obligations of the Authority. Pledged Property is not a source of payment for such payments under the SFMRB Interest Rate Exchange Agreements and the payments made to the Authority under such agreements are not included in Pledged Property. The RHRBs are separately secured from the Bonds and are issued under the Authority's General Resolution, adopted by the Authority on November 15, 1990, as amended and supplemented (the "*RHRB General Resolution*"). The Authority's payments to a counterparty with respect to RHRB Interest Rate Exchange Agreements are not payable from the Pledged Property; the scheduled interest payments made by the Authority to the counterparties under the RHRB Interest Rate Exchange Agreements are payable from the Pledged Funds as such term is defined in the RHRB General Resolution.

Variable Rate Bonds are generally subject to redemption from any source, including Principal Prepayments and Revenues. The notional amounts of the Interest Rate Exchange Agreements relating to such bonds generally decline over time based on certain assumptions. The Authority has frequently designed various features so that the expected outstanding principal amount of the related Variable Rate Bonds approximated the notional amount of the related Interest Rate Exchange Agreements over a range of actual mortgage loan prepayment rates. From time to time prepayment rates on the mortgage loans related to an Interest Rate Exchange Agreement are outside that range, resulting either in unhedged Variable Rate Bonds or in the notional amount of the Interest Rate Exchange Agreement exceeding the principal amount of the related bonds. For certain Interest Rate Exchange Agreements, the Authority has the right, at its sole discretion, to reduce the applicable notional amounts without penalty. The Authority has exercised this right on occasion.

Liquidity Facilities for General Obligation Variable Rate Demand Bonds. In connection with Variable Rate Bonds subject to optional or mandatory tender, the Authority has entered into Agreements with various Providers, each of which Agreements requires the applicable Provider to provide funds to

pay the purchase price of any bonds that are the subject of such Agreement that are tendered for purchase and not remarketed. In addition, the Trustee is required to draw upon each LOC to pay scheduled principal (including redemption from mandatory Redemption Requirements) and accrued interest as of the respective payment dates on the related Bonds. See Note 6 in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority” for information about the Providers and the Agreements as of June 30, 2023.

Any bond purchased by a Provider under the terms of an Agreement or as a result of a drawing by the Trustee on a Liquidity Facility (as defined in each Series Resolution) (if the Liquidity Facility is in the form of a letter of credit) becomes a “*bank bond*.” From the date of purchase until a bank bond either is remarketed to a purchaser (other than such Provider) or retired, such bank bond will bear interest at interest rates (each a “*bank bond rate*”) determined pursuant to the applicable Agreement, which interest rates, depending on market conditions and the terms of the Agreement, may be higher or lower than the interest rate on the bonds that are the subject of the same Agreement that bear interest at a variable rate. If an applicable bank bond has been a bank bond continuously for a period of time set forth in the applicable Agreement, then at the end of such period, the Authority must repay to the applicable Provider the principal component of the purchase price, generally in periodic installments. Such payments (“*term-out payments*”) are accelerated from the scheduled principal payments of such bank bonds. See Note 6 in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority” for information regarding the applicable bank bond rates and when term-out payments are to begin under the terms of each Agreement effective as of June 30, 2023. The term-outs for the new Agreements described in the preceding paragraph generally are payable in quarterly or semiannual installments over respective three or four year periods. Certain Agreements require that the provisions governing term-out payments be amended to conform to those in any Agreement with principal acceleration provisions more favorable to the related Provider.

Each of the Agreements expires prior to the maturity date of the related bonds. See Note 6 in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority” for the expiration dates of the Agreements with respect to the Bonds and other general obligation bonds of the Authority. In connection with any scheduled expiration, the Authority may extend the scheduled expiration, provide an alternate liquidity facility to replace the expiring Agreement, or convert the interest rates on the applicable bonds to fixed interest rates or, in some instances, to other variable rate periods or to an interest rate mode that does not require a liquidity facility. Each series of Variable Rate Demand Bonds is subject to mandatory tender upon expiration of a liquidity facility that has not been renewed or replaced. There can be no assurance that the Authority will be able to extend any expiration date or to obtain a replacement liquidity facility on terms substantially similar to the terms of the expiring Agreement. Under certain circumstances, a Provider may terminate an Agreement without affording the applicable bond owners a right to tender their bonds.

Cash flow statements that have been required pursuant to the terms of applicable resolutions delivered in connection with Variable Rate Demand Bonds, including Cash Flow Statements delivered in connection with Prior Bonds that are Variable Rate Demand Bonds, assumed liquidity facility fees determined pursuant to the applicable existing Agreements, which may be higher or lower than the liquidity facility fees available at the time of expiration of the applicable existing Agreements. Such cash flow statements did not assume interest on Variable Rate Demand Bonds at bank bond rates except, if then applicable, with respect to existing bank bonds.

Under the respective authorizing resolutions, interest on bank bonds is treated the same as interest on other bonds issued under the same resolution. The sources of payment for term-out payments are limited in each authorizing resolution and, to the extent moneys are not available under the applicable resolution, such term-out payments are general obligations of the Authority. Term-out payments with

respect to Bonds that are bank bonds can only be made from Pledged Property if and to the extent a Cash Flow Statement demonstrates that moneys are available for such purpose.

As of September 18, 2024, there have been no failed remarketings of Authority bonds and no bank bonds outstanding under any of the Authority’s resolutions since June 2009. When bank bonds are outstanding, the successful remarketing of bank bonds reduces the aggregate principal amount of such outstanding bank bonds. Until a successful remarketing of a bank bond occurs, term-out payments for such bank bond must begin to be paid after the period of time set forth in the applicable Agreement. Every Authority bank bond has been successfully remarketed before term-out payments under the related Agreement became due.

For information concerning the Outstanding Bonds as of June 30, 2023 that are Variable Rate Demand Bonds and the related Agreements as of such date, see Note 6 in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority.”

Investments

Moneys held under the General Resolution may only be invested in Investment Obligations. If an obligor on an Investment Obligation should encounter financial problems, payments could be delayed or losses could occur. Duration risk may exist in connection with investments since the maturity date of an investment may not coincide with when the invested moneys are to be applied pursuant to the General Resolution. See Exhibit B — “Certain Authority Financial Information and Operating Data – Certain Investments.”

Certain Assets Pledged for Other Obligations

In addition to the Bonds, the Authority has issued other general obligation bonds secured by its full faith and credit and which are payable principally from mortgage loans and the funds and accounts established under separate bond resolutions (of which, as of June 30, 2023, only Rental Housing Revenue Bonds were outstanding). Substantially all the assets and revenues of the Authority reflected in the financial statements annexed to this Official Statement as Exhibit A have been pledged to the payment of bonds and notes issued under the RHRB General Resolution and the General Resolution. On July 19, 2024, the Authority executed the Short Term Borrowing Facility, pursuant to which the Authority may borrow up to an aggregate of \$150,000,000. As of the date of this Official Statement, \$150,000,000 has been drawn under the Short Term Borrowing Facility. The Short Term Borrowing Facility is the Authority’s general obligation and secured by its full faith and credit. See “—Net Position, Allowances for Possible Losses and Certain Expenses” below for a discussion of the net assets that may be available for the payment of debt service on obligations, including Bonds. Such Short Term Borrowing Facility and the Revolving Credit Agreement and each of the separate bond resolutions under which the foregoing bonds have been issued provides that such loans and bonds are, subject to agreements with the owners of other notes or bonds of the Authority, direct and general obligations of the Authority. The General Resolution, such loan agreements and each of such resolutions contain cross-default provisions which permit the acceleration of the maturity of all such bonds and loans, as well as certain other remedies, in the event of a default by the Authority in the payment of principal of or interest on any general obligation loan or bond of the Authority. See Exhibit C — “Outstanding Indebtedness” and Exhibit H — “Other Loan Programs of the Authority” for information regarding bonds of the Authority.

In addition, in connection with various series of outstanding bonds, the Authority has reimbursement obligations to credit and liquidity providers as described under “— General Obligation Bonds Bearing Variable Rates of Interest — General” above.

Net Position, Allowances for Possible Losses and Certain Expenses

As of June 30, 2023, the net position[†] of the General Resolution was \$161,493,000, the net position of the Capital Reserve Capital Account (which Account secures the bonds and notes of the Authority as described under “—Capital Reserve Capital Account” above) was \$98,921,000, and the net position of the Authority’s Operating Fund (which Fund is available for the payment of any operating expenses incurred by the Authority, including debt service on any general obligation bonds, notes or loans (including Bonds) and scheduled payments due on existing Interest Rate Exchange Agreements) was \$19,473,000. The assets included in determining the remaining components of the overall net position reflected in the Authority’s audited financial statements as of June 30, 2023 were either restricted under bond resolutions other than the General Resolution to purposes other than payment of the Bonds, or were not restricted under such bond resolutions but were, as of such date, designated by resolution of the Authority’s Members for purposes other than payment of the Bonds. As of June 30, 2023, the net position[†] of the RHRB General Resolution was \$287,112,000.

The Authority may use certain available assets, including such designated assets or assets of its Operating Fund, for certain grants and subsidies and for subordinate loans to, and investments to facilitate the financing of, multi-family housing developments (see Exhibit H — “Other Loan Programs of the Authority – Other Authority Programs and Activities”). In addition, the Authority is permitted to withdraw moneys from the General Resolution as described under “—Pledge of the General Resolution” and “—Cash Flow Statements” above, and may make such withdrawals to pay operating expenses of the Authority or to support such programs. The Authority may make additional future withdrawals, assuming that the General Resolution conditions precedent for any such withdrawal are satisfied.

A substantial part of the assets reflected in the net position of the General Resolution consists of Mortgage Loans, and a substantial part of the assets reflected in the Authority’s overall net position consists of Mortgage Loans, multifamily mortgage loans and other single-family mortgage loans. Such Mortgage Loans and other mortgage loans have interest rates that may be lower than, or may have other terms that are different from, those of conventional mortgage loans and, as such, the Authority may not be able to sell such loans at a price equal to their principal balance, which principal balance is their carrying value shown in the Authority’s financial statements. The aggregate net position of the General Resolution, the Capital Reserve Capital Account and the Operating Fund as of June 30, 2023 reflect unrealized depreciation in the market value of investments (which depreciation may never be realized) of \$28,112,000. The net position of the Authority and the net position of the General Resolution as of June 30, 2023 have been reduced by \$82,248,000 as an allowance for possible losses on Mortgage Loans (including those that are real estate owned). Such allowance consists of \$81,386,000 with respect to Mortgage Loans that are not real estate owned, which is reflected in the financial statement line item “Allowance for Loans Receivable.” The “Allowance for Loans Receivable” is not a reserve fund and the Authority has not set aside such amount. See Exhibit A — “Financial Statements of the Michigan State Housing Development Authority.”

The Act provides that the “[A]uthority may spend for operating purposes the funds appropriated to it annually by the legislature for operating purposes or funds otherwise authorized....” This provision could be construed to require legislative approval of those Authority operating expenditures derived from the Authority’s own funds. *However*, the Attorney General of the State of Michigan has opined that a predecessor provision of similar import affected only operating expenditures made from funds appropriated by the Michigan Legislature from the General Fund of the State of Michigan and was not

[†] See the discussion of “net position” in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority,” including under the heading “Other Supplemental Information — Statement of Net Position Information.”

intended to amend or alter the procedure by which operating expenses are paid from the various funds of the Authority established by the Authority’s resolutions or to permit the Michigan Legislature to take any action which would impair the outstanding obligations of the Authority.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Offered Bonds are expected to be applied approximately as follows:

Sources	2024 Series D	2024 Series E	2024 Series F	Total
Par Amount	\$	\$	\$	\$
Original Issue Premium.....				
Original Issue Discount.....				
Total Sources.....	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Uses				
Deposit in Bond Proceeds Fund to Finance				
New Offered Bonds Mortgage Loans ⁽¹⁾	\$	\$	\$	\$
Deposit in Bond Proceeds Fund to Finance New				
Offered Bonds Down Payment Assistance Loans ⁽¹⁾				
Deposit in Bond Proceeds Fund to Finance				
Payment of Fees to Originating Lenders ⁽¹⁾				
Deposit in Capital Reserve Fund.....				
Underwriters’ Compensation.....				
Costs of Issuance				
Total Uses.....	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

⁽¹⁾ Including paying off the Short Term Note and the Revolving Credit Agreement, proceeds of which were used for such listed purposes.

DESCRIPTION OF THE OFFERED BONDS

General

The Offered Bonds will mature on the dates (subject to applicable redemption provisions) and in the principal amounts set forth on the inside cover page of this Official Statement. The Offered Bonds will bear interest from their date of delivery at the fixed rates set forth on the inside cover page of this Official Statement. Interest on the Offered Bonds is payable on December 1, 2024 and thereafter on each June 1 and December 1. Interest on the Offered Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The Offered Bonds are subject to redemption as described below. Individual purchases of Offered Bonds may be made in the principal maturity amount of \$5,000 or any integral multiple thereof. The record date for determining the recipient of principal and interest payments on the Offered Bonds is the fifteenth day of the month preceding the interest payment date.

The Offered Bonds are available only as fully-registered bonds without coupons and when issued will be registered to Cede & Co. (“Cede”), as nominee of The Depository Trust Company (“DTC”), to which payments of principal and interest will be made. The Offered Bonds will be available in book-entry form only. Purchasers of the Offered Bonds will not receive physical delivery of bond certificates representing their beneficial ownership interests. See Exhibit I — “Book-Entry Only.”

Structuring

In structuring the maturities and the Sinking Fund Requirements for the Offered Bonds, the Authority has assumed the receipt of principal repayments of Mortgage Loans and Down Payment Assistance Loans (including the Offered Bonds Loans) but not Principal Prepayments of Mortgage Loans (including the Offered Bonds Mortgage Loans) or Down Payment Assistance Loan Principal Prepayments (including the Down Payment Assistance Loan Principal Prepayments received from the Offered Bonds Down Payment Assistance Loans (the “*Offered Bonds Down Payment Assistance Loans Principal Prepayments*”)). If principal repayments with respect to Mortgage Loans and Down Payment Assistance Loans and Principal Prepayments and Down Payment Assistance Loan Principal Prepayments occur in excess of amounts required to pay scheduled maturities or to redeem Bonds, such amounts may be applied pursuant to the redemption provisions described herein.

For additional information concerning the assumptions used in structuring the maturities and the Sinking Fund Requirements of the Offered Bonds, see “Assumptions Regarding Revenues, Debt Service Requirements and Program Expenses – General.”

Redemption*

Special Redemption

Redemption From Unused Proceeds

The Offered Bonds are redeemable, at any time in whole or in part, at the option of the Authority (including any redemptions required as described in the third succeeding paragraph pursuant to the 42 month rule), in a principal amount not in excess of moneys allocated to the Offered Bonds for the origination or acquisition of Offered Bonds Loans which remain uncommitted to the financing or acquisition of Offered Bonds Loans, except that Offered Bonds of a series can be redeemed only with proceeds of Offered Bonds of such series.

The Authority uses its own funds or funds borrowed under a revolving credit facility or short-term borrowing facility to finance, or make commitments to use such funds to finance, mortgage loans and down payment assistance loans. The Authority expects that, as of the date of issuance of the Offered Bonds, funds in an amount at least equal to the lendable proceeds of the Offered Bonds will have financed or made commitments to finance mortgage loans and down payment assistance loans, with the intention that such funds would be restored when the loans were purchased with or allocated to the proceeds of the Offered Bonds (such mortgage loans and down payment assistance loans will become, as applicable, Offered Bonds Mortgage Loans or Offered Bonds Down Payment Assistance Loans).

The Offered Bonds to be so redeemed pursuant to the second immediately preceding paragraph shall be selected by the Authority from among any of the Outstanding Offered Bonds except that the Authority shall, upon any such redemption, redeem PAC Bonds (as defined below) on a pro rata basis, based upon the ratio of (a) the original principal amount of the PAC Bonds to (b) the original principal amount of the 2024 Series D Bonds and 2024 Series E Bonds. The Redemption Price of Offered Bonds redeemed pursuant to a special redemption from unused proceeds shall be (i) with respect to any such Offered Bonds other than the 2024 Series D Bonds maturing on June 1, 2055 identified as “PAC Bonds” on the inside cover page hereof (the “*PAC Bonds*”), 100% of the principal amount thereof plus accrued interest to the redemption date, and (ii) with respect to the PAC Bonds, 100% of the principal amount

* Preliminary, subject to change.

thereof, plus (a) accrued interest to the redemption date, and (b) the unamortized premium thereon as determined by the Authority by a straight-line amortization of the price in excess of 100% of the principal amount thereof reflected on the inside cover page hereof between the date of issuance and June 1, 2033.

Federal tax law requires (a) that unexpended lendable proceeds derived from the Tax-Exempt Bonds be applied to redeem Tax-Exempt Bonds within 42 months of their date of issuance and (b) that recapture payments be made to the United States of America by mortgagors in certain circumstances, which may affect mortgage loan originations. See “—General Redemption Provisions – Federal Tax Requirements Which May Affect Redemptions” below.

The Authority may make or purchase Mortgage Loans using the proceeds of Offered Bonds, Prior Bonds, and future Bond series, in any order it chooses. No proceeds of Prior Bonds remain unspent or uncommitted to the financing of Mortgage Loans. The Authority also has the right to finance Mortgage Loans and Down Payment Assistance Loans with Revenues, including Principal Prepayments and Down Payment Assistance Loan Principal Prepayments that are not required to be applied to redeem Bonds. The Authority has exercised this right on occasion and, since 2015, has originated approximately \$101.5 million of, collectively, Mortgage Loans and Down Payment Assistance Loans from such sources. The Authority expects to finance additional Mortgage Loans and Down Payment Assistance Loans from such sources in the future. See Exhibit B — “Certain Authority Financial Information and Operating Data – Prior Bonds Mortgage Loans.”

The most recent redemption of Authority single-family housing bonds from unexpended lendable proceeds occurred in 2008, when the Authority redeemed \$85 million aggregate principal amount of Bonds (which were part of a \$135 million issue of Variable Rate Bonds) with such proceeds.

Redemption From Principal Prepayments and Down Payment Assistance Loan Principal Prepayments

2024 Series D Bonds and 2024 Series E Bonds

The 2024 Series D Bonds and the 2024 Series E Bonds are redeemable, at any time in whole or in part, at the option of the Authority, from Principal Prepayments (including Principal Prepayments received with respect to Mortgage Loans financed from any series of Bonds, except the 2024 Series F Bonds (see “*General*” below)) and Down Payment Assistance Loan Principal Prepayments (including Down Payment Assistance Loan Principal Prepayments received with respect to Down Payment Assistance Loans financed from any series of Bonds, except the 2024 Series F Bonds (see “*General*” below)), and the 2024 Series D Bonds and 2024 Series E Bonds shall be selected from the Outstanding maturities thereof as shall be determined by the Authority; *provided, however*, that Principal Prepayments with respect to Offered Bonds Mortgage Loans financed from the 2024 Series D Bonds and 2024 Series E Bonds and Down Payment Assistance Loans Principal Prepayments with respect to Offered Bonds Down Payment Assistance Loans financed from the 2024 Series D Bonds and 2024 Series E Bonds (collectively, “*2024 Series DE Bonds Loans Prepayments*”), in some instances, must be applied to redeem PAC Bonds as required, and only to the extent permitted, as described below under “—Special Mandatory Redemption of PAC Bonds.”

2024 Series F Bonds

The 2024 Series F Bonds are redeemable, at any time in whole or in part, at the option of the Authority, from Principal Prepayments received with respect to Mortgage Loans financed from the 2024 Series F Bonds and Down Payment Assistance Loan Principal Prepayments received with respect to Down Payment Assistance Loans financed from the 2024 Series F Bonds. See “*General*” below.

General

The Redemption Price of Offered Bonds redeemed pursuant to any special redemption from Principal Prepayments or Down Payment Assistance Loan Principal Prepayments as described above shall be 100% of the principal amount thereof, plus accrued interest to the redemption date.

Current federal tax law requires (a) that certain repayments and principal prepayments attributable to Offered Bonds Mortgage Loans and Offered Bonds Down Payment Assistance Loans financed in whole or in part by or allocated to Tax-Exempt Bonds (collectively, the “*Tax-Related Loans*”), received after certain dates be applied to redeem Tax-Exempt Bonds, and (b) recapture payments to the United States of America from mortgagors in certain circumstances, which may affect mortgage loan prepayments. See “—General Redemption Provisions – Federal Tax Requirements Which May Affect Redemptions” below.

In the Series Resolution with respect to the 2024 Series F Bonds, the Authority covenants that Principal Prepayments received with respect to Mortgage Loans financed from the 2024 Series F Bonds and Down Payment Assistance Loan Principal Prepayments received with respect to Down Payment Assistance Loans financed from the 2024 Series F Bonds shall be applied to the redemption of the 2024 Series F Bonds only. The Series Resolution with respect to the 2024 Series F Bonds does not allow Principal Prepayments received with respect to Mortgage Loans financed from the 2024 Series F Bonds and Down Payment Assistance Loan Principal Prepayments received with respect to Down Payment Assistance Loans financed from the 2024 Series F Bonds to be used to redeem other series of Bonds or to finance the making of other Mortgage Loans or Down Payment Assistance Loans.

In the Offered Bonds Resolutions, the Authority covenants not to redeem the Offered Bonds of a series from the proceeds of a voluntary sale of non-defaulted Offered Bonds Mortgage Loans or Offered Bonds Down Payment Assistance Loans allocated to such series *except* in accordance with the redemption provisions described below under “—Redemption – Optional Redemption.” Such covenant does not apply to the sale of Offered Bonds Mortgage Loans or Offered Bonds Down Payment Assistance Loans pursuant to the Authority’s covenants as to tax exemption or to Offered Bonds Mortgage Loans or Offered Bonds Down Payment Assistance Loans that do not comply with Program requirements.

Michigan legislation enacted in 2017 authorizes the Authority to refinance existing single-family mortgage loans (including Mortgage Loans). Since then, although the Authority has not refinanced existing Mortgage Loans with the proceeds of Prior Bonds, that legislation and the fact that refinancing Mortgage Loans would result in Principal Prepayments from which Bonds may be redeemed, has been described in offering documents related to the sale or remarketing of Prior Bonds and is being described in this Official Statement. If the Authority establishes the refinance program, it may choose to finance the refinancing of Mortgage Loans and Down Payment Assistance Loans with its available moneys or future borrowings, including proceeds of future series of Bonds. While the refinance program is not yet live, the Authority intends to utilize the refinance program as economic conditions allow. See “The Program – Other Loan Programs and Potential New Programs – Mortgage Loan Refinancing Program under Consideration.”

Redemption From Revenues

2024 Series D Bonds and 2024 Series E Bonds

Other than as described in “Redemption From Principal Prepayments and Down Payment Assistance Loan Principal Prepayments” above, the 2024 Series D Bonds and the 2024 Series E Bonds are redeemable, at any time in whole or in part, at the option of the Authority, from Revenues consisting

of scheduled principal payments on Mortgage Loans and Down Payment Assistance Loans (derived in connection with any series of Bonds, except the 2024 Series F Bonds (see “*General*” below)), or other Revenues in the General Receipts Fund otherwise available for redemption of the 2024 Series D Bonds and the 2024 Series E Bonds, and the 2024 Series D Bonds and the 2024 Series E Bonds to be redeemed shall be selected from the Outstanding maturities thereof as shall be determined by the Authority; *provided, however*, that certain 2024 Series DE Bonds Loans Prepayments (which are Revenues under the General Resolution), in some instances, must be applied to redeem the PAC Bonds as required, and only to the extent permitted, as described below under “—Special Mandatory Redemption of PAC Bonds.”

2024 Series F Bonds

Other than as described in “Redemption From Principal Prepayments and Down Payment Assistance Loan Principal Prepayments” above, the 2024 Series F Bonds are redeemable, at any time in whole or in part, at the option of the Authority, from Revenues consisting of scheduled principal payments on Mortgage Loans and Down Payment Assistance Loans in each case derived in connection with the 2024 Series F Bonds, or other Revenues in the General Receipts Fund otherwise available for redemption of the 2024 Series F Bonds. See “*General*” below.

General

The term “Revenues” is defined above under the caption “Sources of Payment for the Bonds – Pledge of the General Resolution” and includes amounts transferred to the Redemption Fund from the Capital Reserve Fund.

The Redemption Price of Offered Bonds redeemed pursuant to a special redemption from Revenues shall be 100% of the principal amount thereof, plus accrued interest to the redemption date.

In the Series Resolution with respect to the 2024 Series F Bonds, the Authority covenants that scheduled principal payments on Mortgage Loans and Down Payment Assistance Loans in each case derived in connection with the 2024 Series F Bonds shall be applied to the redemption of the 2024 Series F Bonds only. The Series Resolution with respect to the 2024 Series F Bonds does not allow scheduled principal payments on Mortgage Loans and Down Payment Assistance Loans in each case derived in connection with the 2024 Series F Bonds to be used to redeem other series of Bonds or to finance the making of other Mortgage Loans or Down Payment Assistance Loans.

Current federal tax law requires that regularly scheduled principal repayments received from Tax-Related Loans after certain dates be applied to redeem Tax-Exempt Bonds. See “—General Redemption Provisions – Federal Tax Requirements Which May Affect Redemptions” below.

Special Mandatory Redemption of PAC Bonds

The PAC Bonds are subject to mandatory redemption from Directed 2024 Series DE Bonds Loans Prepayments (as defined below) at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the redemption date, as more fully described below.

As used in this Official Statement, the term “*Directed 2024 Series DE Bonds Loans Prepayments*” (a) means with respect to any semi-annual period, an amount equal to (i) 2024 Series DE Bonds Loans Prepayments less (ii) the cumulative daily portion, as of such date, of the principal amount, if any, of the 2024 Series D Bonds and 2024 Series E Bonds scheduled to mature or subject to sinking fund redemption during such semi-annual period, but (b) applies only if and to the extent that Directed

2024 Series DE Bonds Loans Prepayments are actually received by the Authority and are not otherwise required to pay debt service on Bonds, to replenish reserve funds, or to pay to Expenses.

The mandatory redemptions described in the second immediately preceding paragraph may occur on any date but, to the extent there are Directed 2024 Series DE Bonds Loans Prepayments, must occur at least once during each semi-annual period ending on each June 1 or December 1, commencing with the period ending on December 1, 2025. Such redemptions may be made, solely at the option of the Authority, from sources other than Directed 2024 Series DE Bonds Loans Prepayments to the extent that Directed 2024 Series DE Bonds Loans Prepayments are not sufficient to satisfy the mandatory redemptions. Any redemption from Directed 2024 Series DE Bonds Loans Prepayments or other sources as described in this paragraph or the second preceding paragraph must not result in the aggregate principal amount of the PAC Bonds Outstanding following such redemption to be less than the related PAC Bonds Outstanding Amount for the related semi-annual period as set forth in the table below (each, a “*PAC Bonds Outstanding Amount*”). The PAC Bonds Outstanding Amount will be adjusted due to a redemption of PAC Bonds from unexpended proceeds as described under “—Special Redemption – Redemption From Unused Proceeds” above.

<u>Semiannual Period Ending</u>	<u>PAC Bonds Outstanding Amount (\$)</u>
Date of Issuance	112,460,000 [†]
December 1, 2024	112,460,000 [†]
June 1, 2025	112,460,000 [†]
December 1, 2025	110,150,000
June 1, 2026	105,365,000
December 1, 2026	98,770,000
June 1, 2027	90,460,000
December 1, 2027	81,595,000
June 1, 2028	73,040,000
December 1, 2028	64,785,000
June 1, 2029	56,840,000
December 1, 2029	49,190,000
June 1, 2030	41,840,000
December 1, 2030	34,785,000
June 1, 2031	27,130,000
December 1, 2031	19,775,000
June 1, 2032	12,720,000
December 1, 2032	5,955,000
June 1, 2033 and each December 1 and June 1 thereafter	0

[†] Original Principal Amount.

If and to the extent that Directed 2024 Series DE Bonds Loans Prepayments are in excess of the amounts required to redeem PAC Bonds as described in the prior paragraph, they may be applied at the option of the Authority as follows: (a) for any permitted purpose under the Resolution including, but not limited to, the redemption of Bonds (other than the PAC Bonds, except as otherwise set forth in clause (b) below and the next succeeding sentence) and the financing of Mortgage Loans and Down Payment Assistance Loans, or (b) provided that no other 2024 Series D Bonds or 2024 Series E Bonds are Outstanding, to redeem PAC Bonds on any day and in any amount. Notwithstanding anything to the contrary in this and the immediately preceding paragraph, as long as no other 2024 Series D Bonds or

2024 Series E Bonds are Outstanding, the Authority shall redeem the PAC Bonds from any and all Directed 2024 Series DE Bonds Loans Prepayments at the times and in the amounts necessary to preserve the tax-exempt status of the Tax-Exempt Bonds.

If a redemption of PAC Bonds is effected from unexpended amounts allocable to the Offered Bonds (as described above under “—Redemption – Special Redemption – Redemption From Unused Proceeds” (“*Unused Proceeds Redemptions*”)), then each PAC Bonds Outstanding Amount will be recalculated to be the amount equal to the *product* of (a) the original PAC Bonds Outstanding Amount, and (b) the fraction whose *numerator* is the current unredeemed principal amount of the PAC Bonds Outstanding and whose *denominator* is the original principal amount of the 2024 Series D Bonds and 2024 Series E Bonds. If the recalculation described in the preceding sentence results in any PAC Bonds Outstanding Amount not equaling \$5,000 or any integral multiple thereof, such recalculated PAC Bonds Outstanding Amount shall be rounded, to the extent practicable and as determined by the Authority, to the nearest integral multiple of \$5,000 or, if the PAC Bonds are registered in the name of Cede, as nominee of DTC, in accordance with DTC’s current operational arrangements.

Assumptions Used in Calculating the PAC Bonds Outstanding Amounts. The PAC Bonds Outstanding Amounts (subject to adjustment as described above) have been calculated based upon hypothetical assumptions (the “*PAC Bond Assumptions*”) that include, among other assumptions, the receipt of Principal Prepayments with respect to the Offered Bonds Mortgage Loans financed from the 2024 Series D Bonds and 2024 Series E Bonds and Down Payment Assistance Loans Principal Prepayments with respect to the Offered Bonds Down Payment Assistance Loans financed from the 2024 Series D Bonds and 2024 Series E Bonds (the “*PAC Related Loans*”) at a rate equal to 75% of the Securities Industry and Financial Markets Association (“*SIFMA*”) (formerly The Bond Market Association and the Public Securities Association) standard prepayment model for 30-year mortgage loans (“*PSA*”) and the future exercise by the Authority of its options under the General Resolution. See “—PSA Model” below for additional information concerning PSA. Since Mortgage Loan prepayments cannot be predicted, the actual principal amount of and characteristics of the PAC Related Loans may differ from such assumptions.

PSA Model. Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The model represents an assumed monthly rate of prepayment of the then-outstanding principal balance of a pool of new 30-year mortgage loans, and does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the PAC Related Loans.

One hundred percent PSA assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such pool of mortgage loans in the first month of the life of such mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans in such pool, 100 percent PSA assumes a constant prepayment rate of the mortgage loans in such pool of six percent per year. Multiples will be calculated from this prepayment rate sequence; e.g., 200 percent PSA assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter.

The PAC Bond Assumptions, including those regarding the expected rate of prepayments of PAC Related Loans, may differ from the assumptions contained in the Cash Flow Statement to be delivered in connection with the issuance of the Offered Bonds. See “Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses.” Mortgage loan age and interest rates are among the factors which can affect the speeds at which mortgage loans prepay. The actual characteristics and the

performance of the PAC Related Loans and the actual use of options under the General Resolution by the Authority will differ from the assumptions utilized in constructing the average life table below. The PAC Bond Assumptions are not necessarily consistent with the current or historical approach of the Authority towards applying scheduled principal repayments and Principal Prepayments to the financing of new Mortgage Loans, selecting Bonds to be redeemed or managing interest rate risk, and they are not binding upon or necessarily indicative of future actions of the Authority. The PAC Bond Assumptions are hypothetical in nature and are provided only to give a general sense of how the weighted average lives for the PAC Bonds might behave as such assumptions are varied. Accordingly, the Authority makes no representation as to the reasonableness of the PAC Bond Assumptions and makes no representation that the PAC Bonds Outstanding Amounts or projected average lives set forth in the average life table below will reflect the actual course of events.

Weighted Average Lives of PAC Bonds. The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid, weighted by the amount of such installment. The weighted average lives of the PAC Bonds will be influenced by, among other factors, the rate at which Principal Prepayments on PAC Related Loans are received.

Set forth in the following table are the projected weighted average lives (in years) of the PAC Bonds based upon various rates of prepayment of the PAC Related Loans expressed as percentages of PSA. The Authority has made no projections as to the weighted average lives of the PAC Bonds at rates of prepayment of the PAC Related Loans exceeding 500% of PSA. The table below assumes inter alia, that:

- (i) the PAC Related Loans in an aggregate principal amount of \$431,410,136 will be acquired on or before December 1, 2024. However, the actual aggregate principal amount of PAC Related Loans may exceed that assumed amount if, and to the extent, the Authority invests Offered Bonds proceeds deposited in the Capital Reserve Fund in eligible Investment Obligations representing securitized Mortgage Loans,
- (ii) all PAC Related Loans will be prepaid at the percentage of PSA indicated in the table,
- (iii) all scheduled principal repayments, scheduled interest payments, and Principal Prepayments on the PAC Related Loans will be timely received and the Authority experiences no foreclosure losses on the PAC Related Loans,
- (iv) there will be no Unused Proceeds Redemptions of the Offered Bonds,
- (v) there will be no optional redemption of the Offered Bonds as described under the heading “—Redemption – Optional Redemption,”
- (vi) redemptions of PAC Bonds, other than by application of Sinking Fund Requirements, will be credited against all remaining Sinking Fund Requirements for the PAC Bonds on a pro rata basis,
- (vii) the PAC Bonds will be redeemed, as described under the heading “—Redemption – Special Mandatory Redemption of PAC Bonds,” semi-annually on the last day of each semi-annual period, and
- (viii) Directed 2024 Series DE Bonds Loans Prepayments in excess of the amounts required to redeem PAC Bonds during each of the semi-annual periods set forth in the first table

under the heading “—Redemption – Special Mandatory Redemption of PAC Bonds” will be applied for any permitted purpose under the Resolution including, but not limited to, the redemption of Bonds (other than the PAC Bonds).

Notwithstanding such assumptions, the Authority has the right (i) to redeem the PAC Bonds pursuant to the provisions described above under (a) “—Redemption – Special Redemption – Redemption From Unused Proceeds” and, subject to the limitations described in the third paragraph under this subheading, “—Redemption From Principal Prepayments and Down Payment Assistance Loan Principal Prepayments” and “—Redemption From Revenues,” including redemption using moneys available under the Resolution (including moneys from the other Series of Bonds) and (b) “—Redemption – Optional Redemption” and (ii) to credit redemptions of PAC Bonds against remaining sinking fund installments of PAC Bonds other than as described in (vi) above.

<u>Prepayment Speed (Expressed as a Percentage of PSA)</u>	<u>PAC Bonds Projected Weighted Average Life (In Years)</u>
0	20.8
25	11.0
50	6.7
75	5.0
100	5.0
200	5.0
300	5.0
400	5.0
500	5.0

PSA does not purport to be a prediction of the anticipated rate of prepayment of the Offered Bonds Loans, and there is no assurance that such Principal Prepayments will conform to any of the assumed prepayment speeds. The Authority makes no representation as to the percentage of the principal balance of the PAC Related Loans that will be paid as of any date or as to the overall rate of Principal Prepayments and Down Payment Assistance Loans Principal Prepayments.

The projected weighted average lives reflect a projected average of the periods of time for which the PAC Bonds are Outstanding. They do not reflect the period of time which any one PAC Bond will remain Outstanding. At each prepayment speed, some PAC Bonds will remain Outstanding for periods of time shorter than the projected weighted average life, while some will remain Outstanding for longer periods of time.

Optional Redemption

The Offered Bonds maturing on or after December 1, 2033 are redeemable in the manner provided by the General Resolution on and after June 1, 2033 at the option of the Authority in any order of maturity (by lot within a maturity), from any moneys available therefor, in whole or in part, at any time, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

Sinking Fund Redemption

The Offered Bonds that are term bonds are subject to Sinking Fund Requirements requiring mandatory redemption in part by lot on the dates at the principal amount thereof plus accrued interest to the redemption dates, but without premium, according to the schedules shown in the chart below. The Sinking Fund Requirements may be reduced at the option of the Authority by the amount of such Offered Bonds that have been redeemed (otherwise than through the operation of the Sinking Fund Requirements) or purchased as provided in the General Resolution.

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Sinking Fund Requirements

(table continues and footnote appears on following page)

Date	2024 Series D Bonds due 12/1/2039	2024 Series D Bonds due 12/1/2044	2024 Series D Bonds due 12/1/2049	2024 Series D Bonds due 6/1/2055	2024 Series D PAC Bonds due 6/1/2055	2024 Series E Bonds due 12/1/2039	2024 Series E Bonds due 12/1/2044	2024 Series E Bonds due 12/1/2049	2024 Series E Bonds due 6/1/2055	2024 Series F Bonds due 6/1/2055
December 1, 2025										\$365,000
June 1, 2026										375,000
December 1, 2026										385,000
June 1, 2027										395,000
December 1, 2027										405,000
June 1, 2028										415,000
December 1, 2028										425,000
June 1, 2029										435,000
December 1, 2029										445,000
June 1, 2030										455,000
December 1, 2030										465,000
June 1, 2031					\$1,240,000					475,000
December 1, 2031					1,270,000					490,000
June 1, 2032					1,295,000					500,000
December 1, 2032					1,325,000					510,000
June 1, 2033					1,355,000					525,000
December 1, 2033					1,385,000					535,000
June 1, 2034					1,415,000					550,000
December 1, 2034					1,450,000					560,000
June 1, 2035					1,485,000	\$1,690,000				575,000
December 1, 2035					1,520,000	1,730,000				590,000
June 1, 2036					1,555,000	1,765,000				605,000
December 1, 2036					1,590,000	1,810,000				620,000
June 1, 2037	\$1,940,000				1,630,000	1,855,000				635,000
December 1, 2037	1,990,000				1,670,000	1,900,000				650,000
June 1, 2038	2,040,000				1,710,000	1,945,000				665,000
December 1, 2038	2,090,000				1,750,000	1,995,000				680,000
June 1, 2039	2,140,000				1,790,000	2,045,000				695,000
December 1, 2039	2,190,000 [†]				1,835,000	2,095,000 [†]				715,000
June 1, 2040		\$2,245,000			1,880,000		\$2,145,000			730,000
December 1, 2040		2,305,000			1,930,000		2,200,000			745,000
June 1, 2041		2,365,000			1,985,000		2,255,000			765,000
December 1, 2041		2,430,000			2,035,000		2,315,000			785,000
June 1, 2042		2,490,000			2,090,000		2,380,000			800,000
December 1, 2042		2,560,000			2,145,000		2,440,000			820,000
June 1, 2043		2,630,000			2,200,000		2,505,000			840,000
December 1, 2043		2,695,000			2,260,000		2,575,000			860,000
June 1, 2044		2,765,000			2,320,000		2,645,000			880,000
December 1, 2044		2,840,000 [†]			2,380,000		2,715,000 [†]			905,000
June 1, 2045			\$2,915,000		2,440,000			\$2,785,000		925,000
December 1, 2045			2,990,000		2,510,000			2,860,000		950,000
June 1, 2046			3,075,000		2,575,000			2,940,000		970,000
December 1, 2046			3,160,000		2,645,000			3,020,000		995,000
June 1, 2047			3,245,000		2,720,000			3,100,000		1,020,000
December 1, 2047			3,335,000		2,795,000			3,185,000		1,040,000
June 1, 2048			3,420,000		2,870,000			3,270,000		1,065,000
December 1, 2048			3,515,000		2,950,000			3,360,000		1,095,000

Date	2024 Series D Bonds due 12/1/2039	2024 Series D Bonds due 12/1/2044	2024 Series D Bonds due 12/1/2049	2024 Series D Bonds due 6/1/2055	2024 Series D PAC Bonds due 6/1/2055	2024 Series E Bonds due 12/1/2039	2024 Series E Bonds due 12/1/2044	2024 Series E Bonds due 12/1/2049	2024 Series E Bonds due 6/1/2055	2024 Series F Bonds due 6/1/2055
June 1, 2049			\$3,610,000		\$3,025,000			\$3,455,000		\$1,120,000
December 1, 2049			3,710,000 [†]		3,110,000			3,550,000 [†]		1,145,000
June 1, 2050				\$3,810,000	3,195,000				\$3,645,000	1,175,000
December 1, 2050				3,915,000	3,285,000				3,735,000	1,205,000
June 1, 2051				4,025,000	3,375,000				3,840,000	1,230,000
December 1, 2051				4,135,000	3,465,000				3,950,000	1,260,000
June 1, 2052				4,250,000	3,560,000				4,060,000	1,290,000
December 1, 2052				4,365,000	3,660,000				4,175,000	1,325,000
June 1, 2053				4,490,000	3,760,000				4,285,000	1,355,000
December 1, 2053				4,610,000	3,865,000				4,405,000	1,390,000
June 1, 2054				4,740,000	3,975,000				4,525,000	1,420,000
December 1, 2054				25,215,000	4,080,000				4,655,000	1,585,000
June 1, 2055				4,210,000 [†]	105,000 [†]				1,565,000 [†]	3,170,000 [†]

[†] Stated maturity.

General Redemption Provisions

Federal Tax Requirements Which May Affect Redemptions. The Offered Bonds Resolution for the Tax-Exempt Bonds provides, subject to a *de minimis* exception, that *unless* the Authority receives an opinion from bond counsel to the effect that failure to do so will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes (a “*Favorable Opinion of Bond Counsel*”), the Authority shall redeem the Tax-Exempt Bonds within 42 months of the date of issuance thereof, with any unexpended lendable proceeds made available as a result of the issuance of the Tax-Exempt Bonds. See Exhibit D — “Certain Additional Federal Income Tax Matters – Required Redemptions.”

The Offered Bonds Resolution for the Tax-Exempt Bonds provides, subject to a *de minimis* exception, that *unless* the Authority receives a Favorable Opinion of Bond Counsel, the Authority shall redeem (or pay scheduled maturities of) the Tax-Exempt Bonds with the Principal Prepayments, Down Payment Assistance Loans Principal Prepayments, and regularly scheduled principal repayments received with respect to Tax-Related Loans on and after the tenth anniversary of the date of issuance of the Offered Bonds or of the date of issuance of the bonds refunded for tax purposes by the Offered Bonds (or the date of issuance of the earliest refunded bonds in a series of refundings) (the “*Offered Bonds Restricted Principal*”). Pursuant to the 10-Year Rule (as defined under Exhibit D — “Certain Additional Federal Income Tax Matters – Required Redemptions”), the ten year period begins on the date of issuance of the refunded bonds or the date of issuance of the earliest refunded bonds in a series of refundings. Additionally, since a portion of the Tax-Exempt Bonds is treated under the Code as refunding bonds that had many different respective dates of issuance, the 10-Year Rule applies as of the date of issuance of the Offered Bonds to a percentage of the Principal Prepayments, Down Payment Assistance Loan Principal Prepayments, and regularly scheduled principal repayments received with respect to Tax-Related Loans and increases in subsequent semiannual periods, as reflected in the following table:

<u>Offered Bonds Restricted Principal*</u>	
<u>Period</u> <u>(dates inclusive)</u>	<u>Approximate</u> <u>Percentage</u>
Date of issuance of Offered Bonds to and including September 1, 2025	0.00%
September 2, 2025 to and including April 11, 2026	0.23
April 12, 2026 to and including October 24, 2026	1.09
October 25, 2026 to and including November 1, 2027	2.53
November 2, 2027 to and including March 27, 2028	3.73
March 28, 2028 to and including October 31, 2028	5.47
November 1, 2028 to and including April 10, 2029	9.05
April 11, 2029 to and including October 30, 2029	11.59
October 31, 2029 to and including June 23, 2030	13.06
June 24, 2030 to and including November 17, 2030	15.33
November 18, 2030 to and including August 30, 2031	16.74
August 31, 2031 to and including June 21, 2032	18.77
June 22, 2032 to and including November 15, 2032	21.49
November 16, 2032 to and including April 25, 2033	24.70
April 26, 2033 to and including September 26, 2033	26.18
September 27, 2033 to and including March 26, 2034	27.51
March 27, 2034 to and including October 16, 2034	28.20
October 17, 2034 to and including final maturity of the Tax-Exempt Bonds	100.00

* Preliminary, subject to change.

Pursuant to the 10-Year Rule, to the extent that the amount of the Offered Bonds Restricted Principal exceeds the principal amount of Offered Bonds maturing or being redeemed from either Sinking Fund Installments or as a result of special mandatory redemptions of PAC Bonds, the Code requires the Authority to redeem Tax-Exempt Bonds. See Exhibit D — “Certain Additional Federal Income Tax Matters – Required Redemptions” for additional information.

Current federal tax law requires a payment to the United States of America from certain mortgagors whose mortgage loans are originated after December 31, 1990. See Exhibit D — “Certain Additional Federal Income Tax Matters – Recapture Requirements.” The Authority is unable to predict what effect, if any, such requirement or any successor requirement may have on the origination or prepayment of Mortgage Loans to which such provision may apply.

Credits Against Sinking Fund Requirements. Pursuant to the General Resolution, if less than all of the Term Bonds Outstanding of any one maturity of a series (or subseries, if applicable), including the Offered Bonds, shall be purchased or called for redemption (other than in satisfaction of Sinking Fund Requirements), the principal amount of such Term Bonds that are so purchased or redeemed shall be credited, to the extent practicable, *except* as otherwise provided in any Authority Request or in a Series Resolution, against all remaining Sinking Fund Requirements for the Term Bonds of such maturity of a series (or subseries, if applicable) in the proportion which the then remaining balance of each such Sinking Fund Requirement bears to the total of all Bonds of such maturity of a series (or subseries, if applicable) then Outstanding.

General Provisions as to Purchase or Redemption of Bonds. Pursuant to the General Resolution, the Trustee may at any time purchase Bonds, including the Offered Bonds:

(i) subject to Sinking Fund Requirements on the next date such payments are scheduled, upon direction of any Authorized Representative, from moneys on deposit in the Debt Service Fund or the General Receipts Fund, at a price generally not to exceed the Redemption Price (plus accrued interest to the date of redemption) which would be payable on the next redemption date; *however*, no such purchase shall be made by the Trustee after the giving of notice of redemption by the Trustee; and

(ii) from moneys on deposit in the Redemption Fund and, upon direction of any Authorized Representative, at a price generally not to exceed the Redemption Price (plus accrued interest to the date of redemption) which would be payable on the next redemption date; no such purchase shall be made, *however*, after the giving of notice by the Trustee that such Bonds are subject to redemption, *except* from moneys other than moneys set aside for such redemption.

Subject to applicable law, *notwithstanding* the maximum purchase price set forth in (i) and (ii) above, if at any time the investment earnings on the moneys available for such purchase shall be less than the interest accruing on the Bonds to be redeemed, then the Trustee may pay a purchase price for such Bonds in excess of the Redemption Price which would be payable on the next redemption date to the owners of such Bonds under the applicable Series Resolution, if an Authorized Representative certifies to the Trustee that the amount paid in excess of said Redemption Price does not exceed the interest which is to accrue on said Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date.

The Trustee shall select the Bonds or portions of Bonds to be redeemed or purchased in accordance with the General Resolution and the applicable Series Resolution. *Except* as otherwise stated in the Series Resolution authorizing a series of Bonds with respect to all or any part of the series of Bonds authorized thereunder, moneys shall, upon direction by an Authority Request to the Trustee, be applied by

the Trustee to the purchase or the redemption of Bonds selected from among the series (and subseries, if applicable) and maturities on the basis specified by the Authority in such Authority Request accompanied by a Cash Flow Certificate or Cash Flow Statement. *Except* as otherwise provided in a Series Resolution, the Authority Request relating to each redemption of Bonds shall be filed with the Trustee at least forty-five days prior to the date fixed for redemption or such lesser number of days as shall be acceptable to the Trustee. See “—Selection of Offered Bonds for Redemption” below for provisions specific to the Offered Bonds.

Selection of Offered Bonds for Redemption. During the period when all of the Offered Bonds of a Series are registered in the name of Cede, as nominee of DTC, if less than all of the Offered Bonds of a maturity and interest rate within such Series are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Participant in such maturity and interest rate to be redeemed. (“*Participants*” is defined in Exhibit I — “Book-Entry Only.”) During any period that the Offered Bonds are held in book-entry form through a securities depository other than DTC, the selection of Offered Bonds for redemption will be made in accordance with the procedures of such securities depository.

If the Offered Bonds are not in book-entry form, then, if less than all of the Offered Bonds of one maturity and interest rate of a Series shall be called for redemption, the particular Offered Bonds of such Series, maturity and interest rate to be redeemed shall be selected not later than thirty-five days prior to the date fixed for redemption in such manner as directed by the Authority or, if no such direction is received by the Trustee, by lot or in such manner as the Trustee in its discretion may determine; *provided, however,* that the portion of Offered Bonds of any maturity to be redeemed shall be in denominations of \$5,000 or any integral multiple thereof, and that in selecting Offered Bonds for redemption, the Trustee shall treat each Offered Bond as representing that number of Offered Bonds which is obtained by dividing the principal denomination of such Bond by \$5,000.

Notice of Redemption of Offered Bonds. During the period when all of the Offered Bonds are registered in the name of Cede, as nominee of DTC, the Trustee will send all redemption notices to Cede, and DTC will be responsible for notifying Participants, and Participants and Indirect Participants are responsible for notifying Beneficial Owners. Neither the Trustee nor the Authority is responsible for sending notices to Beneficial Owners or for the consequences of any action or inaction by the Authority as a result of the response or failure to respond by DTC or its nominee as Bondowner. (“*Indirect Participants*” and “*Beneficial Owners*” are defined in Exhibit I — “Book-Entry Only.”) The Trustee shall send a copy of each redemption notice for any Offered Bonds to DTC. During any period that the Offered Bonds are held in book-entry form through a securities depository other than DTC, notice of redemption of Offered Bonds will be made in accordance with the procedures of such securities depository.

If the Offered Bonds are not in book-entry form, notice of any redemption will be mailed, first class postage prepaid, at least thirty days but no more than ninety days prior to the date set for redemption to the registered owners of Offered Bonds to be redeemed at their addresses as they appear in the registration books kept by the bond registrar. The Trustee shall also send a second redemption notice to any Bondowner of Offered Bonds to be redeemed, which, by the thirtieth day following the applicable redemption date, has not presented and surrendered such Offered Bonds for redemption.

Failure to receive any such notices by any such registered owner shall not affect the validity of the proceedings for the redemption of the Offered Bonds.

ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES*

General

The Authority believes it is reasonable to make the assumptions described below in structuring the Offered Bonds.

The Authority expects that the estimated scheduled payments, together with Principal Prepayments and Down Payment Assistance Loan Principal Prepayments received, if any, of principal of and interest, if any, on the Mortgage Loans and Down Payment Assistance Loans, and amounts held under the Resolution and the earnings thereon, will be sufficient to pay, when due, the debt service and expenses on the Offered Bonds.

In structuring the maturity schedule for the Offered Bonds, the Authority did not consider the issuance of Additional Bonds or the application or investment of the proceeds thereof. Since Additional Bonds issued under the General Resolution will rank equally and ratably with the Prior Bonds and the Offered Bonds with respect to the security afforded by the General Resolution (unless expressly made subordinate to the Prior Bonds and the Offered Bonds), the availability of money for repayment of Prior Bonds and Offered Bonds could be affected by the issuance of and the application and investment of proceeds of Additional Bonds. A condition to the issuance of a series of Additional Bonds is the filing of a Cash Flow Statement.

The maturity schedule (including Sinking Fund Requirements) for the Offered Bonds was based on (a) estimated revenues from all currently outstanding Mortgage Loans and Down Payment Assistance Loans as well as the Offered Bonds Mortgage Loans and the Offered Bonds Down Payment Assistance Loans expected to be acquired, and (b) an assumption that no Principal Prepayments will be received on Mortgage Loans (including the Offered Bonds Mortgage Loans) and no Down Payment Assistance Loan Principal Prepayments will be received on Down Payment Assistance Loans (including the Offered Bonds Down Payment Assistance Loans). Subject to the provisions of Series Resolutions, Bonds of any series may be redeemed as a result of prepayments of or surplus moneys derived in connection with such series or any other series of Bonds.

In structuring the maturity schedule for the Offered Bonds, the Authority assumed that the lendable proceeds of the Offered Bonds deposited in the Bond Proceeds Fund will be withdrawn from the Bond Proceeds Fund and used to finance Offered Bonds Loans periodically, and will be fully expended for such purposes on or before December 1, 2024.

In structuring the maturity schedule for the Offered Bonds, it was assumed that (i) payments on Mortgage Loans will be received 30 days after their due dates, (ii) payments on Down Payment Assistance Loans will not be received until their final maturity and (iii) there would be no losses experienced in connection with delinquencies and foreclosures. The Cash Flow Statement to be delivered in connection with the issuance of the Offered Bonds also will not assume any such losses. See “Sources of Payment for the Bonds – Cash Flow Statements” above.

Notwithstanding the assumptions in clause (iii) in the immediately preceding paragraph and in the second from the last sentence of the immediately preceding paragraph, the Authority has experienced losses as a result of foreclosures. See “Sources of Payment for the Bonds – Net Position, Allowances for

* Preliminary, subject to change.

Possible Losses and Certain Expenses” and Exhibit B — “Certain Authority Financial Information and Operating Data – Prior Bonds Mortgage Loans – Losses on Foreclosures.”

Investments

The Offered Bonds proceeds on deposit in the Bond Proceeds Fund and the Capital Reserve Fund, amounts received with respect to the Offered Bonds deposited in the General Receipts Fund, Debt Service Fund and Redemption Fund, Principal Prepayments received with respect to Offered Bonds Mortgage Loans and Offered Bonds Down Payment Assistance Loans Principal Prepayments which are deposited in, as applicable, the Bond Proceeds Fund in order to finance Mortgage Loans or the Down Payment Assistance Fund to finance Down Payment Assistance Loans are expected to be invested in Investment Obligations. For information regarding existing investments of amounts on deposit in the Bond Proceeds Fund, Capital Reserve Fund, General Receipts Fund, Debt Service Fund and Redemption Fund in connection with the Prior Bonds, see Exhibit B — “Certain Authority Financial Information and Operating Data – Certain Investments.”

THE PROGRAM

Except as specifically noted below, the information set forth under this heading generally applies or applied, as applicable, to all Prior Bonds Mortgage Loans and to the Offered Bonds Mortgage Loans.

Mortgage Loan Characteristics

General. The Offered Bonds Resolutions and Prior Series Resolutions set forth the following Series Program Determinations for Mortgage Loans to be originated with the proceeds of the respective series of Bonds: (1) the promissory note for each such Mortgage Loan must be payable or endorsed to the Authority and the Mortgage Loan must be originated in the name of the Authority or assigned to the Authority; (2) each Mortgage Loan must be for a term not exceeding 30 years, have a rate or rates of interest fixed at the time of origination and have approximately equal monthly payments for each rate of interest borne by such Mortgage Loan; (3) each Mortgage Loan must relate to a residence which shall be the principal residence of the mortgagor within a reasonable time after the closing of such Mortgage Loan; (4) each Mortgage Loan must relate to a single-family residential structure (containing up to four housing units, one of which must be occupied by the mortgagor), a manufactured home, or condominium unit; and (5) a Mortgage Loan may be used for the purchase of a residence or both the purchase and rehabilitation of a residence. The Authority previously made Mortgage Loans available at initial interest rates which were subject to adjustment. The Offered Bonds Resolutions and the Prior Series Resolutions require that, unless a Mortgage Loan has a qualifying loan-to-value ratio, it must have private primary mortgage insurance or be insured by the FHA or guaranteed by the VA or by RHS. See Exhibit F — “Mortgage Insurance and Mortgage Loan Modification Programs” hereto. In 2018, the Authority began to allow private primary mortgage insurance on its Mortgage Loans following an approximately seven-year period in which it only permitted FHA insurance or VA or RHS guaranties. The Offered Bonds Mortgage Loans and the Prior Bonds Mortgage Loans will be or have been, as applicable, limited to individual purchasers of owner-occupied, single-family housing units, which include condominium units and manufactured or mobile homes which are permanently affixed to real property. The Authority expects that proceeds of future Bonds will finance Mortgage Loans to provide home improvements and that such Mortgage Loans will not be secured by a first lien but will be insured under the FHA Title I Property Insurance Loan Program.

For each Mortgage Loan, the Series Resolution authorizing the Bonds that finance such Mortgage Loan (i) requires that each conventional Mortgage Loan with a loan-to-value ratio (“*LTV*”) set forth in such Series Resolution have Primary Mortgage Insurance (“*PMI*”) so as to reduce the uninsured portion

of the Mortgage Loan to a stated percentage of the lower of the purchase price or appraised value of the financed residence; and (ii) does not require PMI with respect to a Mortgage Loan when the principal balance of the Mortgage Loan is below a stated percentage of the purchase price of the residence. See Exhibit F — “Mortgage Insurance and Mortgage Loan Modification Programs – Private Primary Mortgage Insurance Policy.” Most of the Prior Series Resolutions require that each newly originated Mortgage Loan be insured under an insurance contract, or guaranteed under a guaranty agreement, requiring benefits to be paid to the Authority following default. Such insurance or guaranty provides for benefits to be paid to the Authority following default by the mortgagor in the payment of principal or interest on such newly originated Mortgage Loan in an amount which, when combined with the down payment applicable to such newly originated Mortgage Loan, is equal to an amount in excess of eighteen percent (18%) of the purchase price of the residence; *provided, however*, that any such insurance shall not be initially required or may be terminated when the principal balance of such newly originated Mortgage is eighty percent (80%) or less of the purchase price of the residence. For more recent Mortgage Loans, including the Offered Bonds Mortgage Loans, the down payment referred to in the preceding sentence can be from any source, including an Offered Bonds Down Payment Assistance Loan, even though the Down Payment Assistance Loan may be financed with Bond proceeds. See Exhibit F — “Mortgage Insurance and Mortgage Loan Modification Programs” for additional information regarding condition of foreclosed properties and private mortgage insurance, FHA insurance and VA and RHS guaranties.

The purchase price of a unit will be limited to an amount which does not exceed the requirements of the Code or State law. In the past, these requirements have varied depending upon the area in which the unit is located. At present, the purchase price limit is \$224,500 for all units, regardless of the unit’s location, and can be increased by the Authority (subject to the limits imposed by the Code) by an amount up to \$3,500 to cover the costs of improving the unit for use by disabled individuals. The Authority is in the process of seeking State legislation to allow the Authority to use the limits imposed by the Code. Under the current limits imposed by the Code, the Authority could seek to increase the purchase price limit to approximately \$510,939 (for additional information regarding the Code limits, see Exhibit D — “Certain Additional Federal Income Tax Matters – Mortgage Eligibility Requirements – Purchase Price Requirements”). In addition, at present, the family income limit for eligibility to purchase a unit with Authority financing ranges from \$91,200 to \$174,720. The Authority has the right, at its option, to change these limits, subject to applicable law.

Mortgage Loans are originated and sold to the Authority by Mortgage Lenders, as more fully described under “—Mortgage Loan Underwriting” below. There are approximately 132 Mortgage Lenders participating in the Program. Mortgage Lenders are required to originate Mortgage Loans on a first-come, first-served basis as the Mortgage Lenders receive applications from eligible borrowers. With respect to any Authority bonds (other than refunding bonds) issued to finance new mortgages for single-family homes (which includes Prior Bonds), the Act requires that for the first 60 days following the announcement of a program funded by the proceeds of those bonds, 50% of the proceeds of those bonds available to make loans shall be reserved for applicants with gross annual incomes at or below 60% of the statewide median gross income, which is currently equal to \$54,720. The Authority by resolution may waive this requirement. Furthermore, under State law, not more than 50% of the proceeds of Bonds, other than refunding bonds, may be used to finance single-family homes for homebuyers who previously had an ownership interest in a residence (federal tax law includes additional requirements, which are described in Exhibit D — “Certain Additional Federal Income Tax Matters – Mortgage Eligibility Requirements – Prior Homeownership Limitation”). For purposes of this State law requirement, ownership interest in a mobile home is not considered to be ownership interest in a residence.

The Authority permits Mortgage Loans in amounts not to exceed a specified percentage (97% for conventional Mortgage Loans, 96.5% for Mortgage Loans insured by FHA, and 100% for Mortgage

Loans guaranteed by VA or RHS) of the purchase price of the property or the appraised value of the property, whichever is less.

Down Payment Assistance Loans. The maximum principal amount of a Down Payment Assistance Loan is \$10,000; such amount has been applicable to all ZIP codes in the State as of May 2023. Each Down Payment Assistance Loan will be due either when the property is sold, the first Mortgage Loan is repaid, at the end of its term or the first Mortgage Loan is refinanced (except as described in the following sentence). If (a) Down Payment Assistance Loans are financed by Offered Bonds and future series of Bonds, if so authorized in the related Series Resolutions, and (b) the Mortgage Loans are refinanced with Authority Refinance Loans, then the existing related Down Payment Assistance Loans, at the option of the Authority, must either be refinanced as new Down Payment Assistance Loans or be resubordinated to the related Authority Refinance Loans.

Some of the properties purchased by borrowers participating in the down payment assistance programs are subject to third mortgages intended to preserve the affordability of any subsequent sale of the property for, generally, five years by restricting the sales price to and income limits of subsequent buyers. Some of the first mortgage loans, which (unless they have a qualifying loan-to-value ratio) must be FHA-insured, VA or RHS-guaranteed or the subject of private primary mortgage insurance, have been or are expected to be financed from a portion of the proceeds of the Offered Bonds, the Prior Bonds and from Authority money. At present, each Down Payment Assistance Loan will provide the mortgagor with funds to finance the down payment, closing costs, and prepaid expenses in an aggregate amount not to exceed the applicable maximum principal amount of a Down Payment Assistance Loan, as described above. The down payment assistance programs reduce the minimum amount of cash that a mortgagor needs to close a mortgage loan to 1% of the purchase price.

Servicing. Mortgage Loans will be serviced by the Authority's sub-servicer for the Program, LoanCare, LLC (the "*Subservicer*"). The servicing agreement, which expires on December 31, 2025, between the Authority and the Subservicer establishes requirements for the servicing of Mortgage Loans. The activities of the Subservicer and each such Mortgage Lender are also subject to review and monitoring by the Authority's staff, as well as to regularly scheduled third-party audits.

In the event of a delinquency the Authority may require the Subservicer to take such appropriate action with respect to delinquencies as may be required by the private primary mortgage insurance provider, FHA, the VA, or the RHS, if applicable. The Subservicer has discretion to grant appropriate relief in the form of repayment plans, special forbearance relief, and modifications. A modification agreement may be formulated that effects modifications of the Mortgage Loan's repayment provisions. Although the Authority is unable to predict whether a modified mortgage loan will become and remain a performing loan, in the Authority's experience, modified mortgage loans frequently become delinquent again. See Exhibit F — "Mortgage Insurance and Mortgage Loan Modification Programs."

Mortgage Loan Underwriting

The Authority has established procedures for the submission and review of each Mortgage Loan application. Each application must be submitted by mortgage companies, banks or credit unions throughout the State which are Mortgage Lenders approved by the Authority and must contain an affidavit of the prospective purchaser certifying the purchaser's eligibility for a Mortgage Loan under the rules of the Authority. Prior to submission to the Authority, the Mortgage Lender is required to screen the prospective purchaser's Mortgage Loan application and to secure the required approval for Mortgage Loan insurance or guaranty. Once received, the Authority's staff reviews the Mortgage Lender's credit analysis of each Mortgage Loan applicant with particular emphasis on credit history, asset verification, income stability, and ratios of housing-related expenses and of total monthly debt payments to total

monthly income of the applicant. In the future, the Authority may choose to have this portion of the underwriting process delegated to a third-party.

Upon satisfaction of the aforementioned underwriting criteria, a Mortgage Loan commitment will be issued to the Mortgage Lender, which in turn will issue its commitment to the purchaser. The Mortgage Lender may require the purchaser to pay an origination fee equal to 1% of the amount of the approved Mortgage Loan at closing. It is expected that most Mortgage Loans will be purchased at a purchase price determined based upon the number of days that elapse from the date of Mortgage Loan closing until the Mortgage Loan is presented for purchase to the Authority: 0 through 30 days, 100%; more than 30 days but before the first Mortgage Loan payment date, 99.50%; on or after the first, but before the second, Mortgage Loan payment date, 99.25%; and on or after the second Mortgage Loan payment date, 99%. In addition, the Authority will pay the Mortgage Lender a service release fee of 2.00% of the amount of the approved Mortgage Loan to obtain servicing rights.

All units to be financed with a Mortgage Loan must meet the property requirements and minimum property standards contained in the most current version of the Single-Family Program Operating Manual and be inspected by a local building inspector or a fee inspector (or appraised by a fee appraiser) to assure compliance with local building codes and generally accepted property standards. Each application for a Mortgage Loan on an existing home must also be accompanied by photographs of the unit and by a signed appraisal from a qualified appraiser, noting any repairs or corrections required to bring the unit into compliance with Authority standards. In addition, all units to be financed with FHA insurance or RHS or VA guarantees must satisfy the property standards and inspections prescribed by those agencies, if any.

Upon satisfaction of all requisite closing conditions, a mortgage loan closing is conducted by the Mortgage Lender (or its agent) utilizing funds of the Mortgage Lender. In connection with each closing, the Mortgage Lender is required to prepare a closing package (which includes the certificate for the mortgage insurance or guaranty (if applicable), the mortgage and note and other relevant documents) and to provide these documents to Authority personnel for review and approval. Each closing package (other than the related mortgage and note) can be submitted electronically to the Authority.

Prior to purchasing any newly originated Mortgage Loans, the Authority requires the originating Mortgage Lender to enter into an agreement with the Authority that establishes certain conditions precedent to any Mortgage Loan purchase including, but not limited to, the receipt of a current commitment of title insurance issued to the Authority and the documentation described in the immediately preceding paragraph. In addition, the General Resolution requires that each Mortgage Lender warrant with respect to each Mortgage Loan that it has originated that: (i) the Mortgage Lender has no notice of any counterclaim, offset or defense asserted by the Mortgagor with respect to the Prior Bonds Mortgage Loan and (ii) the Mortgagor is not in default under the Mortgage Loan.

Offered Bonds Mortgage Loans

The Authority expects that the Offered Bonds Mortgage Loans will be offered at several different interest rates. Except as otherwise noted and as described in the following paragraph, the information set forth above under “—Mortgage Loan Characteristics” and “—Mortgage Loan Underwriting” describe the characteristics of the Offered Bonds Mortgage Loans and the procedures pursuant to which such Mortgage Loans were or will be, as applicable, underwritten and originated.

Prior Bonds Mortgage Loans

The mortgage loan characteristics set forth under “—Mortgage Loan Characteristics” above describe, where applicable, the Prior Bonds Mortgage Loans. The Prior Bonds Mortgage Loans were underwritten under procedures substantially identical to those described under “—Mortgage Loan Underwriting” above. For additional information concerning the amount of mortgage loans purchased or expected to be purchased with the proceeds of the Prior Bonds, or otherwise attributable to the Prior Bonds, and the average interest rates on, and the delinquency statistics regarding, the Prior Bonds Mortgage Loans, see Exhibit B — “Certain Authority Financial Information and Operating Data.”

Other Loan Programs and Potential New Programs

The Authority has a program that enables it to finance mortgage loans and down payment assistance loans without issuing bonds. None of the loans originated under such program serve as security for any Authority bonds (including the Bonds issued under the Resolution). Mortgage loans financed under this program are available to repeat and first-time homebuyers who satisfy the underwriting criteria established by the Authority for such program.

The Authority has implemented a program that is not financed with Bond proceeds that provides second lien home improvement loans to any borrower of an owner-occupied residence who satisfies certain underwriting and income criteria.

From time to time, the Authority develops new program initiatives to address the housing needs of residents of Michigan. The Authority has several sources of funds for new programs, including the proceeds of Bonds or other Authority bonds, and may use such proceeds (including the proceeds of Bonds) to finance Mortgage Loans originated under such new program initiatives. The loan characteristics and underwriting criteria that the Authority will develop for each new program will take into account many factors including, but not limited to, whether the loans are to be financed by bond proceeds.

Mortgage Loan Refinancing Program under Consideration. Michigan legislation enacted in 2017 authorizes the Authority to refinance existing single-family mortgage loans (including Mortgage Loans). Since then, although the Authority has not refinanced existing Mortgage Loans with the proceeds of Prior Bonds, that legislation and the fact that refinancing Mortgage Loans would result in Principal Prepayments from which Bonds may be redeemed, has been described in offering documents related to the sale or remarketing of Prior Bonds and is being described in this Official Statement. If the Authority establishes the refinance program, it may choose to finance the refinancing of Mortgage Loans and Down Payment Assistance Loans with its available moneys or future borrowings, including proceeds of future series of Bonds. While the refinance program is not yet live, the Authority intends to utilize the refinance program as economic conditions allow.

Future Programs. The Authority is exploring the ability to offer a Single-Family Acquisition Rehabilitation Program (the “*HCDF Acquisition Rehab Program*”), which is to include funds allocated from the State of Michigan Housing and Community Development Fund (the “*HCDF*”). This HCDF Acquisition Rehab Program is expected to be a purchase transaction in which a single-family property requires rehabilitation. The first mortgage loan will be an Authority conventional first mortgage loan with a maximum loan-to-value (“*LTV*”) ratio of seventy-five percent (75%) (the “*First Mortgage Loan*”). A down-payment assistance (“*DPA*”) second mortgage loan is offered to qualified buyers for a maximum of Ten Thousand Dollars (\$10,000) and can be used towards closing costs, prepaids and some of the down payment (the “*DPA Mortgage Loan*”). A subordinate mortgage loan made by the Authority with funds from the HCDF will be available to pay costs of construction or rehabilitation (the “*HCDF*”).

Mortgage Loan”). Each HCDF Mortgage Loan is expected to take the form of a third mortgage loan with a five (5) year term and a zero percent (0%) interest rate with no scheduled payments. Twenty percent (20%) of the HCDF Mortgage Loan will be discharged each year, and at the end of the fifth (5th) year the mortgage loan will be fully discharged. Under the HCDF Acquisition Rehab Program, the borrower will be required to invest one percent (1%) into the transaction. The maximum amount of the HCDF Mortgage Loan will be limited to the lesser of the full acquisition costs of the property or Fifty Thousand Dollars (\$50,000). It is expected that HCDF Mortgage Loan proceeds will be held in escrow after closing and disbursed through two (2) to three (3) draws. The number of draws will be dependent on the total amount of assistance provided. This HCDF Acquisition Rehab Program is expected to be available to low- and middle-income borrowers who purchase properties that meet the Authority’s eligible sales price and who meet HCDF requirements.

The Authority is exploring the ability to offer a \$5,000 Homebuyer Grant Program (“*5K HO Grant*”) that would be funded from the HCDF. The 5K HO Grant is designed to help increase homeownership by providing homebuyers obtaining a Mortgage Loan with \$5,000 in additional funds for closing costs, prepaids, and/or down payment assistance. The 5K HO Grant is a non-repayable grant being offered to eligible homebuyers in addition to the Authority’s DPA Mortgage Loans. Eligible homebuyers must meet all Authority program and underwriting requirements of the Single-Family Mortgage Revenue Bond Program with the additional qualifying condition that the homebuyer must currently live in a Qualified Census Tract (“*QCT*”). The home being purchased must be located in Michigan but does not need to fall within the QCT area.

TAX MATTERS

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE OFFERED BONDS.

TAX-EXEMPT BONDS

General

The 2024 Series D Bonds (defined herein as the Tax-Exempt Bonds) are one issue for certain federal income tax purposes. The Tax-Exempt Bonds are a separate issue from the Taxable Bonds for federal income tax purposes. Failures to comply with federal tax law requirements with respect to any of the Tax-Exempt Bonds may cause interest on all of the Tax-Exempt Bonds to be included in gross income for federal income tax purposes. See below and Exhibit D — “Certain Additional Federal Income Tax Matters” for such requirements with respect to the Tax-Exempt Bonds.

Federal Tax Opinion of Bond Counsel and Attorney General

In the opinion of Bond Counsel and the Attorney General, based upon their examination of the documents described in their opinions, under existing law, (i) interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes; and (ii) interest on the Tax-Exempt Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth above with respect to (i) and (ii) is subject to the condition that the Authority comply with all requirements of applicable federal income tax law that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements, including the requirements of applicable federal income tax law described below with respect to the Tax-Exempt Bonds, could cause the interest on the Tax-Exempt Bonds to be included in gross income

retroactive to the date of issuance of the Tax-Exempt Bonds. The Authority has covenanted in the General Resolution and the Series Resolution for the Tax-Exempt Bonds to comply, to the extent permitted by law, with all such requirements. Bond Counsel and the Attorney General are of the opinion that the General Resolution, the Series Resolution for the Tax-Exempt Bonds, and the Program Documents (hereinafter defined) establish procedures under which, if followed, such requirements can be met.

Bond Premium

In general, if an owner acquires a Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax-Exempt Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Bond (a “*Premium Bond*”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Original Issue Discount

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Tax-Exempt Bonds initially sold at a discount as shown on the inside cover page hereof (the “*OID Bonds*”) are sold and the amount payable at the stated redemption price at maturity thereof constitutes “original issue discount.” Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each holder of an OID Bond. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during such period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains provisions relating to the accrual of original issue discount in the case of holders of the OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount of the OID Bonds. Holders who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors as to the tax consequences of the purchase of such OID Bonds. All holders of OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that such loss is attributable to accrued original issue discount.

Additional Federal Tax Consequences

Prospective purchasers of the Tax-Exempt Bonds should be aware the Code provides that (i) interest on the Tax-Exempt Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Tax-Exempt Bonds is included in the determination of alternative minimum taxable income for certain corporations (defined in Section 59(k) of the Code); (iii) interest on the Tax-Exempt Bonds may be subject to federal income taxation under Section 1375 of the Code for S corporations that have subchapter C earnings and profits at the close of the taxable year if greater than 25% of the receipts of such S corporation is passive investment income, (iv) interest on the Tax-Exempt Bonds is included in the calculation of modified adjusted gross income for purposes of determining the taxability of social security or railroad retirement benefits, (v) the receipt of interest on the Tax-Exempt Bonds by life insurance companies may affect the federal tax liability of such companies, (vi) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Tax-Exempt Bonds, (vii) holders acquiring the Tax-Exempt Bonds subsequent to initial issuance will generally be required to treat market discount, if any, recognized under Section 1276 of the Code as ordinary taxable income, (viii) interest incurred or continued to purchase or carry the Tax-Exempt Bonds may not be deducted in determining federal income tax, (ix) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the Offered Bonds, and (x) the receipt or accrual of interest on the Tax-Exempt Bonds may cause disallowance of the earned income credit under Section 32 of the Code.

Information Reporting and Backup Withholding. Information reporting requirements will apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Tax-Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax-Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax-Exempt Bonds under Federal or state law or otherwise prevent Beneficial Owners of the Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Tax-Exempt Bonds.

Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

TAXABLE BONDS

Federal Tax Opinion of Bond Counsel and Attorney General

In the opinion of Bond Counsel and the Attorney General, interest on the 2024 Series E Bonds and the 2024 Series F Bonds (collectively defined herein as the Taxable Bonds) is **not** excluded from gross income for federal income tax purposes under the Code. Bond Counsel and the Attorney General express no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Taxable Bonds.

General

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Taxable Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as the Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Taxable Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Taxable Bonds that are "U.S. holders" (as defined below), deals only with those Taxable Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold the Taxable Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of the Taxable Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Taxable Bond. A "non U.S. holder" is a holder (or beneficial owner) of a Taxable Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

The Taxable Bonds will be treated, for federal income tax purposes as a debt instrument. Accordingly, interest will be included in the income of a holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Bondholders that have a basis in the Taxable Bonds that is greater than the principal amount of the Taxable Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a Bondholder purchases the Taxable Bonds for an amount that is less than the adjusted issue price of the Taxable Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale or exchange of a Taxable Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred.

Although the Taxable Bonds are expected to trade “flat,” that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Taxable Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Disposition or Defeasance

Upon a sale, exchange or retirement of a Taxable Bond, a holder generally will recognize taxable gain or loss on such Taxable Bond equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the Bondholder’s adjusted tax basis in such Taxable Bond. Defeasance of the Taxable Bonds may result in a reissuance thereof, in which event an owner will also recognize taxable gain or loss as described in the preceding sentence. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Taxable Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Taxable Bond will (in general) equal its original purchase price and decreased by any principal payments received on the Bond. In general, if the Taxable Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Miscellaneous

In addition to regular income tax, certain non-corporate U.S. holders will owe a 3.8 percent tax on the lesser of (i) “net investment income” or (ii) the excess of “modified adjusted gross income” of the Bondholder over \$200,000 for unmarried individuals (\$250,000 for married couples filing jointly and a surviving spouse). Bondholders should consult with their own tax advisors regarding the application of such net investment income tax.

In general, information reporting requirements will apply to non-corporate holders of the Taxable Bonds with respect to payments of principal, payments of interest, and the accrual of original issue discount on a Taxable Bond and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding may apply to holders of Taxable Bonds under Section 3406 of the Code. Any amounts withheld under backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States federal income tax provided the requested information is furnished to the Internal Revenue Service.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

OFFERED BONDS

Michigan Tax Opinion on Offered Bonds

In addition, in the opinion of Bond Counsel and the Attorney General, based on their examination of the documents described in their opinions, under existing law, the Offered Bonds and the interest thereon are exempt from all state, city, county or other taxation provided by the laws of the State of Michigan, except for estate and gift taxes and taxes on transfers.

LITIGATION

The Authority is involved in various proceedings and disputes with real estate developers, contractors and others arising out of its financing activities. The Authority does not expect the ultimate disposition of those proceedings to have any materially adverse effect on the ability of the Authority to repay its bonds, *including* the Offered Bonds, or on the operations of the Authority.

No litigation has been served upon the Authority or, to its knowledge, is pending or threatened against the Authority that contests or otherwise affects: the issuance and validity of the Offered Bonds; the validity of the Resolution; the performance of the Authority's obligations under the Resolution; the pledge of the Pledged Property or the application of the Pledged Property and the Mortgage Loans to the payment of debt service on the Offered Bonds when due; the legality of any bonds, notes or other evidence of indebtedness of the Authority; the power of the Authority to issue any bonds, notes or other evidence of indebtedness or to purchase and sell the Mortgage Loans or Down Payment Assistance Loans; or the existence of the Authority, or that seeks a declaratory judgment, injunctive relief or monetary damages, the granting of which could, in the judgment of the Authority, materially adversely affect the future operations of the Authority.

LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Offered Bonds are subject to the approval of Dykema Gossett PLLC and Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel to the Authority, and the Attorney General of the State of Michigan. The approving opinions of Bond Counsel to the Authority and the Attorney General of the State of Michigan with respect to the Offered Bonds will be delivered in substantially the respective form attached to this Official Statement as Exhibit J — “Form of Approving Opinion of Bond Counsel with Respect to the Offered Bonds” and Exhibit K — “Form of Approving Opinion of Attorney General of the State of Michigan with Respect to the Offered Bonds.” Certain legal matters will, in connection with the Offered Bonds, be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the Act provides that the Bonds are securities in which all public officials and bodies of the State and all municipalities and municipal subdivisions of the State, all insurance companies and associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries and all other persons authorized to invest in bonds or other obligations of the State may properly and legally invest funds, including capital, in their control or belonging to them.

UNDERWRITING

The 2024 Series DE Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the 2024 Series D Bonds and 2024 Series E Bonds at the respective purchase prices set forth on the inside cover page of this Official Statement and will receive an underwriting fee of \$_____ in connection with the 2024 Series D Bonds and an underwriting fee of \$_____ in connection with the 2024 Series E Bonds. The 2024 Series F Underwriter has agreed, subject to certain conditions, to purchase all but not less than all of the 2024 Series F Bonds at the purchase price set forth on the inside cover page of this Official Statement and will receive an underwriting fee of \$_____ in connection with the 2024 Series F Bonds. The initial public offering prices of the Offered Bonds may be changed from time to time by the relevant Underwriters.

The Underwriters may offer and sell the relevant Offered Bonds to certain dealers (including dealers depositing such bonds into investment funds), dealer banks, banks acting as agents and others at prices lower than said public offering prices. The Underwriters are not acting as financial advisors to the Authority in connection with the offer and sale of the Offered Bonds.

Information Provided by the Underwriters

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, finance and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial services and investment banking services for the Authority for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective 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 investment and securities activities may involve securities and instruments of the Authority.

BofA Securities, Inc., an underwriter of the 2024 Series D Bonds and 2024 Series E Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2024 Series D Bonds and 2024 Series E Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the 2024 Series D Bonds and 2024 Series E Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2024 Series D Bonds and 2024 Series E Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2024 Series D Bonds or 2024 Series E Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the Underwriters of the 2024 Series D Bonds and 2024 Series E Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC.

As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2024 Series D Bonds and 2024 Series E Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”), which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of WFBNA, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, acting through its Municipal Finance Group, one of the underwriters of the 2024 Series D Bonds and 2024 Series E Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the 2024 Series D Bonds and 2024 Series E Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2024 Series D Bonds and 2024 Series E Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the 2024 Series D Bonds and 2024 Series E Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Certain of the other Underwriters and members of the Selling Group may have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters or included in the Selling Group) for the distribution of the relevant Offered Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter or Selling Group member will share a portion of its underwriting compensation or selling concession with such broker-dealers.

RATINGS

Offered Bonds

Moody’s Investors Service, Inc. (“Moody’s”) has assigned a long-term rating of “Aa2” (stable outlook) to the Offered Bonds. S&P Global Ratings (“S&P”) has assigned a long-term rating of “AA+” (stable outlook) to the Offered Bonds. It is a condition to the obligation of the Underwriters to purchase the relevant Offered Bonds that the Offered Bonds they are purchasing have such ratings from Moody’s and S&P on their date of issuance.

Any explanation of the significance of the respective ratings with respect to the Offered Bonds may only be obtained from S&P or Moody’s, as applicable. The ratings are not a recommendation to buy, sell or hold the Offered Bonds. The Authority furnished to S&P and Moody’s certain information and materials concerning the Offered Bonds. There is no assurance that any such ratings will remain for any given period of time or that they may not be lowered or withdrawn entirely by S&P or Moody’s if, in the judgment of such rating agency, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Offered Bonds.

The Authority has no obligation to undertake any action to maintain the ratings on the Offered Bonds. In addition, the Authority undertakes no responsibility to bring to the attention of Bondowners any actions which could adversely affect the ratings of the Bonds or to bring to the attention of

Bondowners any revision or withdrawal of the ratings of the Bonds, except as required by the Disclosure Undertaking described herein under “Continuing Disclosure” and annexed hereto as Exhibit G — “Continuing Disclosure Undertaking.”

Ratings of the Authority and Certain Authority General Obligation Bonds

On December 17, 2020 S&P lowered the Authority’s general obligation rating from “AA” to “AA-,” with a stable outlook. On February 13, 2023, S&P raised the rating of Authority bonds issued under the RHRB General Resolution from “AA” to “AA+”.

General

The ratings set forth in this Official Statement reflect only the rating information available from each rating agency as of the date of this Official Statement, except as otherwise noted, and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Offered Bonds. The Authority undertakes no responsibility for updating any rating information included in this Official Statement.

FINANCIAL STATEMENTS, AUDITS AND MANAGEMENT REVIEWS OF THE AUTHORITY

The financial statements of the Authority as of and for the fiscal year ended June 30, 2023 with comparative information for June 30, 2022 are included in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority.” The financial statements of the Authority as of and for the year ended June 30, 2023 have been audited by Plante & Moran, PLLC, independent auditors.

An audit by the Internal Revenue Service of the Authority’s Rental Housing Revenue Bonds, 2019 Series A-1 and A-2 and 2020 Series A-1 and A-2 is currently ongoing. In July 2024, the Internal Revenue Service requested information regarding such Bonds and the related Mortgage Loans, and the Authority has timely replied to the audit with the requested information.

The Auditor General of the State of Michigan is required to make audits of the books and records of the Authority for submission to the Michigan Legislature at least once every three years. The most recent of such Auditor General audit reports, issued in May 2021, was a Performance Audit of certain aspects of some of the single-family homeownership related programs administered by the Authority. The Report did not directly address the program of financing single-family mortgage loans with proceeds of Bonds. The Report identified certain administrative functions and controls for improvement, including the reinstatement of certain procedural changes to improve the Authority’s ability to address possible risk management and ability to submit accurate required reports to regulators and a need for certain improved security and access controls over some systems. The Report also made certain findings, some of which the Authority disputes, about gathering more complete information, delivered on a timely basis, for a more accurate evaluation of the effectiveness of certain programs. In March 2021, the Auditor General issued a Single Audit Report of the Authority for the period through June 30, 2020 containing recommendations for improvements in Authority operating procedures and controls over construction, design and management of Authority-financed developments. Auditor General Reports are reviewed by the Auditor General’s staff with the staff of the Authority. Copies of reports issued by the Auditor General are on file at the Auditor General’s office in Lansing, Michigan and are available at the Auditor

General’s website. The Authority is subject to audit from time to time as administrator of various Federal programs and as a public body corporate and politic of the State of Michigan.

CONTINUING DISCLOSURE

The Authority will covenant for the benefit of the Holders and the Beneficial Owners (as such terms are defined in the Second Master Continuing Disclosure Undertaking – Single-Family Mortgage Revenue Bonds (the “*Disclosure Undertaking*”)) of the Offered Bonds, to provide certain financial information and operating data relating to the Authority by not later than 180 days following the end of each of the Authority’s fiscal years, commencing with the report for the 2023-2024 fiscal year (the “*Annual Financial Information*”), and to provide notices of the occurrence of certain enumerated events (“*Listed Event Notices*”). The form of the Disclosure Undertaking is set forth in Exhibit G — “Continuing Disclosure Undertaking.”

The Disclosure Undertaking will require that the Annual Financial Information and Listed Event Notices be submitted to EMMA. The specific nature of the information to be contained in the Annual Financial Information and Listed Event Notices is set forth in Exhibit G — “Continuing Disclosure Undertaking.” These covenants will be made in order to assist the underwriters in connection with an issuance of Bonds to comply with paragraph (b)(5) of Rule 15c2-12, as amended (the “*Rule*”) promulgated by the Securities and Exchange Commission.

The Authority filed on EMMA (a) on May 20, 2020, notice that the annual financial information regarding its RHRBs related to the period ending June 30, 2019, dated November 14, 2019, and filed on EMMA by the Authority on November 15, 2019 (the “*2019 Filing*”), due to a clerical error, omitted one page that included certain required information as of June 30, 2019 regarding the Capital Reserve Fund Requirement under the RHRB General Resolution, the amount of assets of the Capital Reserve Capital Account, and the investments of moneys in certain funds held under the RHRB General Resolution and (b) on May 19, 2020, a supplement to the 2019 Filing to provide the information described in (a).

On August 6, 2024, the Authority filed notice on EMMA of the incurrence of a financial obligation, which notice was filed 4 days later than the date required under the Disclosure Undertaking.

FINANCIAL ADVISOR

CSG Advisors Incorporated is serving as Financial Advisor to the Authority with respect to the issuance of the Offered Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning and structuring of the Offered Bonds and provided other advice. In addition, the Financial Advisor prepared the cash flow projections related to the Authority’s Cash Flow Statement required to be delivered under the General Resolution in connection with the issuance of the Offered Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any such activities with regard to the Offered Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings. The Financial Advisor is an independent advisory firm registered with the Securities and Exchange Commission as a Municipal Advisor.

ADDITIONAL INFORMATION

The quotations from, and summaries and explanations of, the Constitution of the State of Michigan, the Act, the General Resolution and the Offered Bonds Resolutions contained herein do not purport to be complete, and reference is made to said Constitution, laws and resolutions for their full and complete provisions. The exhibits attached hereto are a part of this Official Statement. During the offering period, copies, in reasonable quantity, of the Act, the General Resolution, and any Series Resolutions issued pursuant to the General Resolution, including the Offered Bonds Resolutions, may be obtained upon request directed to the Authority, 735 East Michigan Avenue, Lansing, Michigan 48912.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Offered Bonds.

**MICHIGAN STATE HOUSING
DEVELOPMENT AUTHORITY**

By _____

**FINANCIAL STATEMENTS OF THE MICHIGAN STATE HOUSING DEVELOPMENT
AUTHORITY**

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Michigan State Housing Development Authority

(a component unit of the State of Michigan)

Financial Report
with Supplementary Information
June 30, 2023

Michigan State Housing Development Authority

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Independent Auditor's Report

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Michigan State Housing Development Authority (the "Authority"), a component unit of the State of Michigan, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the Authority as of June 30, 2023 and 2022 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

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

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 25, 2023

Michigan State Housing Development Authority

Management's Discussion and Analysis (Unaudited)

The Michigan State Housing Development Authority (the "Authority") provides financial and technical assistance through public and private partnerships to create and preserve decent, affordable housing for low- and moderate-income Michigan residents. The Authority was created under the terms of Act 346, Public Acts of Michigan of 1966, as amended. The Authority is authorized to issue its bonds and notes to the investing public in order to create a flow of private capital through the Authority into mortgage loans to qualified housing sponsors and to certain qualified individuals.

The Authority offers a variety of programs to provide affordable housing opportunities, such as single-family lending, low-interest property improvement lending, multifamily lending, mortgage credit certificates, and pass-through obligations.

The enclosed financial statements present the Authority's net position, revenue, expenses, changes in net position, and cash flows. The following is a condensed summary of financial information as of and for the years ended June 30, 2023, 2022, and 2021:

Condensed Financial Information

(in thousands of dollars)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Cash and cash equivalents	\$ 783,077	\$ 506,645	\$ 676,256
Investments	637,010	908,434	778,501
Loans receivable - Net	4,397,839	3,747,263	3,588,127
Other assets	147,760	143,976	129,466
Capital assets	<u>18,331</u>	<u>18,856</u>	<u>19,381</u>
Total assets	5,984,017	5,325,174	5,191,731
Accumulated (Increase) Decrease in Fair Value of Hedging Derivative Instruments	(15,033)	(439)	46,074
Deferred Outflows of Resources	<u>38,907</u>	<u>37,303</u>	<u>51,271</u>
Total assets, hedging derivative instruments, and deferred outflows	<u>\$ 6,007,891</u>	<u>\$ 5,362,038</u>	<u>\$ 5,289,076</u>
Liabilities			
Bonds payable	\$ 4,367,317	\$ 3,754,341	\$ 3,574,794
Line of Credit	-	-	30,000
Hedging derivative instruments	(15,033)	(439)	46,074
Other liabilities	<u>718,557</u>	<u>742,981</u>	<u>807,223</u>
Total liabilities	5,070,841	4,496,884	4,458,091
Deferred Inflows of Resources	57,722	61,524	47,514
Net Position			
Net investment in capital assets	18,331	18,856	19,381
Restricted for bond repayment	547,526	543,237	527,154
Unrestricted	<u>313,472</u>	<u>241,538</u>	<u>236,936</u>
Total net position	<u>879,329</u>	<u>803,631</u>	<u>783,471</u>
Total liabilities, deferred inflows, and net position	<u>\$ 6,007,891</u>	<u>\$ 5,362,038</u>	<u>\$ 5,289,076</u>

Michigan State Housing Development Authority

Management's Discussion and Analysis (Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenue			
Net investment income	\$ 69,239	\$ 35,894	\$ 68,637
Federal and state assistance programs revenue	1,080,413	1,346,736	760,498
Housing and community development fund	50,000	-	-
Section 8 program administrative fees	29,144	20,161	17,980
Contract administration fees	13,773	12,380	11,246
Other income	<u>43,137</u>	<u>41,844</u>	<u>16,864</u>
Total revenue	1,285,706	1,457,015	875,225
Operating Expenses			
Federal and state assistance programs expenses	1,077,695	1,349,516	760,582
Housing and community development fund	-	-	-
Salaries and benefits	46,448	26,565	20,946
Other general operating expenses	43,499	32,868	28,032
Other expenses	<u>33,693</u>	<u>21,147</u>	<u>20,032</u>
Total expenses	1,201,335	1,430,096	829,592
Nonoperating Expenses - Grants and subsidies	<u>8,673</u>	<u>6,759</u>	<u>9,653</u>
Change in Net Position	<u>\$ 75,698</u>	<u>\$ 20,160</u>	<u>\$ 35,980</u>

Financial Analysis

Total assets, hedging derivative instruments, and deferred outflows increased from \$5.36 billion at June 30, 2022 to \$6.0 billion at June 30, 2023. This was an increase of approximately \$645.9 million, or 12.0 percent. Total assets, hedging derivative instruments, and deferred outflows increased from \$5.29 billion at June 30, 2021 to \$5.36 billion at June 30, 2022. This was an increase of approximately \$73.0 million, or 1.4 percent.

Net loans receivable increased from \$3.75 billion at June 30, 2022 to \$4.40 billion at June 30, 2023. Loans receivable increased due to an increase in the closing of both multifamily and single-family mortgages (net increases of \$202.4 million and \$469.6 million, respectively).

Net loans receivable increased from \$3.59 billion at June 30, 2021 to \$3.75 billion at June 30, 2022. Loans receivable increased due to an increase in the closing of both multifamily and single-family mortgages (net increases of \$48.6 million and \$122.9 million, respectively).

Bonds payable increased from \$3.8 billion at June 30, 2022 to \$4.4 billion at June 30, 2023, a net increase of approximately \$613.0 million. The increase in bonds outstanding for the year ended June 30, 2023 was due primarily to the issuance of \$1.0 billion in debt to fund the lending activities of the Authority, partially offset by early redemptions and maturities. Bonds payable were \$3.6 billion at June 30, 2021 and \$3.8 billion at June 30, 2022, a net increase of approximately \$179.5 million. The increase in bonds outstanding for the year ended June 30, 2022 was due primarily to the issuance of \$837.3 million in debt to fund the lending activities of the Authority, partially offset by early redemptions and maturities.

The Authority has entered into a revolving line of credit ("RLOC") for the purpose of funding single-family mortgages and down payment assistance loans prior to the issuance of long-term debt financing. The RLOC balances grow and are paid down based on the timing of long-term debt issuances. At June 30, 2023 and 2022, the Authority had a zero balance.

Michigan State Housing Development Authority

Management's Discussion and Analysis (Unaudited)

Escrow funds, which are recorded in other liabilities, decreased by \$14.0 million from June 30, 2022 to \$451.2 million at June 30, 2023 due to an unrealized loss on investments. Escrow funds decreased by \$66.6 million from June 30, 2021 to \$465.2 million at June 30, 2022 due to an unrealized loss in investments.

The Authority's net position totaled \$879.3 million at June 30, 2023, equal to 14.7 percent of total assets and 17.3 percent of total liabilities. A significant portion of net position is restricted. At June 30, 2023, \$547.5 million of net position was pledged for payment against the various bond indentures. In addition, \$262.3 million is designated by board resolution to the Mortgage Resource Fund, with an additional \$50.0 million of Housing and Community Development Funds which are unexpended.

The Authority's net position totaled \$803.6 million at June 30, 2022, equal to 15.1 percent of total assets and 17.9 percent of total liabilities. A significant portion of net position is restricted. At June 30, 2022, \$543.2 million of net position was pledged for payment against the various bond indentures. In addition, \$258.4 million is designated by board resolution to the Mortgage Resource Fund.

Operating Results

Operations for the year ended June 30, 2023 resulted in excess revenue over expenses of \$75.7 million, compared to prior year results of excess revenues over expenses of \$20.2 million. Operations for the year ended June 30, 2022 resulted in excess revenue over expenses of \$20.2 million, compared to prior year results of excess revenues over expenses of \$36.0 million. Under Governmental Accounting Standard Board ("GASB") Statement No. 31, the Authority is required to present investments at fair market value and reflect this adjustment in the statement of revenue, expenses, and change in net position. This presentation decreased revenues over expenses by approximately \$12.7 million for the year ended June 30, 2023. Results for the year ended June 30, 2022 were negatively impacted by a decrease of approximately \$33.2 million. Currently, GASB Statement No. 31 has had a cumulative negative effect of \$35.8 million on the Authority's net position; however, the Authority generally intends to hold these securities to maturity.

Net investment income increased from \$35.9 million in 2022 to \$69.2 million in 2023, an increase of \$33.3 million. This increase was due to the increase in both loan interest income and investment interest income, increases of \$17.8 million and \$20.3 million respectively. These increases were partially offset by an unrealized loss of \$12.7 million due to the market-to-market of the investment portfolio. Net investment income decreased from \$68.6 million in 2021 to \$35.9 million in 2022, a decrease of \$32.7 million.

Total revenue decreased from \$1.46 billion for the year ended June 30, 2022 to \$1.29 billion for the year ended June 30, 2023, a net decrease of \$171.3 million. Total revenue decrease is primarily due to federal and state assistance program revenue. Total revenue increased from \$875.2 million for the year ended June 30, 2021 to \$1.46 billion for the year ended June 30, 2022, a net increase of \$581.8 million. Total revenue increase is primarily due to federal and state assistance program revenue.

Total operating expenses decreased from \$1.43 billion for the year ended June 30, 2022 to \$1.20 billion for the year ended June 30, 2023, a net decrease of \$228.8 million. Total operating

Michigan State Housing Development Authority

Management's Discussion and Analysis (Unaudited)

expenses decreased due primarily to a decrease in the federal and state assistance program expenses. Total operating expenses increased from \$829.6 million for the year ended June 30, 2021 to \$1.43 billion for the year ended June 30, 2022, a net increase of \$600.5 million. Total operating expenses increased due primarily to an increase in the federal and state assistance program expenses.

Economic Outlook

The United States and the State of Michigan declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. Our workforce and business operations continue at normal capacity, with most from remote locations. To minimize the impact of COVID-19 on the Authority and residents of the state of Michigan, Federal, State and Authority grants are being administered to provide support to homeowners and renters. The pandemic has not had a material financial impact on the Authority's financial position or results of operations to this point.

Requests for Further Information

This financial report is intended to provide a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, please contact Authority's Finance Division at 517-335-9970. This report and other financial information are available on the Authority's website at www.michigan.gov/mshda/.

Michigan State Housing Development Authority

Statement of Net Position (in thousands of dollars)

June 30, 2023 and 2022

	June 30	
	2023	2022
Assets, Hedging Derivative Instruments, and Deferred Outflows		
Cash and Cash Equivalents (Note 3)	\$ 783,077	\$ 506,645
Investments (Note 3)	637,010	908,434
Loans Receivable (Note 4)		
Multifamily mortgage loans	1,861,297	1,658,911
Single-family mortgage loans	2,593,409	2,123,834
Home improvement and moderate rehabilitation loans	1,411	1,698
Total	4,456,117	3,784,443
Accrued loan interest receivable	75,870	77,702
Allowance on loans receivable (Note 4)	(134,148)	(114,882)
Net loans receivable	4,397,839	3,747,263
Other Assets		
Real estate owned - Net	4,769	4,673
Other miscellaneous receivables and other assets	142,991	139,303
Total other assets	147,760	143,976
Capital Assets - Net (Note 11)	18,331	18,856
Total assets	5,984,017	5,325,174
Accumulated Increase in Fair Value of Hedging Derivative Instruments (Note 15)	(15,033)	(439)
Deferred Outflows of Resources		
Deferred outflows related to pensions (Note 9)	3,801	3,370
Deferred outflows related to OPEB (Note 10)	19,476	10,774
Deferred charges on refunding - Reassigned swaps (Note 15)	15,630	23,159
Total deferred outflows of resources	38,907	37,303
Total assets, hedging derivative instruments, and deferred outflows	\$ 6,007,891	\$ 5,362,038
Liabilities, Deferred Inflows, and Net Position		
Liabilities		
Bonds payable (Notes 5 and 6)	\$ 4,367,317	\$ 3,754,341
Line of Credit (Notes 16)	-	-
Hedging derivative instruments (Note 15)	(15,033)	(439)
Accrued interest payable	24,131	16,331
Escrow funds	451,180	465,195
Unamortized mortgage interest income (Note 7)	11,852	10,971
Net pension liability (Note 9)	43,816	23,853
Net OPEB liability (Note 10)	32,897	30,059
Other liabilities	154,680	196,573
Total liabilities	5,070,840	4,496,883
Deferred Inflows of Resources		
Deferred inflows related to pensions (Note 9)	404	10,575
Deferred inflows related to OPEB (Note 10)	26,777	27,576
Loan origination fees	30,541	23,373
Total deferred inflows of resources	57,722	61,524
Net Position		
Net investment in capital assets	18,331	18,856
Restricted for bond repayment (Note 12)	547,526	543,237
Unrestricted	313,472	241,538
Total net position	879,329	803,631
Total liabilities, deferred inflows, and net position	6,007,891	\$ 5,362,038

See notes to financial statements.

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position (in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	2023	2022
Operating Revenue		
Investment income:		
Loan interest income	\$ 187,210	\$ 169,381
Investment interest income	31,309	11,017
Decrease in fair value of investments - Including change in unrealized loss of \$12,709 in 2023 and unrealized loss of \$33,164 in 2022	<u>(13,983)</u>	<u>(33,164)</u>
Total investment income	204,536	147,234
Less interest expense and debt financing costs	<u>135,297</u>	<u>111,340</u>
Net investment income	69,239	35,894
Other revenue:		
Federal and state assistance programs	1,080,413	1,346,736
Housing and community development fund	50,000	-
Section 8 program administrative fees	29,144	20,161
Contract administration fees	13,773	12,380
Other income	<u>43,137</u>	<u>41,844</u>
Total other revenue	<u>1,216,467</u>	<u>1,421,121</u>
Total operating revenue	1,285,706	1,457,015
Operating Expenses		
Federal and state assistance programs	1,077,695	1,349,516
Housing and community development fund	-	-
Salaries and benefits	46,448	26,565
Other general operating expenses	43,499	32,868
Loan servicing and insurance costs	12,394	13,397
Provision for possible losses on loans	<u>21,299</u>	<u>7,750</u>
Total operating expenses	<u>1,201,335</u>	<u>1,430,096</u>
Operating Income - Before nonoperating expenses	84,371	26,919
Nonoperating Expenses - Grants and subsidies	<u>(8,673)</u>	<u>(6,759)</u>
Change in Net Position	75,698	20,160
Net Position - Beginning of year	<u>803,631</u>	<u>783,471</u>
Net Position - End of year	<u>879,329</u>	<u>\$ 803,631</u>

See notes to financial statements.

Michigan State Housing Development Authority

Statement of Cash Flows (in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	2023	2022
Cash Flows from Operating Activities		
Loan receipts	\$ 445,322	\$ 689,339
Other receipts including federal funds	1,371,413	1,566,925
Loan disbursements	(935,348)	(691,096)
Payments to vendors	(93,814)	(40,847)
Payments to employees	(43,620)	(22,946)
Other disbursements including federal funds	<u>(1,236,614)</u>	<u>(1,511,811)</u>
Net cash used in operating activities	(492,661)	(10,436)
Cash Flows from Investing Activities		
Purchase of investments	(220,317)	(555,500)
Proceeds from sale and maturities of investments	462,885	330,029
Interest received on investments	<u>28,234</u>	<u>5,336</u>
Net cash provided by (used in) investing activities	270,802	(220,135)
Cash Flows from Noncapital Financing Activities		
Proceeds from issuance of bonds - Less discounts	1,001,925	837,280
Principal repayments on bonds	(382,200)	(643,950)
Draws on line of credit and short term credit facility	325,000	130,000
Repayment on line of credit and short term credit facility	(325,000)	(160,000)
Interest paid	<u>(121,434)</u>	<u>(102,370)</u>
Net cash provided by noncapital financing activities	<u>498,291</u>	<u>60,960</u>
Net Increase (Decrease) in Cash and Cash Equivalents	276,432	(169,611)
Cash and Cash Equivalents - Beginning of year	<u>506,645</u>	<u>676,256</u>
Cash and Cash Equivalents - End of year	<u>\$ 783,077</u>	<u>\$ 506,645</u>

Michigan State Housing Development Authority

Statement of Cash Flows (Continued) (in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 84,371	\$ 26,919
Adjustments to reconcile operating income to net cash from operating activities:		
Change in deferred items	7,929	5,061
Arbitrage rebate expense	215	(755)
Investment interest income	(29,718)	(9,296)
Decrease in unrealized gain on market value of investments	12,709	33,164
Interest expense on bonds and debt financing expense	121,543	95,013
Provision for possible losses on loans	21,299	7,750
Depreciation and amortization expense	3,058	5,314
Realized loss on sale of investments	(1,274)	-
Grants and subsidies	(8,672)	(6,759)
Changes in assets and liabilities:		
Accrued loan interest receivable	1,843	2,692
Loans receivable	(671,674)	(171,042)
Other assets	(8,350)	(20,917)
Escrow funds	4,889	(249)
Other liabilities	(30,829)	22,670
Net cash used in operating activities	<u>\$ (492,661)</u>	<u>\$ (10,436)</u>

Noncash Financing and Investing Activities - During the years ended June 30, 2023 and 2022, the Authority foreclosed on various properties with mortgage values of approximately \$13.3 million and \$4.2 million, respectively.

Michigan State Housing Development Authority

**Statement of Net Position – Michigan Homeowner
Assistance Nonprofit Housing Corporation
(Discretely Presented Component Unit)
(in thousands of dollars)**

June 30, 2023 and 2022

	June 30	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and Cash Equivalents (Note 3)	\$ -	\$ 1,411
Other Assets - Prepaid and other	<u>2</u>	<u>2</u>
Total assets	<u>\$ 2</u>	<u>\$ 1,413</u>
Liabilities and Net Position		
Liabilities - Accounts payable	\$ -	\$ 144
Net Position - Unrestricted	<u>2</u>	<u>1,269</u>
Total liabilities and net position	<u>\$ 2</u>	<u>\$ 1,413</u>

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position
Michigan Homeowner Assistance Nonprofit Housing Corporation
(Discretely Presented Component Unit)
(in thousands of dollars)

	Years Ended June 30, 2023 and 2022	
	<u>Year Ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Operating Revenue - Other income	\$ -	\$ 1,257
Operating Expenses		
Program recoveries	-	(463)
Contracted services	-	265
Other operating expenses	<u>1,267</u>	<u>271</u>
Total operating expenses	<u>1,267</u>	<u>73</u>
Change in Net Position	(1,267)	1,184
Net Position - Beginning of year	<u>1,269</u>	<u>85</u>
Net Position - End of year	<u><u>\$ 2</u></u>	<u><u>\$ 1,269</u></u>

Michigan State Housing Development Authority

Statement of Cash Flows – Michigan Homeowner Assistance Nonprofit Housing Corporation (Discretely Presented Component Unit) (in thousands of dollars)

Years Ended June 30, 2023 and 2022

	Year Ended June 30	
	2023	2022
Cash Flows from Operating Activities		
Lien recoveries to grantees	\$ -	\$ 463
Payments to suppliers	-	(8,509)
Payments to contractors	-	(305)
Other (payments) receipts	<u>(1,411)</u>	<u>1,257</u>
Net Decrease in Cash and Cash Equivalents	(1,411)	(7,094)
Cash and Cash Equivalents - Beginning of year	<u>1,411</u>	<u>8,505</u>
Cash and Cash Equivalents - End of year	<u><u>\$ -</u></u>	<u><u>\$ 1,411</u></u>
Reconciliation of Change in Net Position to Net Cash from Operating Activities		
Change in net position	\$ (1,267)	\$ 1,184
Adjustments to reconcile change in net position to net cash from operating activities - Changes in assets and liabilities:		
Accounts payable	(144)	(136)
Unearned revenue	<u>-</u>	<u>(8,142)</u>
Net cash and cash equivalents used in operating activities	<u><u>\$ (1,411)</u></u>	<u><u>\$ (7,094)</u></u>

June 30, 2023 and 2022

Note 1 - Authorizing Legislation and Reporting Entity

Michigan State Housing Development Authority (MSHDA or the "Authority") was created by the Michigan Legislature under the provisions of the State Housing Development Authority Act of 1966, as amended (the "Act"). The Authority, as a special purpose entity, is a component unit of the State of Michigan and is reported as an enterprise fund in the State's Annual Comprehensive Financial Report. The Act empowers the Authority, among other things, to issue notes and bonds to finance housing for sale or rental to families with low and moderate income and to finance home improvements. The enabling legislation, along with the various bond and note resolutions adopted by the Authority, contains specific provisions pertaining to (a) the use of the proceeds from the sale of the notes and bonds, (b) the application of the revenue from mortgages, and (c) the creation of certain funds along with the accounting policies for such funds. Effective April 2, 2020, the Authority is authorized by statute to have notes and bonds outstanding up to a total of \$5.0 billion.

Component Unit

Michigan Homeowner Assistance Nonprofit Housing Corporation

The Authority formed a nonprofit entity to operate the federal Hardest Hit Program. The entity, Michigan Homeowner Assistance Nonprofit Housing Corporation (the "Nonprofit"), was created on April 7, 2010 pursuant to the provisions of Act 162, Public Acts of 1982, and was formed as a 501(c)(3) of the Internal Revenue Code. The entity provides loans and grants; facilitates community development and revitalization in the state; and provides counseling, financial literacy education, and other services to prevent, reduce, and mitigate foreclosures and stabilize home values and does not provide services to the Authority. The Authority is responsible for appointing, removing, and replacing the five members that make up the board of directors and can do so at will for any cause or without cause. The Nonprofit is considered a discretely presented component unit of Michigan State Housing Development Authority. See Note 2 regarding the Hardest Hit Program closeout. The activity during the fiscal year ended June 30, 2023 was limited for the Nonprofit. The Nonprofit may be used to manage other grant programs in the future, but there are no immediate plans to obtain new grant funding.

The discretely presented component unit is reported in separate financial statements following the Authority's financial statements to emphasize that it is legally separate from the Authority. The Nonprofit's separately issued financial statements as of June 30, 2022 can be obtained by contacting the Authority's management. The Nonprofit did not issue separate financial statements as of June 30, 2023.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Authority's financial activities.

Basis of Accounting

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Report Presentation

This report includes the fund-based statements of the Authority. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities. The Authority presents all funds in a single-column presentation.

June 30, 2023 and 2022

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The Authority also considers the U.S. government money market funds to be cash and cash equivalents.

Investments

The Authority reports investments at fair value. The net change in the fair value of investments includes both realized and unrealized gains and losses.

Single-family Mortgage Loans Receivable

Single-family mortgage loans receivable consist of the remaining principal due from each first mortgage and down payment assistance loan outstanding. Under the Authority's single-family program, participating lending institutions originate mortgages within underwriting parameters developed and provided by the Authority. Unless a mortgage loan meets the qualifying loan-to-value ratio, it must have private primary mortgage insurance or be insured by Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA) or the United States Department of Agriculture. To date, the Authority has contracted with a subservicer to service the single-family mortgage portfolio.

Multifamily Mortgage Loans Receivable

Multifamily mortgage loans receivable consist of the remaining principal due from mortgagors of each completed development and construction advances for each development under construction under the multifamily program. Housing developments securing multifamily loans are subject to Regulatory Agreements under which the Authority has certain powers relating to rents, cash distributions, occupancy, management, and operations. Moneys representing escrow funds for reserves for the payment of property taxes, insurance, property repairs and replacements, and income in excess of allowable cash distributions are required to be deposited with the Authority. Investment income earned on the deposited funds is credited to the respective mortgagor's escrow accounts. Prepayment fees are charged if the mortgagor pays off their loan early. Prepayment fees are included in other income when incurred.

Allowance on Loans Receivable

It is the Authority's policy to provide for future losses on mortgage loans based on an evaluation of the loan portfolio, current economic conditions, and such other factors that, in the Authority's judgment, require consideration in estimating future mortgage loan losses. The allowance is maintained at a level considered by management to be adequate to provide for probable mortgage loan losses inherent in the portfolio.

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$100,000 (except for land and land improvements at any cost and office furniture and intangible assets of more than \$5,000) and an estimated useful life in excess of one year. Such assets are recorded at fair value, historical cost, or estimated historical cost if purchased or constructed.

Real Estate Owned

The Authority acquires real estate through foreclosure proceedings and holds that property until it can be sold at a fair price. These properties are valued at the lower of cost or fair market value and recorded net of estimated uncollectible amounts.

June 30, 2023 and 2022

Note 2 - Significant Accounting Policies (Continued)

Bonds Payable

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Line of Credit

The Authority may enter into a revolving line of credit for the purpose of funding single-family mortgages prior to the issuance of long-term debt financing. This revolving line of credit would then be paid down after closing long-term financing through bonds.

Compensated Absences

The Authority's employees accrue vacation and sick leave in varying amounts for each biweekly period worked. Employees may accumulate, subject to certain limitations, vacation and sick leave and, upon retirement, termination, or death, may be compensated for certain accumulated amounts at their then-current rates of pay. The Authority records an expense for all accumulated vacation and sick leave that the Authority would be required to pay if all employees terminated their employment. The compensated absences included in other liabilities at June 30, 2023 and 2022 totaled \$3,019,000 and \$2,760,000, respectively.

Arbitrage Rebate

Federal income tax rules limit the investment and loan yields that the Authority may retain for its own use from investing the proceeds from certain of its tax-exempt bond issues. The excess yields are payable to the U.S. Treasury and are recorded in other liabilities.

Loan Origination Fees

The Authority charges the mortgagor of each multifamily development a loan origination fee equal to 2 percent of the mortgage loan. These fees are amortized over the term of the loan receivable using the interest method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has four items that qualify for reporting in this category: the deferred outflows of resources related to the pension, deferred outflows of resources related to the other postemployment benefit costs, deferred charges on refunding - reassigned swaps, and the accumulated (increase) decrease in the fair value of hedging derivative instruments.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has three items that qualify for reporting in this category: the deferred inflows of resources related to the pension, deferred inflows of resources related to the other postemployment benefit costs, and loan origination fees.

June 30, 2023 and 2022

Note 2 - Significant Accounting Policies (Continued)

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of amounts pledged for payment against the various bond indentures. All of the net position of the component unit is restricted for eligible federal program expenditures prior to the program closeout. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted. When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, the Authority's policy generally is to first apply restricted resources.

Federal and State Assistance Programs

The Authority administers various federal and state programs and initiatives in its efforts to create decent affordable housing for low- to moderate-income families.

- Section 8 Program - The Authority receives federal financial assistance through various housing and rental programs to provide rental subsidies and tenant vouchers.
- Hardest Hit Program - A component unit of the Authority, Michigan Homeowner Assistance Nonprofit Housing Corporation, administers funds under this program to prevent, reduce, and mitigate foreclosures and stabilize home values. Effective October 29, 2021, the Hardest Hit Program remitted the final payment of \$8,163,000 to the United States Department of the Treasury, officially closing out the program. The intention of the Michigan Homeowner Assistance Nonprofit Housing Corporation is to remain as a dormant organization until Michigan Homeowner Assistance Nonprofit Housing Corporation concludes to manage other grant programs in the future. There are no immediate plans to obtain new grant funding.
- Eviction Diversion Program - The Authority receives federal financial assistance through funding from the Coronavirus Relief Fund (CRF) to assist with rental payments that are behind due to the COVID-19 pandemic. There was minimal activity within this program during the fiscal year ended June 30, 2023.
- COVID-19 Emergency Rental Assistance (CERA) - The Authority receives federal financial assistance through the Consolidated Appropriations Act passed in December 2020 to assist with paying rental and utility expenses during the COVID-19 pandemic. Federal payments received before eligible program expenses are incurred are deferred in other liabilities. Payments made by the Authority to subrecipients in excess of required amounts are recorded as advances within other miscellaneous receivables.
- Housing and Community Development Fund - The Authority receives both federal and State of Michigan funding to provide grants and loans for a variety of housing-related projects. These include but are not limited to property acquisition costs, rehabilitation costs, new construction costs, community development, and housing preservation costs.
- Michigan Homeowner Assistance Fund (MIHAF) - The Authority received federal funds under the American Rescue Plan Act of 2021 to mitigate hardships associated with the COVID-19 pandemic. Funds used under the MIHAF program can be used to prevent mortgage delinquencies, defaults, foreclosures, or the loss of utilities.

June 30, 2023 and 2022

Note 2 - Significant Accounting Policies (Continued)

Pensions and Postemployment Benefits Other Than Pensions (OPEB)

For the purpose of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the State Employees' Retirement System (SERS) or the postemployment life insurance benefits plan (the "Plan") have been determined on the same basis as they are reported by SERS or the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenue and Expenses

The Authority was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Authority into mortgage loans to qualified housing sponsors and to certain qualified individuals. The Authority's primary operation is to borrow funds in the bond market and use those funds to make single-family and multifamily loans. Its primary operating revenue is derived from loan interest income and the investment income from proceeds of bond funds. The primary cost of the program is interest expense on bonds outstanding. Net investment income is an important measure of performance under the Authority's primary operation. Investment income, interest expense, and net investment income are shown as operating revenue in the statement of revenue, expenses, and changes in net position.

Nonoperating Expenses

The nonoperating expenses are made up of nonfederal, nonrepayable grants and subsidies that the Authority awards on a discretionary basis. The awards are based on the amount of available authority funds and are not related to the operating activities of the Authority.

Use of Estimates

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

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) in hedging derivative instruments and leases. The removal of LIBOR as an appropriate benchmark interest rate for a hedging derivative instrument is effective for the Authority's financial statements once LIBOR goes away. As of July 1, 2023, the Authority adopted GASB Statement No. 93.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2025.

Note 3 - Deposits and Investments

Cash, cash equivalents, and investments held by the Authority were as follows (in thousands of dollars):

	2023			Component Unit Cash and Cash Equivalents
	MSHDA		Total	
	Cash and Cash Equivalents	Investments		
Deposits	\$ 77,697	\$ -	\$ 77,697	\$ -
Investments	705,380	637,010	1,342,390	-
Total	\$ 783,077	\$ 637,010	\$ 1,420,087	\$ -

	2022			Component Unit Cash and Cash Equivalents
	MSHDA		Total	
	Cash and Cash Equivalents	Investments		
Deposits	\$ 67,907	\$ -	\$ 67,907	\$ 1,411
Investments	438,738	908,434	1,347,172	-
Total	\$ 506,645	\$ 908,434	\$ 1,415,079	\$ 1,411

The Authority has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with state statutes has authorized investment of funds held in reserve or sinking funds, or moneys not required for immediate use or disbursement in obligations of the State of Michigan or the United States government, in obligations of which the principal and interest are guaranteed by the State of Michigan or the United States government and in other obligations as may be approved by the state treasurer, bank accounts, and CDs. The Authority's deposits and investment policies are in accordance with state statutes, and any exceptions have had special approval from the state treasurer.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

At June 30, 2023, the Authority had approximately \$81,320,000 of bank deposits (checking and savings accounts), and, of that balance, approximately \$347,000 was uninsured and uncollateralized. In addition, the Authority had \$705,380,000 of government money market funds. The component unit does not have a deposit policy for custodial credit risk. At June 30, 2023, the component unit had no bank deposits.

At June 30, 2022, the Authority had approximately \$96,119,000 of bank deposits (checking and savings accounts), and, of that balance, approximately \$2,370,000 was uninsured and uncollateralized. In addition, the Authority had \$275,686,000 of government money market funds. The component unit does not have a deposit policy for custodial credit risk. At June 30, 2022, the component unit had approximately \$1,411,000 of bank deposits (checking accounts), and, of that balance, approximately \$1,161,000 was uninsured and uncollateralized.

The Authority believes that, due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. At June 30, 2023 and 2022, \$79,972,000 and \$92,499,000, respectively, of deposits were collateralized with securities held by the Federal Reserve Bank or held in safekeeping for the Authority at a financial institution's trust department but not in the Authority's name.

Michigan State Housing Development Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Authority's name:

Investment Type	Fair Value (in thousands of dollars)		
	2023	2022	How Held
MSHDA:			
U.S. government securities	\$ 55,795	\$ 444,333	Counterparty's trust dept.
Mortgage-backed securities	355,014	387,626	Counterparty's trust dept.
U.S. government agency securities	220,178	201,239	Counterparty's trust dept.
U.S. government money market funds	705,380	275,696	Counterparty's trust dept.
Certificate deposits	-	33,879	Counterparty's trust dept.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows (in thousands of dollars):

Type of Investment	Fair Value	2023			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
MSHDA:					
U.S. government securities	\$ 55,795	\$ 12,289	\$ 40,396	\$ 1,494	\$ 1,616
Mortgage-backed securities	355,014	3	1,464	4,874	348,673
U.S. government agency securities	220,178	-	47,992	33,399	138,787
U.S. government money market funds	705,380	705,380	-	-	-
Type of Investment	Fair Value	2022			
		Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
MSHDA:					
U.S. government securities	\$ 444,333	\$ 388,221	\$ 31,629	\$ 22,756	\$ 1,727
Mortgage-backed securities	387,626	9	1,660	223	385,734
U.S. government agency securities	201,239	-	111,500	17,377	72,362
U.S. government money market funds	275,686	275,686	-	-	-
Certificate deposits	33,879	33,879	-	-	-

Michigan State Housing Development Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 - Deposits and Investments (Continued)

Credit Risk

The Authority has no investment policy that would limit its investment choices except as noted in the state statute. As of year end, the credit quality ratings of debt securities are as follows (in thousands of dollars):

Investment	2023			2022		
	Fair Value	Rating	Rating Organization	Fair Value	Rating	Rating Organization
MSHDA:						
U.S. government securities	\$ 55,795	AA+	S&P	\$ 444,333	AA+	S&P
Mortgage-backed securities	355,014	AA+	S&P	387,626	AA+	S&P
U.S. government agency securities	220,178	AA+	S&P	201,239	AA+	S&P
U.S. government money market funds	705,380	Not rated		275,686	Not rated	
Certificate deposits	-			33,879	Not rated	

Concentration of Credit Risk

The Authority has 24 percent and 22 percent of its investment portfolio invested in the securities of government-sponsored enterprises as of June 30, 2023 and 2022, respectively. These include securities issued by the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Corporation. Excluding U.S. government securities, no other issuer represents over 5 percent of the Authority's investment portfolio.

Escrow Funds

Included in investments are funds held in trust for mortgagors with a carrying value of approximately \$505,986,000 and \$485,344,000 at June 30, 2023 and 2022, respectively.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Authority has the following recurring fair value measurements as of June 30, 2023 and 2022:

Type of Investment	Investments Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Level 1	Level 2	Level 3	Fair Value
U.S. government securities	\$ 55,795	\$ -	\$ -	\$ 55,795
Mortgage-backed securities	-	355,014	-	355,014
U.S. government agency securities	-	220,178	-	220,178
U.S. government money market funds	-	705,380	-	705,380

Note 3 - Deposits and Investments (Continued)

Type of Investment	Investments Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Level 1	Level 2	Level 3	Fair Value
U.S. government securities	\$ 444,333	\$ -	\$ -	\$ 444,333
Mortgage-backed securities	-	387,626	-	387,626
U.S. government agency securities	-	201,239	-	201,239
U.S. government money market funds	-	275,686	-	275,686
Certificate deposits	33,879	-	-	33,879

U.S. government securities and certificate deposits classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of mortgage-backed securities, U.S. government agency securities, and U.S. government money market funds is determined primarily based on Level 2 inputs. The Authority estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The Authority also has interest rate swaps reported as liabilities on the statement of net position based on Level 2 inputs. The methodology used to determine the fair values of these swaps, as well as the fair values of investments, is shown in Note 15.

Note 4 - Loans Receivable

All loans receivable are collateralized by first liens on the real property developed or purchased with the proceeds of the loans, except for certain home improvement and moderate rehabilitation loans. Substantially all single-family loans are insured by the Federal Housing Administration or private mortgage insurance companies or are guaranteed by the Veterans Administration or the United States Department of Agriculture. Substantially all multifamily loans are uninsured.

A summary of loans receivable is as follows (in thousands of dollars):

	2023	2022
FHA insured or VA or U.S. Department of Agriculture guaranteed	\$ 1,446,410	\$ 1,270,399
Insured by private mortgage insurance companies	942,148	687,743
Uninsured	2,067,559	1,826,301
Total loans receivable	<u>\$ 4,456,117</u>	<u>\$ 3,784,443</u>

A summary of the allowance for possible loan losses is as follows:

	2023	2022
Beginning balance	\$ 114,882	\$ 105,657
Provision for possible losses	21,299	7,750
Write-offs of uncollectible losses - Net of recoveries	(2,033)	1,475
Ending balance	<u>\$ 134,148</u>	<u>\$ 114,882</u>

Michigan State Housing Development Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 5 - Bonds Payable

The Authority issues revenue bonds to fund loans to finance multifamily housing developments and single-family housing units for persons of low and moderate income within the state of Michigan. Such bonds constitute a direct obligation of the Authority and are not a debt of the State of Michigan. Each bond issue is secured by the pledge of all repayments to the Authority of loans issued with the proceeds of the bond issue and all income earned by the Authority relating to those bonds. The bonds are full faith and credit general obligations of the Authority. Interest on fixed-rate bonds is payable semiannually, while interest on variable-rate debt can be payable semiannually, quarterly, or monthly. All bonds are subject to a variety of redemption provisions set forth in the official statements for each of the issues. One such redemption provision is that each of the bond resolutions contains cross-default provisions that permit the acceleration of the maturity of all such bonds, as well as certain other remedies, in the event of a default by the Authority in the payment of principal or interest on any bond of the Authority.

Changes in bonds are as follows (in thousands of dollars) as of June 30, 2023 and 2022:

	2023				
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Revenue bonds:					
Single-family mortgage	\$ 2,060,115	\$ 653,940	\$ (254,355)	\$ 2,459,700	\$ 68,305
Rental housing	1,643,983	347,985	(133,810)	1,858,158	27,501
Total revenue bonds	<u>\$ 3,704,098</u>	<u>\$ 1,001,925</u>	<u>\$ (388,165)</u>	<u>\$ 4,317,858</u>	<u>\$ 95,806</u>
	2022				
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Revenue bonds:					
Single-family mortgage	\$ 1,928,755	\$ 622,235	\$ (490,875)	\$ 2,060,115	\$ 55,235
Rental housing	1,590,977	215,045	(162,039)	1,643,983	58,350
Total revenue bonds	<u>\$ 3,519,732</u>	<u>\$ 837,280</u>	<u>\$ (652,914)</u>	<u>\$ 3,704,098</u>	<u>\$ 113,585</u>

Michigan State Housing Development Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 5 - Bonds Payable (Continued)

Bonds payable at June 30, 2023 and 2022 are as follows (in thousands of dollars):

	2023	2022
Single-family Mortgage Revenue Bonds:		
2006 Series C, 2035, variable rate (Note 6)	\$ 45,065	\$ 47,815
2007 Series B, 2038, variable rate (Note 6)	50,720	56,860
2007 Series D, E, and F, 2038, variable rate (Note 6)	62,310	70,195
2009 Series D, 2030, variable rate (Note 6)	17,380	20,590
2015 Series A, 2023 to 2046, 2.75% to 4.00%	5,935	11,530
2016 Series A, 2023 to 2046, 2.40% to 4.00%	24,900	31,970
2016 Series B and C, 2023 to 2047, 2.00% to 3.50%	130,160	155,700
2017 Series B, 2023 to 2048, 2.10% to 3.50%	21,590	33,750
2018 Series A, 2023 to 2048, 2.50% to 4.00%	36,290	47,480
2018 Series B, 2044, variable rate #	-	50,000
2018 Series C, 2023 to 2049, 2.75% to 4.25%	83,075	103,810
2018 Series D, 2042, variable rate #	50,000	50,000
2019 Series A, 2023 to 2049, 2.05% to 4.25%	106,900	125,155
2019 Series B and C, 2023 to 2050, 1.55% to 3.75%	202,870	226,575
2020 Series A and B, 2023 to 2050, 0.85% to 3.739%	172,620	192,065
2020 Series C and D, 2023 to 2051, 0.50% to 3.565%	201,935	218,460
2021 Series A and B, 2023 to 2052, 0.35% to 3.00%	272,170	284,520
2022 Series A, 2023 to 2053, 1.95% to 5.00%	188,640	197,120
2022 Series B and C, 2046 to 2052, variable rate (Note 6)	136,520	136,520
2022 Series D, 2023 to 2053, 3.30% to 5.50%	240,600	-
2022 Series E-1 and E-2, 2044 to 2045, variable rate	95,155	-
2023 Series A, 2023 to 2053, 2.85% to 5.50%	314,865	-
Total Single-family Mortgage Revenue Bonds	2,459,700	2,060,115
Rental Housing Revenue Bonds:		
2000 Series A, 2035, variable rate (Note 6)	18,415	19,165
2002 Series A, 2037, variable rate (Note 6)	35,160	38,160
2003 Series A, 2023, variable rate #	-	1,475
2008 Series A, C, and D, 2037 to 2039, variable rate (Note 6)	43,200	57,350
2014 Series A, 2023 to 2050, 3.30% to 4.875%	45,675	47,650
2015 Series A and B, 2023 to 2052, 2.85% to 4.60%	84,215	86,660
2016 Series A and B, 2023 to 2052, 1.85% to 3.625%	69,430	87,005
2016 Series C, D, and E, 2040 to 2042, variable rate # (Note 6)	87,845	90,545
2017 Series A, 2023 to 2053, 1.90% to 4.00%	56,250	57,690
2018 Series A and B, 2023 to 2053, 2.45% to 4.15%	165,055	171,790
2018 Series C, 2040, variable rate (Note 6)	94,530	103,680
2019 Series A-1 and A-2, 2023 to 2060, 1.00% to 3.60%	167,416	201,879
2020 Series A-1, A-2 and B, 2023 to 2063, 0.50% to 3.00%	116,612	146,274
2021 Series A and B, 2023 to 2059, 0.35% to 3.108%	311,325	319,615
2022 Series A, 2024 to 2059, 2.65% to 4.45%	135,045	135,045
2022 Series B, 2062, variable rate (Note 6)	80,000	80,000
2023 Series A and B, 2025 to 2058, 3.25% to 5.357%	347,985	-
Total Rental Housing Revenue Bonds	1,858,158	1,643,983
Total revenue bonds	\$ 4,317,858	\$ 3,704,098

These bonds include a private-placement portion.

Michigan State Housing Development Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 5 - Bonds Payable (Continued)

	2023	2022
Total revenue bonds	\$ 4,317,858	\$ 3,704,098
Off-market borrowings (Note 15)	15,630	23,159
Deferred charges - Bond discounts and premiums net of amortization	33,829	27,084
Total	<u>\$ 4,367,317</u>	<u>\$ 3,754,341</u>

The annual requirements to service debt outstanding, including both principal and interest (in thousands of dollars), are as follows. Interest on variable-rate bonds is based on the effective rate as of June 30, 2023.

Years Ending June 30	Principal - All Other Debt	Principal - Private Placement	Interest - All Other Debt	Interest - Private Placement	Total
2024	\$ 95,056	\$ 750	\$ 145,380	\$ 1,850	\$ 243,036
2025	151,601	790	142,451	2,605	297,447
2026	147,919	825	139,845	2,579	291,168
2027	220,480	870	135,823	2,553	359,726
2028	82,420	4,995	128,326	2,524	218,265
2029-2033	485,568	6,310	598,358	12,147	1,102,383
2034-2038	654,087	8,000	510,471	11,208	1,183,766
2039-2043	626,805	50,000	400,891	10,020	1,087,716
2044-2048	724,141	-	288,565	925	1,013,631
2049-2053	725,972	-	133,390	-	859,362
2054-2058	218,785	-	37,919	-	256,704
2059-2063	112,484	-	5,653	-	118,137
Total	<u>\$ 4,245,318</u>	<u>\$ 72,540</u>	<u>\$ 2,667,072</u>	<u>\$ 46,411</u>	<u>\$ 7,031,341</u>

Early Retirement of Debt

Under provisions of the Authority's bond issues, the Authority is able to retire bonds, without the payment of call premiums, prior to their maturity dates from the proceeds of loan prepayments and foreclosures and, for certain bonds, from excess program revenue and bond refundings. Bonds retired pursuant to such provisions totaled \$274,050,000 and \$556,630,000 during the years ended June 30, 2023 and 2022, respectively. Such bond retirements, in the aggregate, resulted in a net gain of \$9,686,000 and \$5,478,000 for the years ended June 30, 2023 and 2022, respectively.

June 30, 2023 and 2022

Note 6 - Demand Bonds

The following table summarizes the demand bonds outstanding at June 30, 2023, which are included in the bonds payable disclosed in Note 5:

Debt Associated	Bonds Outstanding (in Thousands)	Remarketing Agent	Standby Bond Purchase Agreement Provider	Remarketing Fee (1)	Liquidity Fee	Note	Expiration Date of Agreement
Single-family							
Mortgage Revenue Bonds:							
2006 Series C	\$ 45,065	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.18%	(3)	04/25/28
2007 Series B	50,720	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.20%	(3)	06/21/27
2007 Series E	36,765	RBC Capital Markets, LLC	Royal Bank of Canada	0.07%	0.32%	(7)	10/25/24
2007 Series F	25,545	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.20%	(3)	06/21/27
2009 Series D	17,380	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.20%	(3)	06/21/27
2022 Series B	81,280	Barclays Capital Inc.	Barclays Bank PLC	0.08%	0.23%	(5)	06/22/26
2022 Series C	55,240	Barclays Capital Inc.	Barclays Bank PLC	0.08%	0.23%	(5)	06/22/26
Rental Housing							
Revenue Bonds:							
2000 Series A	18,415	Barclays Bank PLC	FHLBI	0.08%	0.20%	(2)	05/02/28
2002 Series A	35,160	BofA Securities, Inc.	FHLBI	0.06%	0.20%	(2)	05/02/28
2008 Series A	24,420	Barclays Bank PLC	FHLBI	0.08%	0.20%	(2)	05/02/28
2008 Series D	18,780	PNC Bank, National Association	PNC Bank, National Association	0.07%	0.24%	(6)	07/24/26
2016 Series C	49,635	TD Securities (USA) LLC	TD Bank, N.A.	0.07%	0.18%	(3)	04/21/28
2016 Series D	15,670	BofA Securities, Inc.	FHLBI	0.06%	0.20%	(2)	05/02/28
2016 Series E	22,540	UBS Financial Services Inc.	UBS AG	0.05%	0.17%	(8)	09/30/24
2018 Series C	94,530	BofA Securities, Inc.	FHLBI	0.06%	0.20%	(2)	05/02/28
2022 Series B	80,000	BofA Securities, Inc.	Bank of America, N.A.	0.06%	0.23%	(4)	05/25/28

(1) Fee is per annum based on the outstanding principal amount of the bonds.

(2) While the Federal Home Loan Bank of Indianapolis (FHLBI) is holding the bonds, they will bear interest at the Base Rate. The Base Rate is average SOFR plus 2.00 percent. Once the FHLBI becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay the FHLBI a liquidity fee per annum on outstanding bonds plus 34 days of interest at 14 percent based on a 365-day year. Standard & Poor's rating on the FHLBI is AA+/A-1+ at June 30, 2023.

(3) While TD Bank, N.A. is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 365 days, then the Base Rate plus 1.00 percent for day 366 and after. The Base Rate is equal to the higher of 7 percent, Federal Funds Rate plus 2.00 percent, or the prime rate plus 1.50 percent. Once TD Bank becomes the bond holder, the bonds are subject to mandatory redemption over six equal semiannual payments. The Authority shall pay Bank of America a liquidity fee per annum on outstanding bonds plus 185 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on TD Bank, N.A. is AA-/A-1+ at June 30, 2023.

(4) While Bank of America, N.A. is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days, then the Base Rate plus 1.00 percent for day 91 and after. The Base Rate is equal to the higher of 7 percent, Federal Funds Rate plus 2.00 percent, or the prime rate plus 1.00 percent. Once Bank of America becomes the bond holder, the bonds are subject to mandatory redemption over six equal semiannual payments. The Authority shall pay Bank of America a liquidity fee per annum on outstanding bonds plus 217 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on Bank of America, N.A. is A+/A-1 at June 30, 2023.

June 30, 2023 and 2022

Note 6 - Demand Bonds (Continued)

(5) While Barclays Bank PLC (Barclays) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days; the Base Rate plus 1.00 percent for day 91 through 180; and the Base Rate plus 2.00 percent after day 181. The Base Rate is the higher of 8 percent, Federal Funds Rate plus 2.50 percent, the prime rate plus 2.50 percent, or 150 percent of the yield on actively traded 30-year U.S. Treasury Bonds. Once Barclays becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay Barclays a liquidity fee per annum on outstanding bonds plus 214 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on Barclays Bank PLC is A+/A-1 at June 30, 2023.

(6) While PNC Bank, National Association (PNC) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate plus 1.00 percent for the first 90 days, and the Base Rate plus 2.00 percent thereafter. The Base Rate is the higher of 7.5 percent, Federal Funds Rate plus 3.00 percent, or the prime rate plus 1.00 percent. Once PNC becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay PNC a liquidity fee per annum on outstanding bonds plus 34 days of interest at 14 percent based on a 365-day year. Standard & Poor's rating on PNC is A/A-1 at June 30, 2023.

(7) While Royal Bank of Canada (RBC) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days; the Base Rate plus 1.00 percent for day 91 through 180; and the Base Rate plus 2.00 percent after day 181. The Base Rate is the higher of 8 percent, Federal Funds Rate plus 2.50 percent, or the prime rate plus 2.50 percent. Once RBC becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay RBC a liquidity fee per annum on outstanding bonds plus 185 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on Royal Bank of Canada is AA-/A-1+ at June 30, 2023.

(8) While UBS AG (UBS) is holding the bonds, they will bear interest at the Bank Rate, which is the Base Rate for the first 90 days; the Base Rate plus 1.00 percent for day 91 through 180; and the Base Rate plus 2.00 percent after day 181. The Base Rate is the higher of 8 percent, Federal Funds Rate plus 2.50 percent, or the prime rate plus 2.50 percent. Once UBS becomes the bond holder, the bonds become subject to mandatory redemption over six equal semiannual payments. The Authority shall pay UBS a liquidity fee per annum on outstanding bonds plus 185 days of interest at 12 percent based on a 365-day year. Standard & Poor's rating on UBS AG is A-/A-2 at June 30, 2023.

Note 7 - Unamortized Mortgage Interest Income

Since 1990, the Authority has refunded a substantial amount of high-yielding multifamily bond issues with lower-yielding bonds. In conjunction with the sale of certain refunding bonds, the Authority has sold additional bonds to provide funds for new multifamily mortgage loans, generally with interest rates below the interest rates on the bonds. The Authority is deferring the interest income on mortgage loans funded by the new bonds to the extent that the total exceeds the total interest income that would have been earned if the average interest rate on such loans was equal to the average interest rate paid on the new bonds plus approximately 1.5 percent. This interest income is and will continue to be amortized to income in the future as the average rate on the outstanding mortgage loans drops to a rate that is less than 1.5 percent above the average rate on the new bonds. The average rate will decline primarily because the higher-yielding mortgage loans have average remaining lives substantially shorter than the lower-yielding mortgage loans.

June 30, 2023 and 2022

Note 8 - Limited Obligation Bonds

The Act, as amended, authorizes the Authority to issue limited obligation bonds to finance multifamily housing. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector entities on the underlying mortgage. In addition, no commitments beyond the collateral, the payments from the private-sector entities, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Michigan State Housing Development Authority for any of those bonds. Such bonds are not general obligations of the Authority, and the Authority has no liability for this debt. Such bonds are secured solely by revenue and property derived from or obtained in connection with the housing projects. Thus, with the exception of limited obligation bond financing fees, transactions related to these bonds are not reflected in the Authority's financial statements. At June 30, 2023, limited obligation bonds outstanding were approximately \$191,243,000. At June 30, 2022, limited obligation bonds outstanding were approximately \$133,318,000.

Note 9 - Pension Plans

Plan Description

The Michigan State Employees' Retirement System (the "System") is a single-employer, statewide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13, signed by the governor on October 27, 2015, established the State of Michigan Retirement Board. The board consists of nine members - five appointed by the governor (which consist of two members of the State Employees' Retirement System, at least one of whom is a retirant; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions; and one member of the general public), the attorney general, the state treasurer, the legislative auditor general, and the state personnel director.

The Michigan State Employees' Retirement System is accounted for in a separate pension trust and issues a publicly available financial report that includes financial statements and required supplementary information. That report is available on the web at <http://www.michigan.gov/ors> or by calling the Office of Retirement Services (ORS) at (517) 322-5103 or (800) 381-5111.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan are established by state statute, which may be amended. Public Act 240 of 1943, State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides duty disability, nonduty disability, and survivor benefits.

A member who has separated from employment may request a refund of his or her member contribution account. A refund may cancel a former member's rights to future benefits. However, former members who return to employment and who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Effective March 31, 1997, Public Act 487 of 1996 (the "Public Act") closed the plan to new entrants. All new employees become members of the defined contribution (DC) plan. The Public Act allows returning employees and members who left state employment on or before March 31, 1997 to elect the defined benefit plan instead of the defined contribution plan.

Note 9 - Pension Plans (Continued)

Pension Reform of 2012

On December 15, 2011, the governor signed Public Act 264 of 2011 into law. The legislation granted members a choice regarding their future retirement plan. They had the following options:

Option 1: DB Classified. Members voluntarily elected to remain in the DB plan for future service and contribute 4 percent of their annual compensation to the pension fund until they terminate state employment. The 4 percent contribution began on April 1, 2012.

Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4 percent of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's DC plan. The 4 percent contribution began on April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first.

Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4 percent and, therefore, became participants in the DC plan for future service beginning on April 1, 2012. As a DC plan participant, they receive a 4 percent employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3 percent of pay to the plan.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012 become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014 become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years), they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count toward vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become participants in the Personal Healthcare Fund where they will contribute up to 2 percent of their compensation to a 401(k) or 457 account, earning a matching 2 percent employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

Regular Retirement

The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5 percent of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under PA 264 of 2011, the FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012 but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012 and January 1, 2015, then a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015 or later, then an annual average of overtime - for the six-year period ending on the FAC calculation date - will be added to that initial FAC calculation to get the final FAC number.

Note 9 - Pension Plans (Continued)

For members who switch to the DC plan for future service, the pension calculation FAC times 1.5 percent times years of service will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, then the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation. A member may retire and receive a monthly benefit after attaining the following:

- (1) Age 60 with 10 or more years of credited service
- (2) Age 55 with 30 or more years of credited service
- (3) Age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced 0.5 percent for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

Employees in covered positions are eligible for supplemental benefits and may retire after attaining the following:

- (1) Age 51 with 25 or more years in a covered position
- (2) Age 56 with 10 or more years in a covered position

In either case, the 3 years immediately preceding retirement must have been in a covered position.

Deferred Retirement

Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after 5 years of service for state employees occupying unclassified positions in the executive and legislative branches and certain Department of Community Health employees subject to reduction in force layoffs by reason of deinstitutionalization.

Nonduty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a state employee is eligible for a nonduty disability pension. The nonduty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.

Duty Disability Benefit

A member who becomes totally and permanently disabled from performing duties as a state employee as a direct result of state employment and who has not met the age and service requirement for a regular pension is eligible for a duty disability pension. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of \$6,000 payable annually. At age 60, the benefit is recomputed under service retirement.

Survivor Benefit

Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of duty death benefits and redefined eligibility for deceased members' survivors. The new minimum duty-related death benefit has been increased to \$6,000.

Note 9 - Pension Plans (Continued)

Pension Payment Options

When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100 percent, 75 percent, or 50 percent of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows:

Regular Pension

The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

100 Percent Survivor Pension

Under this option, after the retiree's death, the beneficiary will receive 100 percent of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension pops up to the regular pension amount; another beneficiary cannot be named.

75 Percent Survivor Pension

Under this option, after the retiree's death, the beneficiary will receive 75 percent of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100 percent option previously described. If the beneficiary predeceases the retiree, the pension pops up to the regular pension amount; another beneficiary cannot be named.

50 Percent Survivor Pension

Under this option, after the retiree's death, the beneficiary will receive 50 percent of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100 percent or 75 percent options previously described. If the beneficiary predeceases the retiree, the pension pops up to the regular pension amount; another beneficiary cannot be named.

Equated Pension

An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with the regular, 100 percent, 75 percent, or 50 percent options. At age 65, the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of Social Security benefits at age 65, provided by the Social Security Administration Office. In order to calculate this benefit, members choosing this option must provide ORS with an estimate from the Social Security Administration Office. The actual amount received from Social Security may vary from the estimate.

Postretirement Adjustments

One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning on October 1, 1988, a 3 percent noncompounding increase, up to a maximum of \$25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8 percent annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative increases received after the implementation of the annual 3 percent increase in benefits. These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987 are not eligible for the supplemental payment.

Note 9 - Pension Plans (Continued)

Member Contributions

Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4 percent of compensation to the retirement system. In addition, members may voluntarily contribute to the System for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

Employer Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles, so the contribution rates do not have to increase over time.

For fiscal year 2023, the Authority's contribution rate ranged from 23.1 to 24.0 percent of the defined benefit employee wages and 18.5 to 19.1 percent of the defined contribution wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2023 was \$5,002,000.

For fiscal year 2022, the Authority's contribution rate was 23.9 to 24.0 percent of the defined benefit employee wages and 18.9 to 19.1 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2022 was \$4,359,000.

Net Pension Liability

At June 30, 2023, the Authority reported a liability of \$43,816,396 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used updated procedures to roll forward the estimated liability to September 30, 2022. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement periods from October 1, 2021 through September 30, 2022, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2022, the Authority's proportion was 0.678 percent.

At June 30, 2022, the Authority reported a liability of \$23,853,140 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used updated procedures to roll forward the estimated liability to September 30, 2021. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement periods from October 1, 2020 through September 30, 2021, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2021, the Authority's proportion was 0.587 percent.

Note 9 - Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense of \$14,392,441 and recovery of \$812,555, respectively. At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 404,058	\$ -	\$ 10,575,281
Authority's contributions subsequent to the measurement date	3,800,729	-	3,370,063	-
Total	<u>\$ 3,800,729</u>	<u>\$ 404,058</u>	<u>\$ 3,370,063</u>	<u>\$ 10,575,281</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2024	\$ (553,684)
2025	(864,894)
2026	(1,127,071)
2027	2,141,591

Note 9 - Pension Plans (Continued)

Actuarial Assumptions

The Authority's net pension liability for the year ended June 30, 2023 was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 and rolled forward using generally accepted actuarial procedures. The Authority's net pension liability for the year ended June 30, 2022 was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 and rolled forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions at the measurement dates:

	September 30, 2022	September 30, 2021
Valuation date	September 30, 2021	September 30, 2020
Wage inflation rate	2.75 percent	2.75 percent
Projected salary increases	2.75 through 11.75 percent	2.75 through 11.75 percent
Investment rate of return	6.0 percent	6.7 percent
Cost of living pension adjustment	3 percent annual noncompounded with maximum annual increase of \$300 for those eligible	3 percent annual noncompounded with maximum annual increase of \$300 for those eligible
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006
Notes	The actuarial assumptions were based upon the results of an experience study for the periods from 2012 through 2017.	The actuarial assumptions were based upon the results of an experience study for the periods from 2012 through 2017.

Discount Rate

A discount rate of 6.0 and 6.7 percent was used to measure the total pension liability as of September 30, 2022 and 2021, respectively. This discount rate was based on the long-term expected rate of return on pension plan investments of 6.0 and 6.7 percent as of September 30, 2022 and 2021, respectively. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 9 - Pension Plans (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 and 2021 are summarized in the following table:

Asset Class	2022		2021	
	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.00 %	5.10 %	25.00 %	5.40 %
Private equity pools	16.00	8.70	16.00	9.10
International equity pools	15.00	6.70	15.00	7.50
Fixed-income pools	13.00	(0.20)	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.30	10.00	5.40
Absolute return pools	9.00	2.70	9.00	2.60
Real return and opportunistic	10.00	5.80	12.50	6.10
Short-term investment pools	2.00	(0.50)	2.00	(1.30)
Total	100.00 %		100.00 %	

*Long-term rates of return are net of administrative expense and inflation of 2.2 and 2.0 percent as of September 30, 2022 and 2021, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2023		
	1 Percentage Point Decrease (5.0 Percent)	Current Discount Rate (6.0 Percent)	1 Percentage Point Increase (7.0 Percent)
Authority's proportionate share of the net pension liability	\$ 57,229,939	\$ 43,816,396	\$ 32,413,460

	2022		
	1 Percentage Point Decrease (5.7 Percent)	Current Discount Rate (6.7 Percent)	1 Percentage Point Increase (7.7 Percent)
Authority's proportionate share of the net pension liability	\$ 34,498,187	\$ 23,853,140	\$ 14,785,892

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the SERS Annual Comprehensive Financial Report that may be obtained by visiting www.michigan.gov/ors.

June 30, 2023 and 2022

Note 9 - Pension Plans (Continued)

Defined Contribution Plan

The Authority participates in the State of Michigan's defined contribution plan system. The Authority is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent. The contribution requirements of plan members and the Authority are established and may be amended by the state Legislature. The state Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for the plan. The Authority's contributions to the plan were \$1,495,606 and \$1,263,952 for the years ended June 30, 2023 and 2022, respectively, and are recorded in salaries and benefits expense.

Note 10 - Other Postemployment Benefit Plans

Defined Benefit OPEB Plan - Health Care

Plan Description

The Michigan State Employees' Retirement System is a single-employer, statewide, defined benefit public employee retirement plan governed by the State of Michigan and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13, signed by the governor on October 27, 2016, established the State of Michigan Retirement Board. The board consists of nine members - five appointed by the governor (which consist of two members of the State Employees' Retirement System, at least one of whom is a retirant; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions; and one member of the general public), the attorney general, the state treasurer, the legislative auditor general, and the state personnel director. The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

The Michigan State Employees' Retirement System is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That reports may be obtained by visiting www.michigan.gov/ors or by calling the Office of Retirement Services at (517) 322-5103 or (800) 381-5111.

Benefits Provided

Benefit provisions of the other postemployment benefit plan are established by state statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental, and vision coverage after terminating employment if they meet eligibility requirements. Retirees with the premium subsidy benefit contribute 20 percent of the monthly premium amount for the health (including prescription coverage), dental, and vision coverage. Retirees with a graded premium subsidy benefit accrue credit toward insurance premiums in retirement, earning a 30 percent subsidy with 10 years of service, with an additional 3 percent subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80 percent. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans. Defined contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011 and those hired on or after January 1, 2012 are not eligible for any subsidized health, prescription drug, dental, or vision coverage in retirement but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the DB plan who are reemployed by the State on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become participants in the Personal Healthcare Fund. This plan is closed to new hires.

June 30, 2023 and 2022

Note 10 - Other Postemployment Benefit Plans (Continued)

Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level percent of payroll value funding principles, so the contribution rates do not have to increase over time.

For fiscal year 2023, the Authority's contribution rate was 14.1 to 17.3 percent of the defined benefit employee wages and 14.1 to 17.3 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2023 was \$3,843,000. Active employees are not required to contribute to SERS OPEB.

For fiscal year 2022, the Authority's contribution rate was 17.3 to 23.1 percent of the defined benefit employee wages and 17.3 to 23.1 percent of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ended June 30, 2022 was \$4,075,000. Active employees are not required to contribute to SERS OPEB.

Net OPEB Liability

At June 30, 2023, the Authority reported a liability of \$26,163,145 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required pension contributions received by SERS during the measurement period from October 1, 2021 through September 30, 2022, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2022, the Authority's proportion was 0.672 percent.

At June 30, 2022, the Authority reported a liability of \$22,105,170 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required pension contributions received by SERS during the measurement period from October 1, 2020 through September 30, 2021, relative to the total required employer contributions from all of SERS' participating employers. At September 30, 2021, the Authority's proportion was 0.579 percent.

Michigan State Housing Development Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 10 - Other Postemployment Benefit Plans (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2023 and 2022, the Authority recognized OPEB recovery of \$2,366,695 and \$2,995,988, respectively. At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 19,453,377	\$ -	\$ 17,427,807
Changes in assumptions	8,276,460	962,222	5,955,957	1,063,282
Net difference between projected and actual earnings on OPEB plan investments	635,680	-	-	3,030,815
Changes in proportionate share and differences between actual contributions and proportionate share of contributions	5,521,333	2,778,458	650,133	4,270,452
Authority's contributions subsequent to the measurement date	2,792,465	-	2,928,053	-
Total	<u>\$ 17,225,938</u>	<u>\$ 23,194,057</u>	<u>\$ 9,534,143</u>	<u>\$ 25,792,356</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2024	\$ (4,062,735)
2025	(3,731,288)
2026	(2,338,717)
2027	1,000,866
2028	371,290

Note 10 - Other Postemployment Benefit Plans (Continued)

Actuarial Assumptions

The Authority's net OPEB liability for the year ended June 30, 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021 and rolled forward using generally accepted actuarial procedures. The Authority's net OPEB liability for the year ended June 30, 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020 and rolled forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions at the measurement dates:

	September 30, 2022	September 30, 2021
Valuation date	September 30, 2021	September 30, 2020
Wage inflation rate	2.75 percent	2.75 percent
Projected salary increases	2.75 through 11.75 percent	2.75 through 11.75 percent
Investment rate of return	6.2 percent	6.9 percent
Health care cost trend rate	Pre-65: 7.50 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120 Post-65: 6.25 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120	Pre-65: 7.50 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120 Post-65: 6.25 percent in year 1 graded to 3.50 percent in year 15; 3.00 percent in year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006	RP-2014 Male and Female Employee Annuitant Mortality Table, adjusted for mortality improvements using the projection scale MP-2017 from 2006
Notes	The actuarial assumptions were based upon the results of an experience study for the period from 2012 through 2017.	The actuarial assumptions were based upon the results of an experience study for the period from 2012 through 2017.

Discount Rate

A single discount rate of 6.2 and 6.9 percent was used to measure the total OPEB liability as of September 30, 2022 and 2021, respectively. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.2 and 6.9 percent as of September 30, 2022 and 2021, respectively. The projection of cash flows used to determine this single discount rate assumed that, in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 10 - Other Postemployment Benefit Plans (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of September 30, 2022 and 2021 are summarized in the following table:

Asset Class	2022		2021	
	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity	25.00 %	5.10 %	25.00 %	5.60 %
Private equity pools	16.00	8.70	16.00	9.10
International equity	15.00	6.70	15.00	7.50
Fixed-income pools	13.00	(0.20)	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.30	10.00	5.40
Absolute return pools	9.00	2.70	9.00	2.60
Real return and opportunistic pools	10.00	5.80	12.50	6.10
Short-term investment pools	2.00	(0.50)	2.00	(1.30)
Total	100 %		100 %	

*Long-term rates of return are net of administrative expense and inflation of 2.2 and 2.0 percent as of September 30, 2022 and 2021, respectively.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability calculated using the discount rate, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2023		
	1 Percentage Point Decrease (5.2 Percent)	Current Discount Rate (6.2 Percent)	1 Percentage Point Increase (7.2 Percent)
Authority's proportionate share of the net OPEB liability	\$ 33,217,063	\$ 26,163,145	\$ 20,239,961

	2022		
	1 Percentage Point Decrease (5.9 Percent)	Current Discount Rate (6.9 Percent)	1 Percentage Point Increase (7.9 Percent)
Authority's proportionate share of the net OPEB liability	\$ 27,947,752	\$ 22,105,170	\$ 17,180,468

Note 10 - Other Postemployment Benefit Plans (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the Authority's proportionate share of the net OPEB liability of the Authority, calculated using the health care cost trend rate, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2023		
	1 Percentage Point Decrease (6.50 to 2.50 Percent)	Current Health Care Cost Trend Rate (7.50 to 3.50 Percent)	1 Percentage Point Increase (8.50 to 4.50 Percent)
Authority's proportionate share of the net OPEB liability	\$ 19,982,575	\$ 26,163,145	\$ 33,273,370

	2022		
	1 Percentage Point Decrease (6.50 to 2.50 Percent)	Current Health Care Cost Trend Rate (7.50 to 3.50 Percent)	1 Percentage Point Increase (8.50 to 4.50 Percent)
Authority's proportionate share of the net OPEB liability	\$ 16,909,172	\$ 22,105,170	\$ 28,089,181

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the SERS Annual Comprehensive Financial Report that may be obtained by visiting www.michigan.gov/ors.

Postemployment Life Insurance Benefits

Plan Description

The State of Michigan provides postemployment life insurance benefits to eligible individuals upon retirement from state employment. Members of the State Employees' Retirement System, the State Police Retirement System (SPRS), and the Judges Retirement System (JRS) and certain members of the Military Retirement Provisions (MMRP) may receive a life insurance benefit if they meet the benefit eligibility requirements. The Plan is a single-employer, statewide, defined benefit other postemployment benefit plan. The State contracts with Minnesota Life Insurance Company to administer the payout of life insurance benefits. The Plan is managed by the Michigan Civil Service Commission under Article XI, Section 5 of the Michigan Constitution of 1963 and Michigan Civil Service Commission Rule 5-11.

Activity of the Plan is accounted for in the State Sponsored Group Insurance Fund (the "Fund"), an internal service fund in the State of Michigan Annual Comprehensive Financial Report (SOMACFR). The Fund was administratively established to account for employee insurance benefit programs, which are largely self-funded. Five group insurance programs are offered to state employees: health, dental, vision, long-term disability, and life.

The Plan is not a trust and has no assets.

Note 10 - Other Postemployment Benefit Plans (Continued)

Benefits Provided

The State's group policy with Minnesota Life Insurance Company includes any active employee in the category of classified state service with an appointment of at least 720 hours duration but excludes employees with noncareer appointments and those working less than 40 percent of full time; any active official or active unclassified employee of the State who has been approved for coverage by the Michigan Civil Service Commission; any retired employee or official who was insured under this policy or the prior policies it replaced prior to entry into a State Retirement System; and Wayne County, Michigan employees who (a) were State Judicial Council employees on October 1, 1996 and whose employment was transferred to the Recorder's Court on October 1, 1996 and (b) whose employer subsequently became the Wayne County Clerk's Office.

Eligible retirees are provided with life insurance coverage equal to 25 percent of the active life insurance coverage (whose amount is rounded to the next higher \$100 provided the retiree retired after July 1, 1974), \$1,000 for spouse, and \$1,000 for each dependent under age 23.

The active life insurance amount is either (a) two times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$10,000 and a maximum of \$200,000 or (b) one times the employee's basic annual salary, the result rounded to the next higher \$1,000 if not already a multiple thereof, with a minimum of \$10,000 and a maximum of \$50,000.

Contributions

The State contributes 100 percent of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal years 2023 and 2022 was \$0.28 for each \$1,000 of coverage of active payroll per pay period. The employee contributes 100 percent of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid.

More specific information concerning eligibility requirements, benefit level, and funding policies is included in employee collective bargaining agreements, benefit plan booklets, and rules and regulations issued by the Michigan Civil Service Commission.

Actuarial Valuations and Assumptions

The Authority's total OPEB liability for the year ended June 30, 2023 was measured as of September 30, 2022 and is based on an actuarial valuation performed as of September 30, 2021. The Authority's total OPEB liability for the year ended June 30, 2022 was measured as of September 30, 2021 and is based on an actuarial valuation performed as of September 30, 2020 and rolled forward using generally accepted actuarial procedures.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

The normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry age actuarial cost method with these characteristics: (a) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement and (b) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Note 10 - Other Postemployment Benefit Plans (Continued)

The total OPEB liability was measured using the following actuarial assumptions:

Wage Inflation Rate

2.75 percent per year at September 30, 2022 and 2021

Investment Rate of Return (Discount Rate)

4.4 percent per year at September 30, 2022 and 2.19 percent per year at September 30, 2021

Mortality

Healthy Life and Disabled Life Mortality, with 110 percent of the rates used in the pension valuations for SERS plan members at September 30, 2022 and 2021

IBNR

A liability equal to 25 percent of expected first year cash flow was held for postemployment life insurance benefits claims incurred but not reported (IBNR).

Spouse Benefits for Future Retirees

The liabilities for active members were loaded to account for potential postemployment life insurance benefits payable to spouses of future retirees at 1.75 percent for SERS retirees at September 30, 2022 and 2021.

Spouse Benefits for Current Retirees

Liabilities for current retired members reported with a postemployment life benefit for a spouse were calculated based on the information provided in the data files at September 2022 and 2021.

Other

The face values of the plan policies currently in force were reported to the actuary beginning with the September 30, 2022 valuation. The actuary estimated the value of the postemployment life insurance benefit policies for retirees as follows:

Individuals retired after July 1974: 50 percent times compensation at retirement (compensation reported for the 2019 retirement system valuation):

Spousal benefits: \$1,000

Individuals retired on or before July 1974: \$3,000

Spousal benefits: \$1,000

Data for current retiree members of the Plan was not available for use in this valuation. All current retiree members of the retirement plans deemed eligible for postemployment life insurance benefits and reported in connection with the 2019 retirement valuation were included in these valuations of the Plan.

Discount Rate

A discount rate of 4.40 and 2.19 percent was used to measure the ending total OPEB liability for postemployment life insurance benefits as of September 30, 2022 and 2021, respectively. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the Plan has no assets.

Note 10 - Other Postemployment Benefit Plans (Continued)

Total OPEB Liability for Postemployment Life Insurance Benefits

As of June 30, 2023, the Authority reported a liability of \$6,734,128 for its proportionate share of the State's postemployment life insurance benefits total OPEB liability. The total OPEB liability was measured as of September 30, 2022 based on an actuarial valuation as of September 30, 2021 and rolled forward using generally accepted actuarial procedures. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period from October 1, 2021 through September 30, 2022 by the percentage of OPEB actual contributions received from all applicable employers. At September 30, 2022, the Authority's proportion was 0.679 percent.

As of June 30, 2022, the Authority reported a liability of \$7,954,322 for its proportionate share of the State's postemployment life insurance benefits total OPEB liability. The total OPEB liability was measured as of September 30, 2021 based on an actuarial valuation as of that date. The Authority's proportion of the total OPEB liability was determined by dividing the Authority's actual contributions to the Plan during the measurement period from October 1, 2020 through September 30, 2021 by the percentage of OPEB actual contributions received from all applicable employers. At September 30, 2021, the Authority's proportion was 0.584 percent.

Sensitivity of the Total OPEB Liability for Postemployment Life Insurance Benefits

The following presents the Authority's proportionate share of the total OPEB liability calculated using the discount rate, as well as what the proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2023		
	1 Percentage Point Decrease (3.40 Percent)	Current Discount Rate (4.40 Percent)	1 Percentage Point Increase (5.40 Percent)
Authority's proportionate share of the total OPEB liability	\$ 7,841,625	\$ 6,734,128	\$ 5,850,786
	2022		
	1 Percentage Point Decrease (1.19 Percent)	Current Discount Rate (2.19 Percent)	1 Percentage Point Increase (3.19 Percent)
Authority's proportionate share of the total OPEB liability	\$ 9,560,046	\$ 7,954,322	\$ 6,700,018

Michigan State Housing Development Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 10 - Other Postemployment Benefit Plans (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB for Postemployment Life Insurance Benefits

For the years ended June 30, 2023 and 2022, the Authority recognized OPEB recovery of \$134,989 and expense of \$56,996, respectively. At June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 724,170	\$ 1,123	\$ 996,125
Changes of assumptions	791,294	2,452,674	957,226	192,731
Changes in proportion and differences between actual contributions and proportion share of contributions	1,144,460	405,735	45,304	594,693
Authority's contributions subsequent to the measurement date	314,784	-	235,868	-
Total	<u>\$ 2,250,538</u>	<u>\$ 3,582,579</u>	<u>\$ 1,239,521</u>	<u>\$ 1,783,549</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending	Amount
2024	\$ (453,339)
2025	(346,607)
2026	(317,022)
2027	(294,859)
2028	(234,998)

Amounts reported for defined benefit postemployment benefits other than pensions and postemployment life insurance benefits are aggregated on the statement of net position as follows:

	2023		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions - Health care	\$ 26,163,145	\$ 17,225,938	\$ 23,194,057
Postemployment life insurance benefits	6,734,128	2,250,538	3,582,579
Total	<u>\$ 32,897,273</u>	<u>\$ 19,476,476</u>	<u>\$ 26,776,636</u>

June 30, 2023 and 2022

Note 10 - Other Postemployment Benefit Plans (Continued)

	2022		
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Postemployment benefits other than pensions - Health care	\$ 22,105,170	\$ 9,534,143	\$ 25,792,356
Postemployment life insurance benefits	7,954,322	1,239,521	1,783,549
Total	<u>\$ 30,059,492</u>	<u>\$ 10,773,664</u>	<u>\$ 27,575,905</u>

Defined Contribution OPEB Plan

Employees hired on or after January 1, 2012 will not be eligible for any retiree health insurance coverage but will become participants in the Personal Healthcare Fund wherein they will contribute up to 2 percent of their compensation into a 401(k) or 457 account, earning a matching 2 percent employer contribution. Also, employees will receive a credit into a health reimbursement at termination of employment if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years old and \$1,000 for participants who are less than 60 years old at termination.

Note 11 - Capital Assets

On May 30, 2018, the Authority purchased its office building for \$21,000,000. The building has an estimated useful asset life of 40 years. Accumulated depreciation was \$2,669,000 and \$2,144,000 for the years ended June 30, 2023 and 2022, respectively. Depreciation expense was \$525,000 for both the years ended June 30, 2023 and 2022.

Note 12 - Restricted Net Position

The components of restricted net position are as follows (in thousands of dollars):

	2023	2022
Pledged for payment of:		
All bond issues (capital reserve account)	\$ 98,921	\$ 100,574
Single-family Mortgage Revenue Bonds	161,493	157,370
Rental Housing Revenue Bonds	287,112	285,293
Total	<u>\$ 547,526</u>	<u>\$ 543,237</u>

Note 13 - Contingent Liabilities

The Authority is involved in various legal proceedings, claims, and disputes arising in the ordinary course of its financing activities with real estate developers and others. Management does not expect the amount of the ultimate liability, with respect to the disposition of these matters, will have any material adverse impact on the financial condition or results of operations of the Authority.

Note 14 - Commitments

As of June 30, 2023 and 2022, the Authority has commitments to issue multifamily mortgage loans in the amounts of \$631,474,000 and \$349,867,000, respectively, and single-family mortgage loans in the amounts of \$71,677,000 and \$87,807,000, respectively.

June 30, 2023 and 2022

Note 14 - Commitments (Continued)

The Authority has committed up to approximately \$1,055,000 per year for up to 30 years from the date of completion of the respective developments (subject to 3 years' advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under the Authority's multifamily program. Such developments receive funds either for the purpose of subsidizing rents so that some units can be afforded by families with incomes at 50 percent or less of median income or to subsidize operations in general. Subsidy disbursements totaled approximately \$21,000 and \$34,000 for the years ended June 30, 2023 and 2022, respectively.

In addition, the Authority makes available up to approximately \$1,000,000 per year for up to 30 years to subsidize rents in a similar fashion for 20 percent of the units in certain other developments financed or to be financed under its multifamily mortgage lending program. Under this program, the Authority is entitled to receive a portion of any excess cash flow generated by the developments, as well as a share of the profits from the sale of the developments, and is able to reduce the rent subsidies if the interest rates being charged by the Authority on the related mortgage loans are below certain preset levels. Subsidy repayment did not exceed subsidy disbursements for the year ended June 30, 2023. Subsidy repayment of \$1,649,000 exceeded subsidy disbursements for the year ended June 30, 2022.

Note 15 - Interest Rate Swaps

In connection with the issuance of various debt, the Authority has entered into interest rate swap contracts. To date, the interest rate swap contracts have all been the type where the Authority pays a fixed rate and receives a variable rate. No amount of compensation was paid or received at the time the contracts were executed. Interest rate swap agreements are important tools that the Authority utilizes to accomplish its goals. The Authority entered into the agreements in connection with the issuance of certain variable-rate debt, with the intent of creating a synthetic fixed-rate debt, at an interest rate that is lower than if fixed-rate debt were to have been issued directly. These contracts have reduced the Authority's cost of borrowing and reduced exposure to variable interest rate risk. This has allowed the Authority to finance developments, reduce single-family mortgage rates, and fund programs that otherwise would not have been feasible.

The Authority is issuing the June 30, 2023 and 2022 financial statements in accordance with Governmental Accounting Standards Board Statement No. 53. This standard is used to determine whether a derivative instrument will result in an effective hedge. Changes in the market value of effective hedges are recognized in the year to which they relate. Effective hedge changes do not affect investment income but are reported as deferrals in the statement of net position. Derivative instruments that are not deemed effective would be reported at fair market value and recognized as investments. Various swaps were amended during the year to replace LIBOR as the variable rate, as allowed by GASB 93, as amended.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

June 30, 2023 and 2022

Note 15 - Interest Rate Swaps (Continued)

The following table summarizes the interest rate swap contracts at June 30, 2023:

Associated Debt/Swap Agreement	Effective Date	Notional Amount as of June 30, 2023	Termination Date	Rate	Fixed Rate	Optional Termination Date without Payment (9)	Market (Payment) Receipt to Terminate Swap	GASB 53 Presentation in Statement of Net Position	Type of Risk Associated with Swap Contract (4)(5)(6)(8)
Rental Housing Revenue									
Bonds (effective hedges):									
2002 Series A (1)	07/03/02	\$ 36,345,000	04/01/37	70% of 1 M LIBOR	4.560%	N.A.	\$ (4,567,319)	\$ (4,567,319)	
2008 Series D (3)(10)	11/18/04	17,410,000	10/01/39	70% of SOFR+0.10%	3.500%	10/01/24	163,399	283,656	
2016 Series C (3)(10)	03/16/06	49,635,000	10/01/40	70% of SOFR+0.10%	3.460%	04/01/26	136,920	5,590,704	
2016 Series D (3)(10)	07/25/06	7,810,000	04/01/41	70% of SOFR+0.10%	3.975%	10/01/26	(157,586)	940,115	
2016 Series E (3)(10)	07/02/07	22,540,000	04/01/42	70% of SOFR+0.10%	3.323%	04/01/27	38,816	2,938,435	
2018 Series C (3)(10)	09/22/05	42,490,000	04/01/40	70% of SOFR+0.10%	3.516%	10/01/25	205,355	2,188,334	
2018 Series C (3)(10)	01/23/08	<u>45,025,000</u>	10/01/42	70% of SOFR+0.10%	3.543%	10/01/27	<u>(499,113)</u>	<u>2,317,657</u>	
Subtotal		221,255,000					(4,679,528)	9,691,582	
Single-family Mortgage Revenue Bonds (effective hedges):									
2006 Series C (2)	12/01/19	31,175,000	12/01/27	SIFMA	2.703%	12/01/24	789,491	789,491	(7)
2007 Series E (2)	12/01/19	35,235,000	12/01/27	SIFMA	2.726%	12/01/24	912,104	912,104	(7)
2007 Series F (2)	12/01/08	13,340,000	12/01/38	Floating Rate	4.340%	N.A.	(1,499,738)	(1,499,738)	
2009 Series D (2)	12/01/19	16,445,000	06/01/30	SIFMA	2.746%	12/01/24	418,406	418,406	(7)
2018 Series D (2)	12/01/18	50,000,000	12/01/38	70% of 1 M LIBOR+0.85%	3.696%	12/01/24	2,139,720	2,139,720	
2022 Series B (2)(10)	10/05/17	45,000,000	12/01/32	75% of SOFR+0.05%	2.220%	12/01/29	2,579,844	2,702,344	(7)
2022 Series E-2 (2)(10)	03/28/18	<u>50,000,000</u>	12/01/33	70% of SOFR+0.85%	3.120%	12/01/25	<u>2,148,867</u>	<u>(120,431)</u>	(7)
Subtotal		<u>241,195,000</u>					<u>7,488,694</u>	<u>5,341,896</u>	
Total interest rate swaps		<u>\$ 462,450,000</u>					<u>\$ 2,809,166</u>	<u>\$ 15,033,478</u>	

The cumulative increase in fair market value of hedging derivative instruments of \$15,033,478 is a deferred outflow of resources per GASB Statement No. 53.

(1) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Goldman Sachs Mitsui Marine Derivative Products, L.P. (GSMMDP). GSMMDP is currently rated AA- stable outlook by S&P and Aa2 by Moody's as of June 30, 2023.

(2) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Barclays Bank PLC. Barclays is currently rated A+ outlook by S&P and A1 stable by Moody's as of June 30, 2023.

(3) Counterparty risk is the risk that the swap counterparty will not fulfill its obligations set forth under the terms and conditions of the swap contract. The counterparty associated with these bonds is Bank of America, N.A., which has a rating of A+ by S&P and Aa1 by Moody's as of June 30, 2023.

(4) Termination risk is the risk that the swap could be terminated by the counterparty due to any of several events, which may include an authority or counterparty default by either party, and default events defined in the Authority's bond indentures. All contracts have this risk.

(5) Basis risk refers to a mismatch between the interest rate received from the swap contract and the interest actually paid on the Authority's debt. All contracts have this risk.

(6) Tax event risk is the risk that a change in the marginal income tax rates or a change in the tax code impacts the trading value of tax-exempt bonds. All contracts have this risk.

(7) Rollover risk is the risk that the swap contract is not coterminous with the related debt.

Note 15 - Interest Rate Swaps (Continued)

(8) Amortization risk is the risk that there is a mismatch or potential mismatch between the Authority's bonds and the notional amount of the swap outstanding. This mismatch could expose the Authority to variable interest rates if the swap amortizes quicker than the bonds or subject the Authority to a payment to the counterparty to terminate a portion of the swap contract early if the bonds are redeemed more quickly than anticipated. All contracts have this risk.

(9) The Authority has the option to terminate the contract in whole or in part without payment after the stated date.

(10) These interest rate swap agreements have either been reassigned from their original bond issue as part of an economic refunding or have been executed at terms that do not reflect current market terms. GASB Statement No. 53 has termed these off-market swaps to be in-substance hybrids. Essentially, the swaps have two components as follows:

a. On-market component - This is the component of the swap that requires a calculation on the effectiveness and to be valued at the market on an annual basis. In the case of the Authority, these swaps' on-market components have been determined to be effective based on the calculation and are included in interest rate swaps in the table.

b. Off-market component - This is the component of the swap that, at the time of the reassignment, is determined to be off-market and takes on the characteristics of a fixed contract. Therefore, at the time of reassignment, this component needs to be valued based on the rate differential, which compares the market rates to the original swap rates. This component is then considered a fixed contract and should be amortized over the life of the new debt and added to the deferred charges. See table below summarizing this component.

Michigan State Housing Development Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 15 - Interest Rate Swaps (Continued)

Further, total unamortized off-market borrowings as of June 30, 2023 are \$15,630,107, as noted in the table below:

	Off-market Borrowing Rate	On-market Borrowing Rate	Unamortized Off-market Borrowing Balance
Rental Housing Revenue Bonds:			
2008 Series D	0.404%	3.301%	\$ 297,414
2016 Series C	2.143%	1.371%	7,091,359
2016 Series D	2.609%	1.387%	1,455,622
2016 Series E	2.122%	1.256%	3,524,689
2018 Series C	1.085%	2.429%	2,860,539
2018 Series C	1.079%	2.485%	3,528,013
Single-family Mortgage Revenue Bonds:			
2022 Series B	0.133%	3.129%	(306,067)
2022 Series E-2	0.841%	4.192%	(2,821,462)
Total			<u>\$ 15,630,107</u>

A comparative summary of the changes resulting from GASB Statement No. 53 is as follows:

	Changes in Fair Value		Fair Value at June 30		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedges 2023:					
Pay-fixed interest rate swaps (receive-variable)	Deferred charge	\$ 14,594,927	Hedging derivative instruments	\$ 15,033,478	\$ 462,450,000
Off-market borrowings	Deferred charges on refunding	38,788,860	Off-market borrowings	(15,630,107)	-
Cash flow hedges 2022:					
Pay-fixed interest rate swaps (receive-variable)	Deferred charge	46,512,167	Hedging derivative instruments	438,551	512,905,000
Off-market borrowings	Deferred charges on refunding	12,307,338	Off-market borrowings	(23,158,753)	-

Note 16 - Line of Credit and Short-term Facility

The Authority issues debt to fund single-family loans. At times it may be advantageous for the Authority to originate these loans with its own liquidity or a revolving line of credit prior to the closing of the long-term bond financing. For this reason, the Authority may enter into revolving credit facilities. Typically, the facilities will be paid down to a zero outstanding balance when bonds are sold.

On March 16, 2021, the Authority entered into a revolving credit agreement with US Bank. The agreement allows the Authority to borrow up to \$100 million for the purpose of purchasing single-family mortgages and down payment assistance loans. On March 13, 2023, the revolving credit agreement with US Bank was extended to September 10, 2024.

The activity that occurred on the revolving line of credit as of June 30, 2023 and 2022 is as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
June 30, 2023	\$ -	\$ 200,000,000	\$ (200,000,000)	\$ -
June 30, 2022	30,000,000	130,000,000	(160,000,000)	-

Subsequent to year end, on July 11, 2023 and July 25, 2023, the Authority drew down \$40 million and \$60 million, respectively. On September 27, 2023, the Authority closed the Single-Family Mortgage Revenue Bonds, 2023 Series B and C, and proceeds from this issuance repaid the full \$100 million.

June 30, 2023 and 2022

Note 16 - Line of Credit and Short-term Facility (Continued)

On February 22, 2023, the Authority entered into a short-term loan agreement with Barclays Bank PLC. This was a \$150 million short-term borrowing that expires at the time of repayment. The Authority drew \$100,000,000 on February 22, 2023. On March 22, 2023, the agreement was reduced to \$125 million. The Authority drew \$25,000,000 on March 31, 2023. On April 26, 2023, the Authority made a repayment in the amount of \$125,000,000. The term loan agreement expired on May 31, 2023 and was not renewed.

Note 17 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The State of Michigan is self-insured and provides coverage to the Authority for these potential losses. Additional information on risk management can be found in the footnotes of the State of Michigan Annual Comprehensive Financial Report. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 18 - Subsequent Events

On September 27, 2023, the Authority issued the Single-family Mortgage Revenue Bonds Series B and C in the amount of \$392,925,000.

Also, see Note 16 related to subsequent drawdowns and repayments on the revolving line of credit.

Effective July 1, 2023, the Authority elected to utilize the International Swaps and Derivatives Association, Inc.'s (ISDA) 2020 LIBOR Fallbacks Protocol to convert the last three remaining swaps from LIBOR to equivalent index plus increment determined by ISDA. For 2002 RHRB Series A swap, the Authority will receive 70 percent of SOFR plus 8.014 basis points. For 2007 SFMRB Series F swap, the Authority will either receive SOFR plus 11.448 basis points if the sum is less than 3.5 percent, or if not, the Authority will receive 68 percent of SOFR plus 7.785 basis points. For 2018 SFMRB Series D swap, the Authority will receive 70 percent multiplied by SOFR plus 8.014 basis points plus 85 basis points.

Required Supplementary Information

Michigan State Housing Development Authority

Required Supplementary Information Schedule of the Authority's Proportionate Share of Net Pension Liability State Employees' Retirement System

	Last Nine Fiscal Years Years Ended June 30 (in Thousands of Dollars)								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.67800 %	0.58700 %	0.58100 %	0.63700 %	0.64800 %	0.66600 %	0.70000 %	0.70700 %	0.68500 %
Authority's proportionate share of the net pension liability	\$ 43,816	\$ 23,853	\$ 39,168	\$ 42,492	\$ 39,183	\$ 34,606	\$ 37,029	\$ 38,909	\$ 35,279
Authority's covered payroll	\$ 23,222	\$ 19,097	\$ 18,974	\$ 19,591	\$ 19,662	\$ 20,269	\$ 20,894	\$ 20,749	\$ 20,741
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	188.68 %	124.90 %	206.43 %	216.90 %	199.28 %	170.73 %	177.22 %	187.52 %	170.09 %
Plan fiduciary net position as a percentage of total pension liability	66.92 %	78.08 %	64.07 %	64.71 %	67.22 %	69.45 %	67.48 %	66.11 %	68.07 %

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

Michigan State Housing Development Authority

Required Supplementary Information Schedule of the Authority's Pension Contributions State Employees' Retirement System

**Last Nine Fiscal Years
Years Ended June 30
(in Thousands of Dollars)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 5,002	\$ 4,359	\$ 3,713	\$ 3,463	\$ 4,139	\$ 4,252	\$ 4,823	\$ 5,030	\$ 5,161
Contributions in relation to the statutorily required contribution	5,002	4,359	3,713	3,463	4,139	4,252	4,823	5,030	5,161
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 25,980	\$ 21,345	\$ 19,597	\$ 18,924	\$ 19,535	\$ 19,652	\$ 20,580	\$ 20,749	\$ 20,741
Contributions as a Percentage of Covered Payroll	19.25 %	20.42 %	18.95 %	18.30 %	21.19 %	21.64 %	23.44 %	24.24 %	24.88 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

Notes to Schedule of the Authority's Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of September 30 each year. The September 30, 2019 valuation determined the contribution rate for the State of Michigan's fiscal year ended September 30, 2022.

Methods and assumptions used to determine contribution rates for State of Michigan fiscal year ended September 30, 2022:

Actuarial cost method	Entry age, normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years, as of October 1, 2021, ending on September 30, 2036
Asset valuation method	5-year smoothed market
Inflation	2.25 percent
Salary increase	2.75 percent to 11.75 percent, including wage inflation at 2.75 percent
Investment rate of return	6.7 percent, net of investment and administrative expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Employee Mortality Tables, scaled by 100 percent for males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006

See note to required supplementary information.

Michigan State Housing Development Authority

Required Supplementary Information Schedule of the Authority's Proportionate Share of the Net OPEB Liability State Employees' Retirement System - Health Care

	Last Six Fiscal Years Years Ended June 30 (in Thousands of Dollars)					
	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.67200 %	0.57900 %	0.56900 %	0.63000 %	0.64300 %	0.66500 %
Authority's proportionate share of the net OPEB liability	\$ 26,163	\$ 22,105	\$ 33,218	\$ 49,588	\$ 51,038	\$ 54,803
Authority's covered payroll	\$ 23,222	\$ 19,097	\$ 18,974	\$ 19,591	\$ 19,662	\$ 20,269
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	112.66 %	115.75 %	175.07 %	253.12 %	259.58 %	270.38 %
Plan fiduciary net position as a percentage of total OPEB liability	56.64 %	57.12 %	38.29 %	27.88 %	24.41 %	20.00 %

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

Michigan State Housing Development Authority

Required Supplementary Information Schedule of the Authority's OPEB Contributions State Employees' Retirement System - Health Care

**Last Six Fiscal Years
Years Ended June 30
(in Thousands of Dollars)**

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 3,843	\$ 4,075	\$ 4,270	\$ 4,522	\$ 4,436	\$ 4,301
Contributions in relation to the actuarially determined contribution	3,843	4,075	4,270	4,522	4,436	4,301
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 25,980	\$ 21,345	\$ 19,597	\$ 18,924	\$ 19,535	\$ 19,652
Contributions as a Percentage of Covered Payroll	14.79 %	19.09 %	21.79 %	23.90 %	22.71 %	21.89 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of September 30 each year. The September 30, 2019 valuation determined the contribution rate for the State of Michigan's fiscal year ended September 30, 2022.

Methods and assumptions used to determine contribution rates for State of Michigan fiscal year ended September 30, 2022:

Actuarial cost method	Entry age, normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	15 years, as of October 1, 2021, closed ending on September 30, 2036
Asset valuation method	5-year smoothed
Inflation	2.25 percent
Health care cost trend rates	7.50 percent in year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120
Salary increase	2.75 percent to 11.75 percent, including wage inflation at 2.75 percent
Investment rate of return	6.90 percent, net of OPEB plan investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Employee Mortality Tables, scaled by 100 percent and adjusted for mortality improvements using projection scale MP-2017 from 2006

Michigan State Housing Development Authority

Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Total OPEB Liability
 Postemployment Life Insurance Benefit

	Last Six Fiscal Years Years Ended June 30 (in Thousands of Dollars)					
	2023	2022	2021	2020	2019	2018
Authority's proportion of the total OPEB liability	0.67900 %	0.58400 %	0.58000 %	0.62700 %	0.64600 %	0.65900 %
Authority's proportionate share of the total OPEB liability	\$ 6,734	\$ 7,954	\$ 8,156	\$ 7,674	\$ 8,066	\$ 8,426
Authority's covered-employee payroll	\$ 24,615	\$ 20,557	\$ 18,213	\$ 19,009	\$ 19,274	\$ 19,374
Authority's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	27.36 %	38.69 %	44.78 %	40.37 %	41.85 %	43.49 %

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority presents information for those years for which information is available.

The Plan is not a trust and has no assets.

Michigan State Housing Development Authority

Note to Required Supplementary Information

June 30, 2023

Pension and OPEB Information

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The schedules of the Authority's contributions are presented to show the responsibility of the employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The schedules of the Authority's proportionate share of the net pension and OPEB liabilities and schedules of the Authority's contributions are schedules that are required in implementing GASB Statement Nos. 68 and 75. The schedules of the proportionate share of the net pension and OPEB liabilities represent, in actuarial terms, the accrued liability less the market value of assets. The schedules of the Authority's contributions are comparisons of the employer's contributions to the actuarially determined contributions.

The information presented in the schedules of the Authority's contributions was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rates.

Significant Change in Assumptions

The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation related to pension and OPEB decreased by 0.70 percentage points.

Other Supplementary Information

Statement of Net Position Information
(in thousands of dollars)

June 30, 2023

	Activities							Combined
	Single-family		General Operating	Capital Reserve	Mortgage		Other	
	Mortgage Revenue Bonds	Rental Housing Revenue Bonds			Escrow and Reserve			
Assets, Hedging Derivative Instruments, and Deferred Outflows								
Cash and Investments								
Cash and cash equivalents	\$ 69,776	\$ 551,835	\$ 8,338	\$ 1,717	\$ 70,794	\$ 80,617	\$ 783,077	
Investments	69,029	29,958	137	97,204	440,675	7	637,010	
Total cash and Investments	138,805	581,793	8,475	98,921	511,469	80,624	1,420,087	
Loans Receivable								
Multifamily mortgage loans:								
Construction in progress	-	535,037	16,195	-	-	-	551,232	
Completed construction	-	1,096,040	49,823	-	-	160,383	1,306,246	
Housing development loans	-	-	-	-	-	3,819	3,819	
Single-family mortgage loans	2,567,439	-	25,970	-	-	-	2,593,409	
Home improvement and moderate rehabilitation loans	-	-	1,411	-	-	-	1,411	
Total	2,567,439	1,631,077	93,399	-	-	164,202	4,456,117	
Accrued loan interest receivable	11,778	36,168	8,153	-	-	19,771	75,870	
Allowance on loans receivable	(81,386)	(25,619)	(5,085)	-	-	(22,058)	(134,148)	
Net loans receivable	2,497,831	1,641,626	96,467	-	-	161,915	4,397,839	
Capital Assets, net								
			18,331				18,331	
Other Assets								
Real estate owned - net	3,822	901	46	-	-	-	4,769	
Other	43,430	1,758	14,235	-	-	83,568	142,991	
Interfund accounts	(22,630)	(49,562)	14,851	-	45,736	11,605	0	
Total other assets	24,622	(46,903)	29,132	-	45,736	95,173	147,760	
Total assets	2,661,258	2,176,516	134,074	98,921	557,205	337,712	5,984,017	
Accumulated Increase in Fair Value of Hedging Derivative Instruments								
	(5,342)	(9,691)	-	-	-	-	(15,033)	
Deferred Outflows of Resources								
Deferred outflows related to pensions	-	-	3,801	-	-	-	3,801	
Deferred outflows related to OPEB	-	-	19,476	-	-	-	19,476	
Deferred charges on refunding - Reassigned swaps	(3,128)	18,758	-	-	-	-	15,630	
Total deferred outflows of resources	(3,128)	18,758	23,277	-	-	-	38,907	
Total assets, hedging derivative instruments, and deferred outflows	\$ 2,652,788	\$ 2,185,583	\$ 175,682	\$ 98,921	\$ 557,205	\$ 337,712	\$ 6,007,891	

Michigan State Housing Development Authority

Statement of Net Position Information (continued) (in thousands of dollars)

June 30, 2023

	Activities						Combined
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Operating	Capital Reserve	Mortgage Escrow and Reserve	Other	
Liabilities, Deferred Inflows, and Net Position							
Liabilities							
Bonds payable and line of credit	\$ 2,487,710	\$ 1,879,607	\$ -	\$ -	\$ -	\$ -	\$ 4,367,317
Hedging derivative instruments	(5,342)	(9,691)	-	-	-	-	(15,033)
Accrued interest payable	8,747	15,384	-	-	-	-	24,131
Escrow funds	-	1,284	405	-	557,205	(107,714)	451,180
Unamortized mortgage interest income	-	11,852	-	-	-	-	11,852
Net pension liability	-	-	43,816	-	-	-	43,816
Net OPEB liability	-	-	32,897	-	-	-	32,897
Other liabilities	180	35	21,369	-	-	133,096	154,680
Total liabilities	2,491,295	1,898,471	98,487	-	557,205	25,382	5,070,840
Deferred Inflow of Resources							
Deferred inflows related to pensions	-	-	404	-	-	-	404
Deferred inflows related to OPEB	-	-	26,777	-	-	-	26,777
Loan origination fees	-	-	30,541	-	-	-	30,541
Total deferred inflows of resources	-	-	57,722	-	-	-	57,722
Net Position	161,493	287,112	19,473	98,921	-	312,330	879,329
Total liabilities, deferred inflows, and net position	\$ 2,652,788	\$ 2,185,583	\$ 175,682	\$ 98,921	\$ 557,205	\$ 337,712	\$ 6,007,891

Michigan State Housing Development Authority

Statement of Revenue, Expenses, and Changes in Net Position Information (in thousands of dollars)

June 30, 2023

	Activities					Combined
	Single-family Mortgage Revenue Bonds	Rental Housing Revenue Bonds	General Operating	Capital Reserve	Other	
Operating Revenue						
Investment income:						
Loan interest income	\$ 97,362	\$ 77,661	\$ 6,415		\$ 5,772	\$ 187,210
Investment interest income	7,643	16,288	835	2,267	4,276	31,309
Decrease in fair value of investments - Including change in unrealized gains	(8,044)	(2,019)	-	(3,920)	-	(13,983)
Total investment income	96,961	91,930	7,250	(1,653)	10,048	204,536
Less interest expense and debt financing costs	73,660	57,988	3,649	-	-	135,297
Net investment income	23,301	33,942	3,601	(1,653)	10,048	69,239
Other revenue:						
Federal and state assistance programs	-	-	-	-	1,080,413	1,080,413
Housing Community Development Fund	-	-	-	-	50,000	50,000
Section 8 program administrative fees	-	-	29,144	-	-	29,144
Contract administration fees	-	-	13,773	-	-	13,773
Other income	-	2,324	26,840	-	13,973	43,137
Total operating revenue	23,301	36,266	73,358	(1,653)	1,154,434	1,285,706
Operating Expenses (Revenue)						
Federal and state assistance programs	-	-	-	-	1,077,695	1,077,695
Housing Community Development Fund	-	-	-	-	-	-
Salaries and benefits	-	-	46,448	-	-	46,448
Other general operating expenses	-	-	43,499	-	-	43,499
Loan servicing and insurance costs	2,520	-	9,874	-	-	12,394
Provision for possible losses on loans	17,180	4,447	296	-	(624)	21,299
Total operating expenses (revenue)	19,700	4,447	100,117	-	1,077,071	1,201,335
Operating Income (Loss) - Before nonoperating expenses	3,601	31,819	(26,759)	(1,653)	77,363	84,371
Nonoperating Expenses - Grants and subsidies	-	-	(743)	-	(7,930)	(8,673)
Change in Net Position	3,601	31,819	(27,502)	(1,653)	69,433	75,698
Net Position - Beginning of year	157,370	285,293	2,026	100,574	258,368	803,631
Transfers to Other Funds for Payment of Operating Fund Expenses	-	(30,000)	30,000	-	-	-
Funding to Provide Additional Cash Flow and Payment of Bond Issuance Costs	522	-	14,949	-	(15,471)	-
Net Position - End of year	\$ 161,493	\$ 287,112	\$ 19,473	\$ 98,921	\$ 312,330	\$ 879,329

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

Independent Auditor's Report

To Management; the Board of Directors; and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Michigan State Housing Development Authority (the "Authority") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Michigan State Housing Development Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as Finding 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

To Management; the Board of Directors; and
Mr. Doug A. Ringler, CPA, CIA,
Auditor General, State of Michigan
Michigan State Housing Development Authority

The Authority's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of This Report

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

Plante & Moran, PLLC

October 25, 2023

Schedule of Findings

Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	<p>Finding Type - Significant deficiency</p> <p>Criteria - Effective reconciliation procedures over federal grants should be in place in order to properly reflect activity for the COVID-19 Emergency Rental Assistance (ERA) program in accordance with Generally Accepted Accounting Principals (GAAP).</p> <p>Condition - During fiscal year 2023, MSHDA did not perform procedures to determine the amount of expenditures incurred by the subrecipients but not yet reimbursed by MSHDA through June 30, 2023 or to reconcile expenditures reported in the general ledger to ERA program reporting to the U.S. Department of the Treasury.</p> <p>Context - As a result, the federal expenditures and associated federal revenue and payables were understated and unearned revenue was overstated in the amount of \$21.4 million reported in the general ledger at June 30, 2023.</p> <p>Cause - MSHDA did not have effective processes in place to accurately identify and record expenditures incurred by the subrecipients but not yet reimbursed by MSHDA at year end for the ERA program.</p> <p>Effect - The federal expenditures, federal revenue, unearned revenue, and payables on the June 30, 2023 financial statements were misstated in the original accounting records provided for audit and were adjusted by \$21.4 million at June 30, 2023 in order to be reported in accordance with GAAP.</p> <p>Recommendation - We recommend MSHDA enhance its internal control over the reconciliation of ERA program grant activity to ensure the financial statements accurately reflect expenditures incurred and revenue earned as of the fiscal year end.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Authority agrees with this finding. The Authority's finance team will work with the program area during its year-end closing process to obtain subrecipient accounting records. This information will be used to reconcile discrepancies and more accurately reflect programmatic expenditures.</p>

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CERTAIN AUTHORITY FINANCIAL INFORMATION AND OPERATING DATA

Prior Bonds Mortgage Loans[†]

The Prior Bonds Mortgage Loans are Mortgage Loans financed with the proceeds of Prior Bonds or by the Authority, with the expectation that such moneys would be restored when the mortgage loans were purchased with the proceeds of Prior Bonds. After the date of the information in the table below, the Authority issued (i) on September 27, 2023 its \$392,925,000 aggregate principal amount of 2023 Series BC Bonds which, on their date of issuance, the Authority expected would finance approximately \$318,388,000 aggregate principal amount of Mortgage Loans and approximately \$13,805,000 aggregate principal amount of Down Payment Assistance Loans and (ii) on March 27, 2024 its \$424,625,000 aggregate principal amount of 2024 Series ABC Bonds which, on their date of issuance, the Authority expected would finance approximately \$389,809,000 aggregate principal amount of Mortgage Loans and approximately \$23,808,000 aggregate principal amount of Down Payment Assistance Loans. No information with respect to the Offered Bonds Mortgage Loans is reflected under this heading. The tables below do not reflect any information with respect to Down Payment Assistance Loans (including the Offered Bonds Down Payment Assistance Loans). As of June 30, 2023, the Down Payment Assistance Loans totaled approximately \$142,838,000 outstanding aggregate principal amount.

The following tables provide certain information as of and through June 30, 2023, for Prior Bonds Mortgage Loans (all dollar amounts in the following two tables in thousands):

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[†] The information under this heading includes approximately \$47,370,000 of mortgage loans that were not as of June 30, 2023 included in the Pledged Property under the General Resolution and that the Authority has acquired or expects to acquire with proceeds of Bonds, including Offered Bonds (“*Expected Future Mortgage Loans*”).

Bond Series/ Other Sources	Mortgage Loan Interest Rates	Approximate Amount of Mortgage Loans Expected to Be Purchased⁽¹⁾	Approximate Amount of Mortgage Loans Purchased⁽²⁾	Amount of Outstanding Mortgage Loan Commitments⁽²⁾	Outstanding Mortgage Loan Balances
S.F. Merge 3 ⁽⁵⁾	3.75 – 6.25%	\$ 47,219	\$ 56,780	\$ 0	\$ 1,132
S.F. Merge 1 ⁽⁵⁾	3.625 – 8.15 ⁽³⁾	746,045	757,785	0	1,374
2006 C	3.00 – 7.50 ⁽⁴⁾	73,190 ⁽⁴⁾	181,752 ⁽⁴⁾	0	35,799
S.F. Merge 2 ⁽⁵⁾	3.125 – 7.80 ⁽³⁾	158,650	164,868	0	2,170
1998 B and C	3.375 – 6.625 ⁽³⁾	82,723	72,787	0	2,166
2003 B, C and D	3.125 – 6.625	51,600	50,466	0	9,092
2005 A, B and C	3.50 – 5.875	80,000	76,717	0	3,067
2006 A, B and D	3.75 – 6.50	141,710	135,499	0	6,314
2007 A, B and C	2.875 – 6.375	234,241	229,574	0	28,191
2007 D, E, F and G	2.75 – 7.00	364,417	370,882	0	47,739
2009 A, B, C and D	2.875 – 7.625	224,751	207,455	0	14,335
2014 A	3.00 – 7.00	39,500	29,345	0	9,578
2015 A	3.00 – 7.00	76,000	77,339	0	27,079
2016 A	3.00 – 6.625	94,229	92,824	0	34,690
2016 B and C	3.00 – 7.125	355,940	354,347	0	130,452
2017 A and B	2.875 – 7.00	130,032	131,367	0	65,260
2018 A and B	3.00 – 7.00	162,158	161,761	0	41,205
2018 C and D	3.125 – 7.125	300,000	293,408	0	147,425
2019 A	3.375 – 6.75	223,745	219,371	0	121,703
2019 B and C	3.00 – 7.125	302,614	298,532	0	188,974
2020 A and B	3.125 – 7.00	214,786	210,013	0	162,060
2020 C and D	3.25 – 6.875	227,149	223,865	0	183,380
2021 A and B	3.125 – 7.125	282,941	264,923	0	247,887
2022 A, B and C	2.875 – 7.00	238,786	220,582	0	263,970
2022 D and E	2.875 – 7.00	277,048	315,821	359	309,855
2023 A	5.25 – 6.625	298,837	293,858	37,593	292,298
Expected Mortgage Loans	5.75 – 6.625	n.a	47,370	33,725	47,370
		<u>\$5,428,311</u>	<u>\$5,539,291</u>	<u>\$71,677</u>	<u>\$2,424,565</u>

⁽¹⁾ Does not include loans purchased or to be purchased from the proceeds of Principal Prepayments and foreclosures or excess Revenues.

⁽²⁾ All Mortgage Loans to be financed by original proceeds of Bonds issued prior to June 30, 1997 have been originated.

⁽³⁾ The Authority is offering and has offered several interest rates for Mortgage Loans financed with proceeds of all Bonds issued after 1993. The interest rates have varied depending upon whether or not the borrower elected to pay points, and whether or not the borrower selected a “stepped coupon” interest rate, which has an initial interest rate below that otherwise offered, and which after three years adjusts upward by one percentage point.

⁽⁴⁾ Includes Mortgage Loans financed by and originally subject to the lien of the Authority’s prior resolutions which were acquired with proceeds of the 1996 Series C Bonds (“1996 Transferred Mortgage Loans”). These 1996 Transferred Mortgage Loans were financed by the Authority beginning in 1971. Upon refunding of the 1996 Series C Bonds with proceeds of the 2006 Series C Bonds, such 1996 Transferred Mortgage Loans became the 2006 Series A Allocated Mortgage Loans.

⁽⁵⁾ This is a pool of Mortgage Loans assembled by the Authority from Mortgage Loans financed by certain Prior Bonds that are no longer Outstanding.

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Certain Loan Balance Information

Fiscal Year Ended June 30	Aggregate Loan					Aggregate Loan Balances End of Year
	Balances Beginning of Year	Loan Originations	Amortization	Deductions		
				Prepayments	Foreclosures	
1988	\$ 0	\$ 5,128	\$ 3	\$ 0	\$ 0	\$ 5,125
1989	5,125	48,712	214	66	23	53,534
1990	53,534	91,817	918	934	171	143,328
1991	143,328	173,166	2,332	2,542	758	310,862
1992	310,862	68,432	3,935	7,399	1,855	366,105
1993	366,105	79,540 ⁽¹⁾	6,484	20,754	2,878	415,529
1994	415,529	25,265	6,761	47,253	2,867	383,913
1995	383,913	131,576	7,681	28,697	2,783	476,328
1996	476,328	83,507	8,671	39,047	2,730	509,387
1997	509,387	216,058 ⁽²⁾	12,316	51,410	3,546	658,173
1998	658,173	119,423	13,704	73,356	3,893	686,643
1999	686,643	64,676	13,595	100,270	4,519	632,935
2000	632,935	107,813	13,312	71,498	6,186	649,752
2001	649,752	104,878	14,298	67,835	5,883	666,614
2002	666,614	91,125	13,949	99,360	5,951	638,479
2003	638,479	59,047	12,268	150,138	7,438	527,682
2004	527,682	55,219	10,223	112,044	11,520	449,114
2005	449,114	65,734	9,143	63,646	10,952	431,107
2006	431,107	137,223	9,443	41,795	11,866	505,226
2007	505,226	161,542	10,930	22,114	13,895	619,829
2008	619,829	263,676	13,712	14,688	16,049	839,056
2009	839,056	251,328	14,672	15,636	26,500	1,033,576
2010	1,033,576	32,870	16,028	16,519	34,231	999,668
2011	999,668	47,399	15,141	176,921 ⁽³⁾	54,934	800,071
2012	800,071	0	14,239	64,063 ⁽⁴⁾	43,682	678,087
2013	678,087	0	11,233	139,439 ⁽⁵⁾	30,066	497,349
2014	497,349	50,174	8,885	45,423	15,121	478,094
2015	478,094	113,459	8,872	49,148	10,198	523,335
2016	523,335	144,785	11,055	48,141	14,129	594,795
2017	594,795	421,817 ⁽⁶⁾	18,409	71,000	8,798	918,407
2018	918,407	283,349	21,760	78,196	8,863	1,092,937
2019	1,092,937	530,507	28,883	72,075	10,029	1,512,457
2020	1,512,457	463,624	34,904	99,998	8,938	1,832,241
2021	1,832,241	341,295	36,317	265,481	2,303	1,869,435
2022	1,869,435	429,320	39,291	273,003	3,839	1,982,622
2023	1,982,622	604,539	45,100	105,220	12,276	2,424,565

⁽¹⁾ Includes certain transferred Mortgage Loans (acquired with proceeds of Bonds issued in fiscal year 1992) totaling \$21,300,000.

⁽²⁾ Includes the 1996 Transferred Mortgage Loans totaling \$58,855,000.

⁽³⁾ Includes \$145,332,000 of mortgage loans transferred to the Homeownership Resolution.

⁽⁴⁾ Includes \$18,919,000 of mortgage loans transferred to the Homeownership Resolution.

⁽⁵⁾ Includes \$64,844,000 of mortgage loans transferred to the Homeownership Resolution.

⁽⁶⁾ Includes \$239,674,000 of mortgage loans transferred from the Homeownership Resolution.

Mortgage Insurance

The Prior Bonds Mortgage Loans outstanding at June 30, 2023 were insured or guaranteed as follows (all dollar amounts in table in thousands). Since 2018, the Authority has begun to finance Mortgage Loans with private primary mortgage insurance after an approximately seven-year hiatus. See “The Program – Mortgage Loan Characteristics – General” in the forepart of this Official Statement. Also see Exhibit F — “Mortgage Insurance and Mortgage Loan Modification Programs.”

<u>Type of Loan⁽¹⁾</u>	<u>Amount (000s Omitted)</u>	<u>Percentage</u>
FHA	\$1,364,440	56.27%
RHS	54,198	2.24
VA	3,998	0.16
MGIC ⁽²⁾	557,702	23.00
Enact f/k/a Genworth ⁽³⁾	381	0.02
Arch ⁽⁴⁾	383,138	15.80
Other Insurance	776	0.04
Uninsured with LTV below 80%	59,932	2.47
Uninsured with LTV above 80%	<u>0</u>	<u>0.00</u>
	<u>\$2,424,565</u>	<u>100.00%</u>

⁽¹⁾ The Authority makes no representations about the financial condition of any of the listed insurers or guarantors or their ability to make full and timely payment under the terms of their applicable mortgage insurance or guarantees.

⁽²⁾ Mortgage Guaranty Insurance Corporation.

⁽³⁾ Enact Mortgage Insurance Corporation, formerly known as Genworth Mortgage Insurance Corporation.

⁽⁴⁾ Arch Mortgage Insurance Company.

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Delinquencies

The following table summarizes the delinquency (including loans in forbearance) status of the 24,229 outstanding Prior Bonds Mortgage Loans totaling \$2,424,565,000 as of June 30, 2023 (all dollar amounts in table in thousands):

<u>Days Delinquent</u>	<u>Number</u>	<u>Amount (000s Omitted)</u>	<u>Percent</u>
30 – 59	1,641	\$ 161,058	6.64%
60 – 89	485	47,427	1.96
90 and over	<u>843</u>	<u>85,783</u>	<u>3.54</u>
	<u>2,969</u>	<u>\$ 294,268</u>	<u>12.14%</u>

In addition to the above delinquencies, the Authority has completed foreclosure proceedings on 6,405 Prior Bonds Mortgage Loans since inception of the Program and, as of June 30, 2023, held title to 53 homes acquired thereby, which were carried on its books for \$4,596,000 as of June 30, 2023.

The following table summarizes the status of delinquencies of Prior Bonds Mortgage Loans for each semi-annual period from June 30, 2013 through June 30, 2023:

<u>Semi-Annual Period Ending</u>	<u>Aggregate Principal Balance 60+ Days Delinquent</u>	<u>Approximate Percentage of Total Unpaid Principal Amount of Mortgage Loans Financed by Bonds</u>
June 30, 2013	\$36,967	7.44%
December 31, 2013	43,325	9.12
June 30, 2014	37,082	7.76
December 31, 2014	44,298	8.83
June 30, 2015	36,091	6.89
December 31, 2015	35,659	6.27
June 30, 2016	25,124	4.23
December 31, 2016	47,749	5.50
June 30, 2017	47,840	5.21
December 31, 2017	53,923	5.52
June 30, 2018	46,554	4.26
December 31, 2018	50,078	3.86
June 30, 2019	49,327	3.26
December 31, 2019	68,612	4.05
June 30, 2020	124,583	6.80
December 31, 2020	183,405	9.77
June 30, 2021	178,938	9.57
December 31, 2021	166,675	8.94
June 30, 2022	132,454	6.68
December 31, 2022	149,093	6.89
June 30, 2023	133,211	5.50

Delinquencies by Type of Mortgage Insurer

The following table summarizes the status of delinquencies as of June 30, 2023 of Prior Bonds Mortgage Loans by type of mortgage insurer or guarantor.

<u>Type of Loan⁽¹⁾</u>	Amount Delinquent (000s Omitted)		
	<u>30-59 Days Delinquent</u>	<u>60-89 Days Delinquent</u>	<u>90 Days + Delinquent⁽²⁾</u>
FHA	\$ 126,362	\$ 40,064	\$ 66,396
RHS	3,276	731	2,320
VA	39	109	102
MGIC	16,387	3,626	9,560
Enact f/k/a Genworth	65	177	0
Arch	12,410	1,974	6,520
Other Insurance	183	0	40
Uninsured	2,336	746	845
	<u>\$ 161,058</u>	<u>\$ 47,427</u>	<u>\$ 85,783</u>

⁽¹⁾ The Authority makes no representations about the financial condition of any of the listed insurers or guarantors or their ability to make full and timely payment under the terms of their applicable mortgage insurance or guarantees.

⁽²⁾ Includes foreclosures.

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Losses on Foreclosures

The following table summarizes the Authority’s recent experiences of losses in connection with foreclosures of Prior Bonds Mortgage Loans.

Fiscal Year-End	REOs⁽¹⁾ Added During Fiscal Year	REO⁽¹⁾ Loan Balance at Fiscal Year-End	Losses on Foreclosures	Single-Family Loan Loss Balance⁽²⁾
<u>June 30</u>	<u>(\$000s)</u>	<u>(\$000s)</u>	<u>(\$000s)</u>	<u>(\$000s)</u>
2013	30,324	14,334	10,189	12,334
2014	15,179	12,620	4,980	17,904
2015	12,400	11,266	2,925	17,921
2016	15,118	9,380	4,494	23,382
2017	13,271	6,720	3,514	35,569
2018	7,136	8,228	1,190	37,012
2019	9,637	9,152	1,310	46,806
2020	13,652	4,892	4,564	56,896
2021	6,490	1,692	2,035	59,831
2022	3,654	1,533	-87	65,848
2023	9,227	4,596	780	82,248

⁽¹⁾ Real estate owned.

⁽²⁾ Authority’s allowance for losses on single-family mortgage loans it has financed under the General Resolution. See “Sources of Payment for the Bonds – Net Position, Allowances for Possible Losses and Certain Expenses” in the forepart of this Official Statement.

Certain Investments

As of June 30, 2023, the Authority had moneys on deposit in the Bond Proceeds Fund in connection with its 2020 Series AB Bonds, 2020 Series CD Bonds, 2021 Series AB Bonds, 2022 Series ABC Bonds, 2022 Series DE Bonds, 2023 Series A Bonds and 2023 Series BC Bonds, and such moneys were invested in the U.S. Bank National Association First American Treasury Obligations Fund (the “*Treasury Obligation Fund*”), which invests in United States Treasury Obligations or in United States Treasury Strips/Notes/Bills/Bonds. (U.S. Bank National Association is an affiliate of the Trustee.) As of June 30, 2023, moneys held in the General Receipts Fund attributable to Prior Bonds (including those Prior Bonds that are no longer Outstanding) were invested in the Treasury Obligation Fund. In certain instances, investments made with moneys in the General Receipts Fund also include amounts attributable to a Series of Bonds on deposit in the Debt Service Fund and the Redemption Fund. The table below summarizes certain information, as of June 30, 2023, about investments of cash deposits in the Capital Reserve Fund.

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<u>Attributable Series</u>	<u>Rate (%)</u>	<u>Capital Reserve Fund</u>	<u>Maturity</u>
S.F. Merge 3 ⁽⁶⁾	(3)		(3)
S.F. Merge 1 ⁽⁶⁾	3.75 ⁽³⁾⁽⁴⁾		7/1/2043 ⁽³⁾⁽⁴⁾
2006 Series C	(3)(7)		(3)(7)
2005 Series ABC	(1)(3)		(1)(3)
2006 Series ABD	(3)(8)		(3)(8)
2007 Series ABC	(3)(9)		(3)(9)
2007 Series DEFG	(3)(5)		(3)(5)
2009 Series ABCD	(3)(10)		(3)(10)
2016 Series BC	(3)		(3)
2017 Series AB	(3)(15)		(3)(15)
2018 Series CD	(3)(11)		(3)(11)
2019 Series A	(3)(12)		(3)(12)
2019 Series BC	(3)(13)		(3)(13)
2020 Series AB	3.132 ⁽²⁾⁽³⁾		7/1/2045 ⁽²⁾⁽³⁾
2020 Series CD	2.60 ⁽³⁾⁽¹⁴⁾		11/26/2036 ⁽³⁾⁽¹⁴⁾
2021 Series AB	2.28 ⁽³⁾⁽¹⁴⁾		10/6/2036 ⁽³⁾⁽¹⁴⁾
2023 Series A	(3)		(3)

⁽¹⁾ GNMA 5.00% maturing 9/15/2035 and FNMA variable rate maturing 11/25/2042.

⁽²⁾ Virginia State Housing 3.132% maturing 7/1/2045.

⁽³⁾ Funds are invested in U.S. Bank National Association First American Treasury Obligations Fund, which invests in United States Treasury obligations (U.S. Bank National Association is an affiliate of the Trustee), or U.S. Treasury Strips/Notes/Bills/Bonds.

⁽⁴⁾ South Carolina Housing 3.75% maturing 7/1/2043.

⁽⁵⁾ 3 GNMA investments, 2.50%-6.00% maturing 5/15/2038 to 11/20/2044, 6 State Housing Agencies (1 Georgia, 4 Virginia and 1 Tennessee), 2.90% to 3.64% maturing 1/1/2045 - 4/1/2056.

⁽⁶⁾ Pooled investments for Prior Program Bonds that are no longer Outstanding.

⁽⁷⁾ GNMA 2.00% maturing 10/20/2042 and 2 Virginia State Housing 3.229% - 3.23% maturing 11/1/2050 - 4/1/2056.

⁽⁸⁾ Georgia State Housing 3.50% maturing 12/1/2046, GNMA 5.00% maturing 9/15/2036.

⁽⁹⁾ 2 FNMA at a variable rate maturing 3/25/2043 to 6/25/2043, 3 GNMA, one that is variable and the other two with interest rates of 1.25% and 6.00% maturing 5/15/2038 - 11/20/2042, and 2 Virginia State Housing at 2.70% and 3.20% maturing 9/1/2046 and 10/1/2049.

⁽¹⁰⁾ South Carolina Housing 3.75% maturing 7/1/2043 and Virginia State Housing 3.132% maturing 7/1/2045.

⁽¹¹⁾ 4 Virginia State Housing 2.90% - 3.23% maturing 7/1/2045 - 2/1/2057, and GNMA 3.50% maturing 3/20/2049.

⁽¹²⁾ FNMA 3.50% maturing 5/25/2049 and 3 Virginia State Housing 2.70%-3.641% maturing 6/1/2040 to 9/1/2046.

⁽¹³⁾ FHLB 2.87% maturing 10/25/2039, FNMA variable rate maturing 7/25/2047 and 3 Virginia State Housing 2.70% - 3.20% maturing 9/1/2046 - 2/1/2051.

⁽¹⁴⁾ FHLB investments.

⁽¹⁵⁾ GNMA 2.00% maturing 10/16/2042, Virginia State Housing 2.90% maturing 9/1/2056 and FNMA variable rate maturing 7/25/2047.

Certain earnings on Investment Obligations are subject to rebate to mortgagors or to the United States in order to prevent interest on the related Bonds from being included in gross income for federal income tax purposes and, therefore, will not be available to pay principal (including the Redemption Price) of and interest on the Bonds.

OUTSTANDING INDEBTEDNESS

The Authority had outstanding as of June 30, 2023 the general obligation bonds listed below which have provided financing for the various programs of the Authority. On March 16, 2021, the Authority entered into the two-year Revolving Credit Agreement with U.S. Bank National Association, and on March 13, 2023 extended such agreement through September 10, 2024 and on September 6, 2024 further extended such agreement through March 6, 2026, allowing for a \$200,000,000 outstanding principal amount at any time during its term, as described under “The Authority — General.” As of the date of this Official Statement, \$100,000,000 is outstanding under the Revolving Credit Agreement, and the Authority expects to draw an additional \$70,000,000 under the Revolving Credit Agreement on September 20, 2024. The Authority expects to repay all outstanding draws under the Revolving Credit Agreement with proceeds of the Offered Bonds. On September 27, 2023, the Authority issued its \$305,615,000 Single-Family Mortgage Revenue Bonds 2023 Series B (maturing 2024-2054 and bearing interest at fixed interest rates ranging from 3.50% to 5.75%) and its \$87,310,000 Single-Family Mortgage Revenue Bonds 2023 Series C (Federally Taxable) (maturing 2026-2053 and bearing interest at fixed interest rates ranging from 5.382% to 6.061%). On March 27, 2024, the Authority issued its \$248,295,000 Single-Family Mortgage Revenue Bonds 2024 Series A (maturing 2024-2054 and bearing interest at fixed interest rates ranging from 3.10% to 6.00%), its \$126,330,000 Single-Family Mortgage Revenue Bonds 2024 Series B (Federally Taxable) (maturing 2024-2050 and bearing interest at fixed interest rates ranging from 5.078% to 5.867%) and its \$50,000,000 Single-Family Mortgage Revenue Bonds 2024 Series C (Federally Taxable) (maturing in 2054 and bearing interest at a variable rate, which initially is a weekly rate). On September 6, 2024, the Authority executed a contract for the sale of \$424,710,000 Rental Housing Revenue Bonds, 2024 Series A (maturing 2026-2067 and bearing interest at fixed interest rates ranging from 3.10% to 4.85%), which are expected to be issued on September 25, 2024. On July 19, 2024, the Authority executed the Short Term Borrowing Facility, pursuant to which the Authority may borrow up to an aggregate of \$150,000,000, evidenced by the Short Term Note, which bears a variable interest rate and which matures on October 18, 2024. As of the date of this Official Statement, \$150,000,000 has been drawn under the Short Term Borrowing Facility. Proceeds of the Short Term Borrowing Facility have been used by the Authority to acquire single-family mortgage loans and down payment assistance loans that the Authority expects to finance with proceeds of the Offered Bonds. The Authority expects to use such proceeds of the Offered Bonds to repay the Short Term Note. See “Sources of Payment for the Bonds – Net Position, Allowances for Possible Losses and Certain Expenses” in the forepart of this Official Statement for a discussion of certain assets that may be available for the payment of debt service on the Bonds.

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<u>Series</u>	<u>Date</u> ⁽¹⁾	<u>Outstanding Maturities</u> ⁽²⁾	<u>Effective Interest Rate at Issuance or Fixed Rate Conversion</u> <u>(%)</u> ⁽³⁾	<u>Amount Issued</u> <u>(000 Omitted)</u>	<u>Amount Outstanding</u> <u>(000 Omitted)</u>
Single Family Mortgage Revenue Bonds					
2006 Series C	June 13, 2006	2035	Variable	\$ 73,190	\$ 45,065
2007 Series B	July 12, 2007	2038	Variable	205,000	50,720
2007 Series E	December 11, 2007	2038	Variable	125,000	36,765
2007 Series F.....	December 11, 2007	2038	Variable	85,000	25,545
2009 Series D.....	June 17, 2009	2030	Variable	104,420	17,380
2015 Series A.....	September 2, 2015	2023-2046	3.73	77,760	5,935
2016 Series A.....	April 12, 2016	2023-2046	3.26	96,815	24,900
2016 Series B	October 25, 2016	2023-2047	3.31	323,215	130,160
2017 Series B	November 2, 2017	2023-2048	3.20	91,860	21,590
2018 Series A.....	March 28, 2018	2023-2048	3.66	120,000	36,290
2018 Series C	November 1, 2018	2023-2049	4.01	265,900	83,075
2018 Series D ⁽⁴⁾	November 1, 2018	2042	Variable	50,000	50,000
2019 Series A.....	April 11, 2019	2023-2049	3.80	233,925	106,900
2019 Series B	October 31, 2019	2023-2050	3.06	261,825	182,430
2019 Series C	October 31, 2019	2023-2044	3.36	63,170	20,440
2020 Series A.....	June 24, 2020	2023-2050	2.94	127,045	98,725
2020 Series B	June 24, 2020	2023-2050	3.53	100,000	73,895
2020 Series C	November 18, 2020	2023-2051	2.62	151,630	137,600
2020 Series D.....	November 18, 2020	2023-2051	3.36	93,060	64,335
2021 Series A.....	August 31, 2021	2023-2052	2.40	177,570	166,680
2021 Series B	August 31, 2021	2023-2052	2.73	111,025	105,490
2022 Series A.....	June 22, 2022	2023-2053	4.46	197,120	188,640
2022 Series B	June 22, 2022	2046	Variable	81,280	81,280
2022 Series C	June 22, 2022	2052	Variable	55,240	55,240
2022 Series D.....	November 16, 2022	2023-2053	5.28	243,920	240,600
2022 Series E-1	November 16, 2022	2045	Variable	45,155	45,155
2022 Series E-2.....	November 16, 2022	2044	Variable	50,000	50,000
2023 Series A.....	April 26, 2023	2023-2053	4.89	<u>314,865</u>	<u>314,865</u>
				<u>\$3,924,990</u>	<u>\$2,459,700</u>
Rental Housing Revenue Bonds					
2000 Series A.....	September 28, 2000	2035	Variable	\$ 56,000	\$ 18,415
2002 Series A.....	July 3, 2002	2037	Variable	60,000	35,160
2008 Series A.....	September 23, 2008	2037	Variable	100,000	24,420
2008 Series D.....	September 23, 2008	2039	Variable	65,830	18,780
2014 Series A.....	April 30, 2014	2023-2050	4.57	77,735	45,675
2015 Series A.....	June 30, 2015	2023-2052	4.31	104,570	82,760
2015 Series B	June 30, 2015	2023-2029	3.87	12,840	1,455
2016 Series A.....	August 30, 2016	2023-2052	3.41	64,495	44,825
2016 Series B	August 30, 2016	2023-2033	3.35	97,330	24,605
2016 Series C	August 30, 2016	2040	Variable	61,300	49,635
2016 Series D.....	August 30, 2016	2041	Variable	55,220	15,670
2016 Series E	August 30, 2016	2042	Variable	26,670	22,540
2017 Series A.....	July 12, 2017	2023-2053	3.65	92,770	56,250
2018 Series A.....	June 26, 2018	2023-2053	4.00	185,460	155,160
2018 Series B	July 11, 2018	2023-2033	3.32	12,925	9,895

<u>Series</u>	<u>Date</u> ⁽¹⁾	<u>Outstanding Maturities</u> ⁽²⁾	<u>Effective Interest Rate at Issuance or Fixed Rate Conversion (%)</u> ⁽³⁾	<u>Amount Issued (000 Omitted)</u>	<u>Amount Outstanding (000 Omitted)</u>
2018 Series C	June 26, 2018	2040	Variable	129,670	94,530
2019 Series A-1.....	July 24, 2019	2023-2060	3.41	202,485	165,960
2019 Series A-2.....	July 24, 2019	2023-2060	1.00	1,500	1,456
2020 Series A-1.....	October 28, 2020	2023-2063	2.75	126,810	99,820
2020 Series A-2.....	October 28, 2020	2023-2060	1.00	2,050	1,977
2020 Series B	October 28, 2020	2023-2035	2.51	23,075	14,815
2021 Series A	June 23, 2021	2023-2059	2.55	247,670	242,530
2021 Series B	June 23, 2021	2023-2048	2.90	73,420	68,795
2022 Series A	May 25, 2022	2024-2052	4.25	135,045	135,045
2022 Series B	May 25, 2022	2062	Variable	80,000	80,000
2023 Series A	March 30, 2023	2025-2058	5.00	330,075	330,075
2023 Series B	March 30, 2023	2027	5.49	<u>17,910</u>	<u>17,910</u>
				<u>\$2,442,855</u>	<u>\$1,858,158</u>

⁽¹⁾ Represents date of interest bearing bonds.

⁽²⁾ Certain maturities are subject to earlier mandatory sinking fund redemption.

⁽³⁾ All or a portion of most of the series with a “variable” effective Interest Rate at issuance (“*Variable Rate Bonds*”) are the subject of an Interest Rate Exchange Agreement. See “Sources of Payment for the Bonds—General Obligation Bonds Bearing Variable Rates of Interest—General” and “—Interest Rate Exchange Agreements for General Obligation Variable Rate Bonds” in the forepart of this Official Statement.

⁽⁴⁾ These bonds were refunded by the 2023 Series B Bonds.

The Authority has outstanding limited obligation bonds totaling \$191,243,000 through June 30, 2023. (The principal amount in the preceding sentence does not include the principal amount of limited obligation bonds issued for the purposes of refunding outstanding limited obligation bonds.) Such bonds, which are issued to fund loans for multi-family housing developments, are not general obligations of the Authority but are secured solely by revenues and property derived from or obtained in connection with the particular housing developments.

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CERTAIN ADDITIONAL FEDERAL INCOME TAX MATTERS

The Code and applicable regulations thereunder provide that the interest on bonds (such as the Tax-Exempt Bonds) the proceeds of which are used to provide mortgages on owner-occupied residences, or used to refund bonds the proceeds of which were so used, shall not be excluded from gross income for federal income tax purposes unless such bonds are “qualified mortgage bonds.” Bonds will constitute “*qualified mortgage bonds*” if they are part of an issue that meets the following requirements: (1) all proceeds of the issue (exclusive of issuance costs and a reasonably required reserve fund) are to be used to finance owner-occupied residences with mortgages that satisfy certain mortgage eligibility requirements, as set forth more fully below under the subcaption “—Mortgage Eligibility Requirements”; (2) the aggregate principal amount of qualified mortgage bonds issued by the issuing authority during the same calendar year may not exceed certain limitations, as set forth more fully below under the subcaption “—Limitations on Principal Amount of Bonds”; (3) to the extent required by the Code, the issuer must make a specified portion of the lendable proceeds of such issue available for owner financing of certain “targeted area” residences, as set forth more fully below under the subcaption “—Targeted Area Requirements”; (4) the issuer must satisfy certain arbitrage limitations described more fully below under the subcaption “—Arbitrage Requirements”; (5) in the case of mortgage loans made after December 31, 1990, the issuer must provide certain information to the mortgagors as described below under the subcaption “—Recapture Requirements”; and (6) mortgage loans must be originated, and any remaining bond proceeds or moneys derived from principal prepayments or repayments used to redeem bonds, within the time limits described below under the subcaption “—Required Redemptions.”

Mortgage Eligibility Requirements. Under the Code, Mortgage Loans financed with the proceeds of Bonds, the interest on which is excluded from gross income for federal income tax purposes (such as the Tax-Exempt Bonds), are subject to the requirements set forth below.

Residence Requirements. All of the residences for which financing is provided 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 (which, under the terms of current Mortgage Loans, is 60 days of loan closing).

Prior Homeownership Limitation. Ninety-five percent (95%) or more of the *net* proceeds made available as a result of the issuance of the Tax-Exempt Bonds must be used to finance residences 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. This limitation, *however*, generally does not apply to certain military veterans or to the mortgagor’s interest in the residence being financed. In addition, all financing with respect to targeted area residences and residences on land possessed under certain contract for deed agreements is treated as satisfying the no prior homeownership limitation.

Purchase Price Requirements. Each residence for which financing is provided must have an acquisition cost not exceeding 90% of the nationwide average area purchase price. In the case of a targeted area residence, the acquisition cost may not exceed 110% of the nationwide average area purchase price for mortgage loans. The applicable regulations permit an issuer to rely upon average area purchase price limitations published by the Treasury Department as safe harbor limitations, or to utilize other limitations if the issuer has more accurate and comprehensive data than the safe harbor limitations. The purchase price limits with respect to Offered Bonds Mortgage Loans and Offered Bonds Down Payment Assistance Loans financed in whole or in part with proceeds of Tax-Exempt Bonds are not in

excess of the greater of the applicable Treasury Department safe harbor figures or those limitations established by the Authority based upon its own data.

Income Requirements. The Code requires that all of the mortgage loans provided with the proceeds of an issue be provided to borrowers whose family income does not exceed a percentage of the applicable median income equal to (i) 115% for borrowers with families of three or more members and (ii) 100% for borrowers with families fewer than three members. An exception is provided for mortgage loans made with respect to targeted area residences that permits two-thirds in aggregate amount of such mortgage loans to be made with respect to borrowers with families of three or more members whose family income does not exceed 140% (120% for families of fewer than three members) of the applicable median family income and one-third in aggregate amount of such loans to be made without regard to any income limitation.

Higher income limits apply in the case of persons financing homes located in certain high-cost areas. A high-cost area is a statistical area for which the ratios of the area's average purchase price for existing and new single-family houses to the area's median gross income exceed 120% of the same ratios determined on a national basis. These ratios are determined separately with respect to new and existing single-family houses. An area is a high-cost area only if the ratios for both new and existing houses meet the 120% test. In high-cost areas, the mortgagor income limits are determined by multiplying 115% (or 100%, as applicable) by a percentage amount equal to the excess of the new or existing housing price ratio for the area, whichever is smaller, over 20%. *However*, the new limit cannot exceed 140% (or 120%, as applicable) of the income limits otherwise applicable. The Authority expects, *however*, that, regardless of whether any areas of the State will qualify as high-cost areas, the income limits imposed by the Act will be lower than those which might be permitted by the Code in high-cost areas.

The Authority will verify compliance with these requirements by requiring each borrower to certify as to the amount of his or her family income. Under the Code, family income includes income of the borrower and of all adult individuals who will be occupying the dwelling as their principal residence. The income limits with respect to borrowers obtaining Offered Bonds Mortgage Loans or Offered Bonds Down Payment Assistance Loans financed in whole or in part with proceeds of Tax-Exempt Bonds are equal to or more stringent than the applicable income limits as established by the Code.

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 of 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 in the Code from the new mortgage requirement is provided for the replacement of construction period loans, and bridge loans and other similar temporary initial financing having a term not exceeding twenty-four months. In addition, in the case of a qualified rehabilitation, the refinancing of an existing mortgage will not violate the new mortgage requirement. The Code also provides an exception for the replacement of certain contract for deed agreements.

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 home ownership limitations, purchase price requirements and income requirements described above must be satisfied by the assuming mortgagor at the time of the assumption as if the loan were being made for the first time.

Limitations on Principal Amount of Bonds. The aggregate principal amount of qualified mortgage bonds that may be issued by the Authority must not exceed the portion of the private activity volume limit for the State for such calendar year (or previous years' carry forward amount) allocated to the Authority.

Targeted Area Requirements. A specified portion of each new money issue and of certain refunding issues of qualified mortgage bonds must be made available for financing of targeted area residences for a period of at least one year and the issuer must attempt with reasonable diligence to place such portion in qualifying mortgages. The specified portion is the lesser of 20% of the lendable proceeds of the issue or 40% of the average annual aggregate principal amount of mortgages executed during the preceding three calendar years in the targeted areas within the issuer's jurisdiction. A targeted area residence is a residence located in either a "*qualified census tract*," which includes certain census tracts identified by the Treasury Department as having a substantial number of lower-income persons, or an "*area of chronic economic distress*," which includes certain areas designated by a state and approved by the United States Department of Housing and Urban Development ("*HUD*") and the Internal Revenue Service as meeting certain criteria set forth in the Code and the regulations thereunder. The Authority has covenanted to comply with the targeted area requirements with respect to the Tax-Exempt Bonds to the extent required by the Code.

Arbitrage Requirements. An issue of bonds such as the Tax-Exempt Bonds must satisfy certain arbitrage requirements. In summary, such requirements are as follows: (1) the effective rate of interest on mortgage loans 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 mortgage loans, there must be taken into account all amounts borne by the mortgagor either directly or indirectly; and (2) all arbitrage earned on nonmortgage investments (subject to certain credits) must be paid to the United States.

Recapture Requirements. For mortgage loans made after December 31, 1990, from the proceeds of any qualified mortgage bonds, there is a requirement for a payment to the United States from certain mortgagors upon sale of their homes (the "*Recapture Provision*"). The Recapture Provision requires that an amount determined to be the subsidy provided by qualified mortgage bond financing to a mortgagor be paid to the United States on disposition of the house (but not in excess of 50% of the gain realized by the mortgagor). The recapture amount would (i) increase over the period of ownership, with full recapture occurring if the house were sold between four and five full years after the closing of the mortgage loan and (ii) would decline ratably to zero with respect to sales occurring between five and nine full years after the closing of the mortgage loan. An exception excludes from recapture part or all of the subsidy in the case of certain assisted individuals whose incomes are less than prescribed amounts at the time of the disposition. An issuer is required to inform mortgagors of certain information with respect to the Recapture Provision. The Authority has established procedures to enable it to meet such recapture information requirements with respect to any mortgage loans made after December 31, 1990.

Required Redemptions. The Code requires that all lendable proceeds of an issue of qualified mortgage bonds required to be used to originate mortgage loans (*except* for an amount not exceeding \$250,000) be so used within a 42-month period beginning on the date of issuance of the bonds (or, in the case of refunding bonds, within the 42-month period beginning on the date of issuance of the original bonds). Any such proceeds not used to originate mortgage loans within such period (*except* for an amount not exceeding \$250,000) must be used to redeem bonds of the issue within the same period. In addition, the Code provides that all mortgage loan principal prepayments and regular mortgage loan principal repayments (*except* for an amount not exceeding \$250,000) received after the tenth anniversary of the date of issuance of the bonds (or, in the case of refunding bonds, the date of issuance of the original bonds) must be used to redeem bonds of the issue no later than the close of the first semi-annual period beginning after the date the prepayment or repayment is received (the "*10-Year Rule*"). In the case of qualified mortgage bonds such as bonds that are issued after December 31, 1988 to refund bonds issued before January 1, 1989, only those mortgage loan principal prepayments and regularly scheduled mortgage loan principal repayments received after the date of issuance of the refunding bonds are subject to this provision. See "Description of the Offered Bonds — Redemption — Special Redemption —

Redemption From Unused Proceeds,” “—Special Redemption — Redemption From Principal Prepayments and Down Payment Assistance Loan Principal Prepayments,” “—Special Redemption — Redemption From Revenues” and “—General Redemption Provisions” in the forepart of this Official Statement for a description of the redemption provisions of the Tax-Exempt Bonds which relate to the requirements described in this paragraph.

Compliance with Code Requirements. The Code and the related regulations provide that all of the foregoing requirements, other than the mortgage eligibility requirements, 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, however, the Code and the related regulations provide that such requirements are met only if (i) the issuer attempts in good faith to meet such requirements, by establishing reasonable procedures and making reasonable investigations, (ii) at least 95% of the proceeds devoted to owner financing are devoted to residences with respect to which (at the time the mortgages were executed) all of the mortgage eligibility requirements were met, and (iii) any failure to meet such requirements is corrected within a reasonable period of time after such failure is discovered. Consequently, a failure to satisfy the mortgage eligibility requirements at any time during the term of an issue of qualified mortgage bonds could result in the interest on such bonds becoming subject to federal income taxation as of the date of issuance.

The Offered Bonds Resolution with respect to the Tax-Exempt Bonds, the agreements with originating lenders and other related documents contain restrictions which permit the financing of Offered Bonds Mortgage Loans and Offered Bonds Down Payment Assistance Loans financed in whole or in part by the Tax-Exempt Bonds only in accordance with the foregoing requirements. The Authority has also developed explanatory materials describing the foregoing requirements, certification procedures by which the mortgagor confirms compliance with those requirements and procedures for verifying the accuracy of such certifications (collectively with the documents described in the preceding sentence, the “*Program Documents*”). Based upon these procedures, the Authority expects to achieve and maintain compliance with the mortgage eligibility requirements of the Code and the related regulations.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a summary of certain provisions of the General Resolution. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from the Trustee or the Authority. See “Sources of Payment for the Bonds — Pledge of the General Resolution” and “— Down Payment Assistance Loans” in the forepart of this Official Statement for information regarding provisions of the certain Series Resolutions that affect the General Resolution.

Certain Definitions

The following are definitions in summary form of certain terms contained in the Resolution and used herein:

“*Additional Bonds*” means any additional Bonds issued pursuant to the Resolution.

“*Amortized Value*” means for securities purchased at (i) par, par; and (ii) a premium above or a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such securities were purchased by the number of days remaining to maturity on such securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (a) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price, and (b) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

“*Appreciated Amount*” means with respect to a Deferred Interest Bond, (i) as of any date of computation with respect to any Deferred Interest Bond up to the date, if any, set forth in the Series Resolution authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable interest payment dates, an amount equal to the initial principal amount of such Deferred Interest Bond plus the interest accrued or principal amount accreted on such Deferred Interest Bond from the date of original issuance of such Deferred Interest Bond to the applicable interest payment date next preceding the date of computation or the date of computation if an applicable interest payment date, such increased amount to accrue at the rate per annum set forth in the Series Resolution authorizing such Deferred Interest Bonds, compounded on each applicable interest payment date, plus, if such date of computation shall not be an applicable interest payment date, a portion of the difference between the Appreciated Amount as of the immediately preceding applicable interest payment date (or the date of original issuance if the date of computation is prior to the first applicable interest payment date succeeding the date of original issuance) and the Appreciated Amount as of the immediately succeeding applicable interest payment date, calculated based upon an assumption that Appreciated Amount accrues in equal daily amounts on the basis set forth in the Series Resolution authorizing such Deferred Interest Bonds; and (ii) as of any date of computation on and after the date, if any, set forth in the Series Resolution authorizing such Deferred Interest Bond as of the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable interest payment dates, the Appreciated Amount as of such current interest payment commencement date.

For the purposes of actions, requests, notifications, consents or directions of Bondowners under the Resolution, the calculation of the Appreciated Amount shall be as of the applicable interest payment

dates preceding such date of calculation (unless such date of calculation shall be an applicable interest payment date, in which case, as of the date of calculation).

“*Authority Request*” means a written request or direction of the Authority signed by an Authorized Representative.

“*Authorized Representative*” means any member of the Authority, its Executive Director, Director of Finance, Director of Legal Affairs, and any other officer or employee of the Authority authorized by resolution of the Authority to perform the act or sign the document in question.

“*Capital Reserve Capital Account*” means the fund by that name established by the Prior Resolution in which the initial legislative appropriation by the State to secure all notes and Bonds of the Authority was deposited.

“*Capital Reserve Fund*” means the Capital Reserve Fund established pursuant to Section 401 of the Resolution.

“*Capital Reserve Fund Requirement*” means as of any date of calculation, an amount equal to the lesser of (i) the Debt Reserve Requirement or (ii) the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on all Bonds then Outstanding.

“*Cash Equivalent*” means a Letter of Credit, Insurance Policy, Surety, Guarantee or other Security Arrangement (as defined and provided for in a Series Resolution providing for the issuance of Bonds rated by the Rating Agency or in a Supplemental Resolution), provided by an institution (a) which has received a rating of its claims paying ability from the Rating Agency either (i) at least equal to the then existing rating on the Bonds, or (ii) in one of the top three rating categories (without regard to subcategories) by the Rating Agency, or (b) whose unsecured debt securities are rated by the Rating Agency either (i) at least equal to the then existing rating on the Bonds, or (ii) in one of the top three rating categories (without regard to subcategories) by the Rating Agency. Notwithstanding the foregoing, if such Cash Equivalent is a short-term instrument, then the provider of such instrument must be a provider that has received a rating of its claims paying ability from the Rating Agency or whose unsecured debt securities are rated by the Rating Agency at least equal to the then existing rating on the Bonds or the highest rating for short-term obligations.”

“*Cash Flow Certificate*” means a certificate of the Authority signed by an Authorized Representative to the effect that the action proposed to be taken is consistent with the assumptions as set forth in the Cash Flow Statement last filed with the Trustee.

“*Code*” means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“*Costs of Issuance*” means all items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale, issuance and remarketing of the Bonds, as certified by an Authorized Representative.

“*Counsel’s Opinion*” means (i) an opinion signed by the Attorney General of the State, (ii) an opinion signed on behalf of the Attorney General of the State by any deputy or Assistant Attorney General or (iii) an opinion signed by an attorney or firm of attorneys selected by the Authority and approved by the Attorney General of the State.

“Debt Reserve Requirement” means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for all Series of Bonds Outstanding in the Series Resolutions authorizing the issuance of such Bonds, at least equal in the aggregate to 4% of the sum of (i) the outstanding principal balance of Mortgage Loans (*except* Mortgage Loans underlying certificates of the Government National Mortgage Association or the Federal National Mortgage Association) and (ii) the amount on deposit to the credit of the Bond Proceeds Fund and allocated to the purchase or financing of Mortgage Loans (except Mortgage Loans underlying certificates of the Governmental National Mortgage Association or the Federal National Mortgage Association). The Trustee may rely upon a certificate from an Authorized Representative of the Authority which states the Debt Reserve Requirement as of the date of said certificate. The Debt Reserve Requirement for any Series of Bonds shall be reduced to zero when all Bonds of such Series are no longer Outstanding.

“Deferred Interest Bond” means any Bond designated as such by the Series Resolution authorizing the issuance of such Bond.

“Expenses” means any moneys required by the Authority to pay the expenses of the Trustee and any expenses which the Authority may lawfully pay, *except* (i) as limited with respect to any Series of Bonds by the applicable Series Resolution, and (ii) that fees paid to providers of letters of credit, tender options in connection with certain Bonds, standby bond purchase agreements and other types of liquidity facilities should not be included in the definition of Expenses; *provided, however*, that such expenses related to Cash Equivalents shall *not* be excluded. Expenses withdrawn from the General Receipts Fund in any Fiscal Year shall not exceed the greater of .50% of the greater of the aggregate principal amount of outstanding Mortgage Loans or the aggregate principal amount of all Bonds Outstanding all on the first day of such Fiscal Year.

“Fiscal Year” means any twelve (12) consecutive calendar months beginning on the first day of July and ending on the last day of the following June or such other twelve (12) consecutive calendar-month period as the Authority may from time to time designate or such shorter period as the Authority may designate with any change in a Fiscal Year.

“Government Obligations” means obligations of the United States of America (including obligations issued or held in book-entry form on the books of the U.S. Department of the Treasury) or obligations the principal of and interest on which are guaranteed by the United States of America.

“Insurance Proceeds” means payments received with respect to the Mortgage Loans under any insurance policy or guarantee or under any fidelity bond.

“Investment Obligations” means, to the extent authorized by law for investment of moneys of the Authority at the time of such investment; (i)(A) Government Obligations or (B) obligations of any state of the United States of America or any political subdivision of such a state rated in the highest rating category by the Rating Agency, payment of which is secured by an irrevocable pledge of such Government Obligations; (ii)(A) bonds, debentures or other obligations issued by the Student Loan Marketing Association, Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, the Tennessee Valley Authority, the United States Postal Service, Federal Farm Credit System Obligations, the Federal Home Loan Mortgage Corporation, Export Import Bank, World Bank, International Bank for Reconstruction and Development and Inter-American Development Bank; or (B) bonds, debentures or other obligations issued by the Federal National Mortgage Association; (iii) any obligations of an agency controlled or supervised by or acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States; (iv) obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the

United States of America, or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; (v) time deposits, certificates of deposit or any other deposit with a domestic or foreign bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered, licensed or qualified to do business by any state or chartered or licensed by the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, “*deposits*” shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured, to the extent not insured by the Federal Deposit Insurance Corporation or by the Federal Savings and Loan Insurance Corporation, by any of the obligations described in (i) above having a market value (exclusive of accrued interest) not less than the uninsured amount of such deposit or (b) (1) unsecured or (2) secured to the extent, if any, required by the Authority and made with an institution whose unsecured debt securities are rated at least the then-existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by the Rating Agency; (vi) repurchase agreements (A) backed by or related to obligations described in (i), (ii) or (iii) above with any institution whose unsecured debt securities are rated at least the then-existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by the Rating Agency or (B) backed by or related to Obligations described in (i) above with members of the Association of Primary Dealers which do not qualify under (A); (vii) investment agreements, secured or unsecured as required by the Authority, with any institution whose debt securities are rated at least the then-existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by the Rating Agency; (viii) direct and general obligations of or obligations unconditionally guaranteed by the State, to the payment of the principal of and interest on which the full faith and credit of the State is pledged, and certificates of participation in obligations of the State which obligations are subject to annual appropriations, and which obligations are rated at least the then-existing rating on the Bonds by the Rating Agency; (ix) direct and general obligations of or obligations guaranteed by any state, municipality or political subdivision or agency thereof, which obligations are rated at least the then-existing rating on the Bonds by the Rating Agency; (x) bonds, debentures, or other obligations issued by any domestic or foreign bank, trust company, national banking association, insurance company, corporation, government or governmental entity, *provided*, that such bonds, debentures or other obligations are rated at least the then-existing rating on the Bonds by the Rating Agency; (xi) commercial paper (having original maturities of not more than 365 days) rated in the highest rating category of the Rating Agency; (xii) money market funds and other funds which invest in Government Obligations or obligations described in Section 103 of the Code and which funds have been rated at least the then-existing rating on the Bonds by the Rating Agency; or (xiii) any investments authorized in a Series Resolution authorizing Bonds rated by the Rating Agency; *provided*, that it is expressly understood that the definition of Investment Obligations shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Resolution, by a Supplemental Resolution, thus permitting investments with different characteristics from those permitted above which the Authority deems from time to time to be in the interests of the Authority to include as Investment Obligations if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by the Rating Agency. For purposes of this definition, “*institution*” means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation thereof.

“*Liquidation Proceeds*” means amounts (other than Insurance Proceeds) received in connection with the liquidation of a defaulted Mortgage Loan, whether through foreclosure, trustee’s sale, repurchase by a Mortgage Lender, or otherwise.

“*Mortgage Lender*” means any person approved by the Authority for participation in the Program who shall participate in the financing of Mortgage Loans.

“*Outstanding Bonds*” means, as of any date, all Bonds theretofore authenticated and delivered by the Trustee under this Resolution, *except*:

(a) any Bond, following its maturity date, if sufficient moneys or Government Obligations were held in trust by the Trustee on such maturity dates to pay the principal amount of such Bond;

(b) any Bond canceled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity;

(c) any Bond deemed paid in accordance with the redemption provisions of the General Resolution;

(d) any Bond deemed paid in accordance with the defeasance provisions of the General Resolution; and

(e) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the General Resolution, unless proof satisfactory to the Trustee is presented that any Bond for which a Bond in lieu thereof or in substitution therefor shall have been authenticated and delivered is held by a bona fide purchaser, as that term is defined in Article Eight of the Uniform Commercial Code of the State, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu thereof or in substitution therefor shall be deemed Outstanding.

“*Principal*” means (a) as such term references the principal amount of a Deferred Interest Bond or Deferred Interest Bonds, the Appreciated Amount thereof, and (b) as such term references the principal amount of any other Bond or Bonds, the principal amount at maturity of such Bond or Bonds.

“*Principal Prepayment*” means any payment by a mortgagor or other recovery of principal on a Mortgage Loan which is not applied to a scheduled installment of principal and interest on a Mortgage Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a Mortgage Loan) and the portion of any Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), Liquidation Proceeds or other payments representing such principal amounts, including payments from the sale of a Mortgage Loan.

“*Prior Resolution*” means the resolution adopted by the Authority on June 10, 1971, as supplemented on July 3, 1984, authorizing the issuance of Housing Development Bonds of the Authority.

“*Rating Agency*” means, at any particular time, any nationally recognized credit rating service designated by the Authority, if and to the extent such rating service has at the time one or more outstanding rating or ratings of the Bonds. The Authority shall at all times have designated at least one such service as a Rating Agency under this Resolution.”

“*Rebate Fund*” means the Rebate Fund which may be created and designated in Series Resolutions pursuant to Section 401 of the Resolution.

“*Redemption Price*” means, with respect to a Bond or portion thereof, the portion of the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in

the manner contemplated in accordance with its terms pursuant to the provisions of the General Resolution and any Series Resolution.

“*Resolution*” means the General Resolution, as amended or supplemented by supplemental resolutions and Series Resolutions.

“*Revenues*” means all moneys received by or on behalf of the Authority or Trustee representing (i) principal and interest payments on the Mortgage Loans including all Principal Prepayments representing the same and all prepayment premiums or penalties received by or on behalf of the Authority with respect to the Mortgage Loans less any servicing fees paid to or retained by Mortgage Lenders or the Authority, (ii) interest earnings received on the investment of amounts in any Fund, (iii) amounts transferred to the General Receipts Fund in accordance with the Resolution, and (iv) amounts transferred to the Redemption Fund from the Capital Reserve Fund.

“*Serial Bonds*” means the Bonds which are not Term Bonds.

“*Series*” means one of the series of Bonds issued under the General Resolution pursuant to a Series Resolution, and which may include subseries.

“*Series Program Determinations*” means determinations by the Authority relating to Mortgage Loans and certain other matters required in connection with a Series of Bonds under the Program to be set forth (or provision of requirements with respect to matters to be determined at certain specified times in the future) in a Series Resolution and shall include the following: (i) whether each Mortgage Loan shall have approximately equal monthly payments or shall be a graduated payment mortgage loan or have a fixed or variable rate of interest; (ii) the maximum term to maturity of each Mortgage Loan; (iii) whether each residence to which each Mortgage Loan relates shall be a principal residence; (iv) required primary mortgage insurance, if any, and the levels of coverage thereof; (v) levels and characteristics of Supplemental Mortgage Coverage; (vi) limitations, if any, applicable to purchases of Mortgage Loans relating to planned unit developments and geographic concentration; (vii) provisions, relating to Principal Prepayments, including application thereof for redemption or financing new Mortgage Loans; (viii) maximum expenses for such Series; (ix) restrictions, if any, on the applications of the proceeds of the voluntary sale of Mortgage Loans; (x) whether a Mortgage Loan may finance only the purchase of a residence or both the purchase and rehabilitation of a residence; and (xi) any other provision deemed advisable by the Authority not in conflict with the Resolution.

“*Series Resolution*” means a resolution of the Authority authorizing the issuance and sale of a Series of Bonds.

“*Sinking Fund Requirement*” means, as of any particular date of calculation, with respect to the Term Bonds of any Series and maturity, the amount of money required to be applied on any applicable date to the redemption prior to maturity or the purchase of the Term Bonds, *except* as such Requirement shall have been previously reduced by the principal amount of any Term Bonds of such Series and maturity with respect to which such Sinking Fund Requirement is payable which have been purchased or redeemed (*except* out of Sinking Fund Requirements). Sinking Fund Requirements may be established as fixed dollar amounts or as method(s) of calculation thereof.

“*Standard & Poor’s*” means Standard & Poor’s Ratings Services and includes any successor thereto.

“*Term Bonds*” means Bonds with respect to which Sinking Fund Requirements have been established.

Payment Due or Acts to be Performed on Weekends and Holidays

If the date for making any payment of principal or premium, if any, or interest or the last date for performance of any act or the exercising of any right, as provided in the Resolution, shall be a legal holiday or a day on which banking institutions in the city where the Trustee is located are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or not a day on which such banking institutions are authorized by law to remain closed, unless otherwise provided in a Series Resolution, with the same force and effect as if done on the nominal date provided in the Resolution.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Authority and the Owners of the Bonds, and the pledges made in the Resolution and the covenants and agreements set forth in the Resolution to be performed by the Authority shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, *except* as expressly provided in or permitted by the Resolution or by the applicable Series Resolution.

Issuance of Bonds

The Bonds shall be executed substantially in the form and manner set forth in the Resolution and shall be deposited with the Trustee for authentication, but before Bonds shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee the following:

- (a) a copy, duly certified by an Authorized Representative, of the Resolution and the Series Resolution for such Series of Bonds;
- (b) Counsel's Opinion stating in the opinion of such counsel that the Resolution and the applicable Series Resolution have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms;
- (c) Cash Flow Statement conforming to the requirements of the Resolution; and
- (d) a request and authorization to the Trustee on behalf of the Authority, signed by an Authorized Representative, to authenticate and deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Authority of the purchase price therefor.

Simultaneously with the delivery of the Bonds, the Trustee shall deposit or credit the proceeds of said Bonds into the Bond Proceeds Fund. Unless otherwise provided in the applicable Series Resolution, the Trustee shall apply such proceeds, together with any other available funds, as follows:

- (i) an amount shall be transferred to and deposited to the credit of the Capital Reserve Fund such that the amount on deposit in such Fund will at least equal the Debt Reserve Requirement;
- (ii) the total amount of such proceeds designated by the Authority as accrued interest and capitalized interest shall be deposited to the credit of the Debt Service Fund;

(iii) an amount of Expenses to the extent set forth in the applicable Series Resolution shall be transferred to and deposited in the General Receipts Fund; and

(iv) an amount to be transferred to and deposited into any Fund or Account not referred to in clauses (i)-(iii) above as provided in the applicable Series Resolution.

Refunding Bonds

Refunding Bonds of the Authority may be issued under and secured by the Resolution for the purpose of providing funds, with any other available funds, for (i) redeeming (or purchasing in lieu of redemption) prior to their maturity or maturities, or retiring at their maturity or maturities, all or any part of the Outstanding Bonds of any Series, including the payment of any redemption premium thereon, (or premium, to the extent permitted by law, included in the purchase price if purchased in lieu of redemption), (ii) making any required deposits to the Capital Reserve Fund, (iii) if deemed necessary by the Authority, for paying the interest to accrue on the refunding Bonds or refunded Bonds to the date fixed for their redemption (or purchase) and (iv) any expenses in connection with such refunding. Before any Bonds shall be issued pursuant to the provisions described in this paragraph, the Authority shall adopt a Series Resolution authorizing the issuance and sale of such Series of Bonds, fixing the amount and the details thereof, describing the Bonds to be redeemed. *Except* as may otherwise be provided in the applicable Series Resolution and *except* as to any differences in the maturities thereof or the rate or rates of interest or the provisions for redemption, such refunding Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Resolution as all other Bonds issued under the Resolution (except as otherwise provided in such Series Resolution).

Prior to or simultaneously with the authentication and delivery of such Bonds by the Trustee to or upon the order of the purchasers thereof, there shall be filed with the Trustee the following:

(a) a copy, duly certified by an Authorized Representative, of the General Resolution and the Series Resolution for such Series of refunding Bonds;

(b) a Counsel's Opinion stating in the opinion of such counsel that the General Resolution and the applicable Series Resolution have been duly and lawfully adopted by the Authority and are valid and binding upon the Authority and enforceable in accordance with their terms;

(c) a Cash Flow Statement conforming to the requirements of the General Resolution;

(d) a certificate of an Authorized Representative stating that the proceeds (excluding accrued interest but including any premium) of such refunding Bonds, together with any moneys to be withdrawn from the Debt Service Fund by the Trustee, and any other moneys which have been made available to the Trustee for such purposes, or the principal of and the interest on the investment of such proceeds or any such moneys, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption, the expenses in connection with such refunding and to make any required deposits to the Capital Reserve Fund;

(e) if all or part of the redeemed Bonds are to be redeemed prior to maturity, irrevocable instructions from an Authorized Representative of the Authority to the Trustee to redeem the applicable Bonds; and

(f) a request and authorization to the Trustee on behalf of the Authority, signed by an Authorized Representative, to authenticate and deliver Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Authority of the purchase price therefor.

Funds and Accounts

The following Funds are created and designated as set forth below:

Bond Proceeds Fund
General Receipts Fund
Debt Service Fund
Redemption Fund
Capital Reserve Fund

Additional Funds and Accounts (including for the purpose of depositing amounts required to be rebated to mortgagors or the United States, *i.e.*, a Rebate Fund or Account) may be created and designated in Series Resolutions.

Bond Proceeds Fund

Upon the issuance of a Series of Bonds, the Trustee shall deposit amounts received in connection with the issuance of such Bonds into the Bond Proceeds Fund and thereupon apply such proceeds to the payment of Costs of Issuance, the funding of the Capital Reserve Fund, the funding of any other Funds or Accounts which may be established by any Series Resolution, the financing of Mortgage Loans, or the redemption of Outstanding Bonds at the times and in the amounts set forth in the Series Resolution authorizing the issuance of such Bonds. Amounts deposited in the Bond Proceeds Fund pursuant to the Resolution shall be applied to the financing of Mortgage Loans or transferred, upon Authority request, to the Redemption Fund.

General Receipts Fund; Application of Revenues

All Revenues shall be deposited in the General Receipts Fund as received by the Trustee.

No later than one month following the deposit of Principal Prepayments into the General Receipts Fund, the Trustee shall transfer Revenues in an amount equal to and representing such Principal Prepayments received to the Redemption Fund or the Bond Proceeds Fund as the Authority shall direct, subject to the limitations, if any, set forth in any Series Resolution.

At any time, upon Authority Request, the Trustee shall apply amounts in the General Receipts Fund to pay for accrued interest in connection with the Trustee's purchase of Investment Obligations for deposit in any Fund or Account maintained under the Resolution to pay accrued interest with respect to the financing of Mortgage Loans.

The Trustee shall transfer all Revenues in the General Receipts Fund to the credit of the following Funds and Accounts for application to the following purposes on or prior to each debt service payment date, in the following priority as follows:

- (a) To any Rebate Fund or Account, the amount(s), if any, specified by the Authority;
- (b) To the Debt Service Fund, to pay interest and principal due on such debt service payment date on the Bonds and to pay any fees in connection with tender option features, letters of credit, standby

bond purchase agreements and other forms of liquidity related to such Bonds as set forth in a Series Resolution or a Supplemental Resolution;

(c) To the payment of the amount of Expenses specified in the Authority Request;

(d) To the credit of the Capital Reserve Fund, an amount sufficient to cause the amount on deposit in such Fund to equal the Debt Reserve Requirement; and

(e) To the credit of the Capital Reserve Capital Account such amount as shall be required to replenish amounts previously withdrawn therefrom for the purpose of making up deficiencies in the Capital Reserve Fund.

After the foregoing transfers have been made, the balance of the moneys in the General Receipts Fund shall be transferred or applied by the Trustee at any time, upon Authority Request to the following Funds or purposes:

(a) To the credit of the Redemption Fund for the redemption or purchase of Bonds;

(b) To the credit of the Bond Proceeds Fund to finance Mortgage Loans; or

(c) To the Authority, for any other purpose authorized or required under the Act free and clear of the pledge and lien of the Resolution; *provided, however*, that no such payment shall be made unless the Authority files a Cash Flow Statement with the Trustee, not more than 90 days prior to the date of any withdrawal which shows that following the transfer the aggregate of the amounts on deposit in all Funds and Accounts under the Resolution (except the amounts allocated to the Costs of Issuance, Expenses and payments made pursuant to the Resolution with respect to the next succeeding interest payment date) plus the aggregate principal balances of all Mortgage Loans, shall at least equal 102% of the aggregate principal amount of the Bonds Outstanding.

Revenues in the General Receipts Fund shall be applied to the purchase of Bonds at the times, in the manner and for the purposes set forth in the Resolution.

Debt Service Fund

Interest Payments. The Trustee shall on each interest payment date, withdraw from the Debt Service Fund and remit (i) to each owner of Bonds the amounts required for paying the interest on such Bonds as such interest becomes due and payable and (ii) any liquidity fees relating to such Bonds. An Authorized Representative of the Authority shall advise the Trustee regarding the amount of any such liquidity fees and when payment is due.

Principal and Sinking Fund Redemption Payments. The Trustee shall on each principal payment date or date established for redemption pursuant to a Sinking Fund Requirement, set aside in the Debt Service Fund the amounts required for paying the principal or satisfying the Sinking Fund Requirements of all Bonds as such principal or Sinking Fund Requirements become due and payable and such amounts shall be applied to the payment of principal or to the satisfaction of Sinking Fund Requirements in accordance with the requirements of the Resolution and any Series Resolution.

Sinking Fund Redemption. Amounts on deposit in the General Receipts Fund prior to being deposited to the Debt Service Fund in satisfaction of Sinking Fund Requirements may be applied as applicable to the purchase of Term Bonds of each Series then Outstanding subject to Sinking Fund Requirements on the next date such payments are scheduled as provided in this paragraph. The Trustee,

upon direction of an Authorized Representative, shall endeavor to purchase Term Bonds or portions of Term Bonds of each Series to be redeemed pursuant to Sinking Fund Requirements for Term Bonds of such Series then Outstanding at a price not to exceed the Redemption Price (plus accrued interest to the date of redemption) which would be payable on the next redemption date to the Owners of such Term Bonds under the provisions of the applicable Series Resolution if such Term Bonds or portions of Term Bonds should be called for redemption on such date; *provided, however*, that subject to applicable law, *notwithstanding* the maximum purchase price set forth in the preceding sentence, if at any time the investment earnings on the moneys in the General Receipts Fund equal to the Sinking Fund Requirements for the next date such payments are scheduled shall be less than the interest accruing on the Term Bonds to be redeemed on such date from such Sinking Fund Requirement then the Trustee may pay a purchase price for any such Term Bond in excess of the Redemption Price which would be payable on the next redemption date to the Owner of such Term Bond under the provisions of the applicable Series Resolution, if an Authorized Representative certifies to the Trustee that the amount paid in excess of said Redemption Price is expected to be less than the interest which is expected to accrue on said Term Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date. The Trustee shall pay the interest accrued on such Term Bonds or portions of Term Bonds to the date of settlement therefor from the General Receipts Fund. *Notwithstanding* the foregoing, no such purchase shall be made by the Trustee after the giving of notice of redemption by the Trustee.

Any purchase or redemption of Bonds shall be made pursuant to the provisions of Article III of the Resolution. Upon the retirement of any Term Bonds by purchase or redemption pursuant to the provisions of the Resolution, the Trustee shall file with the Authority a statement identifying such Bonds and setting forth the date of their purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses in connection with the purchase or redemption of any such Bonds shall be paid by the Trustee from the moneys available for the payment of Expenses or from moneys provided by the Authority.

Redemption Fund

The Trustee shall apply all moneys deposited in the Redemption Fund to the purchase or redemption of Bonds as follows:

(a) The Trustee, upon the direction of an Authorized Representative, shall endeavor to purchase Bonds or portions of Bonds then Outstanding, whether or not such Bonds or portions of such Bonds shall then be subject to redemption, at a price not to exceed the Redemption Price (plus accrued interest to the date of redemption) which would be payable on the next redemption date to the owners of such Bonds if such Bonds or portions of Bonds should be called for redemption on such date from the moneys in the Redemption Fund. Such maximum purchase price may be exceeded in accordance with the terms of the Resolution. The Trustee shall pay the interest accrued on such Bonds to the date of settlement therefor from the Debt Service Fund or the General Receipts Fund and the balance of the purchase price from the Redemption Fund but no such purchase shall be contracted for by the Trustee after the giving of notice by the Trustee that such Bonds have been called for redemption except from moneys in the Redemption Fund other than the moneys set aside for the redemption of such Bonds.

(b) The Trustee, having endeavored to purchase Bonds pursuant to paragraph (a) above, shall call for redemption on the earliest practicable date on which Bonds are subject to redemption from moneys in the Redemption Fund and, with respect to accrued interest on such Bonds payable upon redemption, the Debt Service Fund or General Receipts Fund, such amount (computed on the basis of Redemption Prices) of Bonds as will exhaust the moneys held for the credit of the Redemption Fund as nearly as may be practicable.

Capital Reserve Fund

Moneys held for the credit of the Capital Reserve Fund shall be transferred by the Trustee to the Debt Service Fund pursuant to the Resolution.

Moneys held for the credit of the Capital Reserve Fund as of any date in excess of the Debt Reserve Requirement upon Authority Request shall be transferred to the General Receipts Fund or the Redemption Fund.

A Series Resolution may provide that the Debt Reserve Requirement with respect to the applicable Series of Bonds may be funded through Cash Equivalents. In connection with any discussion in the Resolution of “*moneys*” on deposit in or held for the credit of the Capital Reserve Fund, “*moneys*” shall be deemed to include said Cash Equivalents.

Deficiencies in Debt Service Fund

In the event that amounts in the Debt Service Fund shall be insufficient on any interest payment date or principal payment date to pay the principal of and interest on the Bonds due and unpaid on such date, the Trustee shall withdraw amounts from the following Funds in the following order of priority to the extent necessary to eliminate such deficiency; *provided, however*, that no amounts on deposit in the Redemption Fund shall be used for such purpose to the extent that such amounts have been set aside for the payment of Bonds which are the subject of a binding purchase agreement or have been called for redemption:

- (a) General Receipts Fund;
- (b) Redemption Fund;
- (c) Bond Proceeds Fund (but only if the Authority has received a Counsel’s Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for federal income tax purposes);
- (d) Capital Reserve Fund; and
- (e) Capital Reserve Capital Account.

Moneys Sufficient to Redeem Bonds

Whenever moneys and securities held for the credit of the General Receipts Fund, the Debt Service Fund, the Redemption Fund and the Capital Reserve Fund are sufficient to pay, purchase or redeem the Bonds in whole on the next succeeding interest payment date, the Trustee shall apply such moneys, upon receipt of an Authority Request requesting such application, to the payment, purchase or redemption of the Bonds.

Security for Any and All Money for Deposits; Investment of Moneys

Any and all moneys held by the Trustee under the Resolution, *except* as otherwise expressly provided in the Resolution, shall be held in trust.

Moneys deposited for the credit of the Funds and Accounts under the Resolution shall, as nearly as is practicable, be fully and continuously invested or reinvested by the Trustee upon the direction of an

Authorized Representative (promptly confirmed by delivery of an Authority Request) in Investment Obligations which shall be in such amounts and bear interest at such rates with the objective that sufficient money will be available to pay the interest due on the Bonds and shall mature, or which shall be subject to redemption by the Holder, at the option of the Holder, with the objective that sufficient moneys will be available for the purposes intended.

Investment Obligations purchased as investment of moneys in any Fund or Account shall be deemed at all times to be part of such Fund or Account. Any interest paid on the investment in any Fund or Account (*except* the Rebate Fund) shall be credited to the General Receipts Fund and thereafter treated as Revenues. Any interest paid on the investment of the Rebate Fund shall be credited to the Rebate Fund. Any profit or loss resulting from such investment shall be credited to or charged against such Fund or Account. The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary to do so in order to provide money to meet any payment or transfer from any such Fund or Account. Neither the Trustee nor the Authority shall be liable or responsible for any loss resulting from any such investment.

Administration of the Capital Reserve Fund and the Capital Reserve Capital Account

The Authority shall maintain the Capital Reserve Capital Account in accordance with the provisions of the Act and the Resolution. Moneys and securities held in the Capital Reserve Capital Account shall be used, disbursed and applied only in accordance with the provisions of the Resolution, the Prior Resolution, any other resolutions of the Authority authorizing the issuance of bonds and the Act.

The Authority shall establish and maintain the Capital Reserve Fund in accordance with the provisions of the Act and the Resolution. All moneys and securities held in the Capital Reserve Fund shall be used, disbursed and applied only in accordance with the provisions of the Resolution and for no other purpose. Moneys and securities held in the Capital Reserve Fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of moneys in such Fund to an amount less than the Debt Reserve Requirement except in accordance with the provisions of and for the purposes prescribed by the Resolution.

In order to assure the maintenance of the Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement and in compliance with the requirements of the Act whenever there is a deficiency in the Capital Reserve Fund, the Authority shall transfer to the Capital Reserve Fund from the Capital Reserve Capital Account, an amount equal to the Capital Reserve Fund Requirement. If a deficiency exists in more than one capital reserve fund and the amount in the Capital Reserve Capital Account is not sufficient to fully restore each of the capital reserve funds in which a deficiency exists, the money in the Capital Reserve Capital Account shall be allocated between the deficient capital reserve funds pro rata according to the amounts of the deficiencies. If at any time the Capital Reserve Capital Account has been exhausted and the capital reserve fund requirement for a capital reserve fund exceeds the amount on deposit in the capital reserve fund, the Chairperson of the Authority shall, on or before September 1 of any year, make and deliver to the Governor and Director of the Budget of the State his certificate stating the amount, if any, required to restore the Capital Reserve Fund to the amount of the Capital Reserve Fund Requirement. The Governor and the Budget Director must include such amount in the annual budget but the State has no legally enforceable obligation to appropriate moneys to the Capital Reserve Fund. All moneys received by the Authority from the State pursuant to any such certification shall be deposited in the Capital Reserve Fund.

Moneys in the Capital Reserve Fund, if any, representing amounts to be deposited in the Rebate Fund, shall not be taken into account when determining the amount on deposit in the Capital Reserve Fund for purposes of the three preceding paragraphs.

Tax Covenants

The Authority shall at all times perform the applicable tax covenants contained in any applicable Series Resolution. If applicable and *unless* otherwise provided in the applicable Series Resolution, the Authority shall pay moneys in any Account in the Rebate Fund to mortgagors as required by the Code.

Books and Records

The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and applications of all moneys received by the Trustee under the Resolution, and such books shall be available for inspection by the Authority and any Bondowner during business hours, upon reasonable notice and under reasonable conditions.

On or before the tenth business day of each month the Trustee shall furnish to the Authority a statement of the Authority's revenues and expenditures and of the changes in the balances of its Funds during the previous month.

The Authority shall keep proper books of records and account for all its transactions, other than those recorded in the books maintained by the Trustee described above, and such books shall be available for inspection by the Trustee and any Bondowner during business hours and upon reasonable notice.

Annual Audit and Report

Within one hundred twenty (120) days after the close of each Fiscal Year, the Authority shall file with the Trustee a copy of annual financial statements for such Fiscal Year, accompanied by an Accountant's opinion, setting forth in complete and reasonable detail: (a) its results of operations for the Fiscal Year; and (b) its assets and liabilities at the end of the Fiscal Year, which financial statements shall show on a consolidated basis the balances of the Funds and Accounts established or maintained by the Resolution. A copy of each such financial statement and the Accountant's opinion shall be mailed by the Authority to each Bondowner who shall have filed his name and address with the Authority for such purpose.

Program Covenants

The Authority warrants and covenants (a) that no Mortgage Loan shall be financed by the Authority under the Program unless the Mortgage Loan complies in all respects with the Act in effect on the date of financing and, to the extent applicable, the Authority shall have received the representations and warranties of the Mortgage Lender required by the Resolution and (b) to comply with any additional Program covenants contained in any Series Resolution.

The Mortgage Lender will be required to warrant with respect to each Mortgage Loan that (a) the Mortgage Loan is evidenced by a promissory note and a mortgage document which has been properly recorded and constitutes a valid first lien on the property subject only to real property taxes or assessments not yet due, easements and restrictions which do not materially adversely affect the use or value of the property; and (b) the property financed by the Mortgage Loan is covered by a valid and subsisting insurance policy issued by a company authorized to issue such policies in the State and providing fire and extended coverage in an amount not less than the greater of (i) 80% of the insurable value of the mortgaged property; or (ii) the outstanding principal balance of the Mortgage Loan. Notwithstanding the foregoing, if provided for in a Series Resolution, the Authority may set forth the

terms and conditions under which a Mortgage Loan is not required to be evidenced by a mortgage document that constitutes a first lien on the property as set forth in (a) above.

Events of Default

Each of the following events constitutes an Event of Default under the Resolution:

(a) payment of the principal or Redemption Price of any of the Bonds shall not be made when the same become due and payable either at maturity or by proceedings for redemption or otherwise; or

(b) payment of any installment of interest on any of the Bonds shall not be made when the same shall become due and payable; or

(c) a decree or order for relief is entered by a court having jurisdiction in the premises in respect of the Authority in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or State bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Authority or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for the period of sixty (60) consecutive days; or

(d) the Authority commences a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or State bankruptcy, insolvency or other similar law, or the Authority consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Authority or for any substantial part of its property, or the Authority makes any assignment for the benefit of creditors, or the Authority takes any action in furtherance of any of the foregoing; or

(e) the Authority fails to pay, when due or within any applicable grace period, any amount owing on account of general obligation indebtedness for money borrowed or for deferred purchases of property, or the Authority fails to observe or perform any covenant or undertaking on its part to be observed or performed in any agreement evidencing, securing or relating to such indebtedness, resulting, in any such case, in an event of default or acceleration by the Holder of such indebtedness of the date on which such indebtedness would otherwise be due and payable; or

(f) the Authority defaults in the due and punctual performance of any other covenants or agreements contained in the Bonds or in the Resolution and such default continues for ninety (90) days after written notice requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding; *provided, however*, that so long as following such notice the Authority is diligently taking actions to remedy such default, such default shall not be an Event of Default; or

(g) the Authority fails to adhere to procedures in the Act relating to replenishment of the Capital Reserve Fund as described under "SOURCES OF PAYMENT FOR THE BONDS" in subheadings "Capital Reserve Fund" and "Capital Reserve Capital Account."

Acceleration of Maturity

Upon the happening and continuance of any Event of Default the Trustee may and, subject to the Trustee's right to indemnification, upon the written direction of the owners of not less than 51% in aggregate principal amount of the Bonds then Outstanding, shall, by notice in writing to the Authority, declare the principal of all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately; and upon such declaration the same shall become immediately due and payable, anything contained in the Bonds or in the Resolution to the contrary notwithstanding. The Trustee may, and upon the written request of the owners of not less than 51% in aggregate principal amount of the Bonds not then due and payable and then Outstanding shall, by written notice to the Authority, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Enforcement of Remedies

Upon the happening and continuance of any Event of Default under the Resolution, then and in every such case the Trustee may, and upon the written direction of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, proceed, subject to the right of the Trustee to indemnification, to protect and enforce its rights and the rights of the Bondowners under applicable laws and under the Resolution for the specific performance of any covenant or agreement contained in the Resolution or in aid or execution of any power granted in the Resolution or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution the Trustee shall be entitled to sue for, enforce payment of and recover judgment for, any and all amounts then or after any default becoming, and at any time remaining, due from the Authority for principal, premium, if any, interest or otherwise under any of the provisions of the Resolution or the Bonds and unpaid, with, to the extent permitted by applicable law, interest on overdue payments of principal at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses.

Regardless of the happening of an Event of Default, the Trustee may, and, subject to the right of indemnification, if requested in writing by the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the Pledged Property by any acts which may be unlawful or in violation of the Resolution or of any Series Resolution, or (ii) to preserve or protect the interests of the Bondowners, *provided*, that such request is in accordance with law and the provisions of the Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the owners of Bonds not making such request.

Pro Rata Application of Funds

Anything in the Resolution to the contrary notwithstanding, any time the money in the Funds and Accounts maintained under the Resolution shall not be sufficient to pay the principal of or interest on the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the Resolution) such money, together with any money then available, or thereafter, becoming available for such purpose, shall be applied, following the satisfaction of any payments due to the Trustee, as follows:

(a) If the principal of all the Bonds shall not have become or shall not have been declared due and payable, all such money shall be applied:

First: to the payment to the persons entitled thereto of all installments of interest on Bonds other than subordinated Bonds (*except* interest on overdue principal) then accrued and unpaid in the chronological order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular daily installment, then to the payment, ratably, according to the amounts due on such daily installment, to the persons entitled thereto as owners of Bonds other than subordinated Bonds, without any discrimination or preference *except* as to any difference in the respective rates of interest specified in the Bonds other than subordinated Bonds;

Second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds other than subordinated Bonds which shall have become due and payable (*except* Bonds other than subordinated Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Resolution) in the order of their stated payment dates, with interest on the principal amount of such Bonds other than subordinated Bonds at the respective rates specified therein from the respective dates upon which such Bonds other than subordinated Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Bonds other than subordinated Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, with such payment being made to owners of Bonds other than subordinated Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto as owners of Bonds other than subordinated Bonds, without any discrimination or preference *except* as to any difference in the respective rates of interest specified in the Bonds other than subordinated Bonds;

Third: to the payment of the interest on and the principal of the Bonds other than subordinated Bonds, to the purchase and retirement of Bonds other than subordinated Bonds and to the redemption of Bonds other than subordinated Bonds;

Fourth: to the payment to the persons entitled thereto of interest on subordinated Bonds (*except* interest on overdue principal) then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available shall not be sufficient to pay in full any particular daily installment, then to the payment, ratably, according to the amounts due on such daily installment, to the persons entitled thereto as owners of subordinated Bonds, without any discrimination or preference *except* as to any difference in the respective rates of interest specified in the subordinated Bonds;

Fifth: to the payment to the persons entitled thereto of the unpaid principal of any of the subordinated Bonds which shall have become due and payable (*except* subordinated Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Resolution) in the order of their stated payment dates, with interest on the principal amount of such subordinated Bonds at the respective rates specified therein from the respective dates upon which such subordinated Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the subordinated Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, with such payment being made to owners of subordinated Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto as owners of subordinated Bonds, without any discrimination or

preference *except* as to any difference in the respective rates of interest specified in the subordinated Bonds; and

Sixth: to the payment of the interest on and the principal of the subordinated Bonds, to the purchase and retirement of subordinated Bonds and to the redemption of subordinated Bonds.

(b) If the principal of all the Bonds shall have become or shall have been declared due and payable, all such money shall be applied *first*, to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Bonds which are not subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Bond which is not a subordinated Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference *except* as to the respective rates of interest specified in the Bonds which are not subordinated Bonds, and *second*, to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any subordinated Bond over any other subordinated Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference *except* as to the respective rates of interest specified in the subordinated Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then, subject to (b) above in the event that the principal of all the Bonds shall later become or be declared due and payable, the money remaining in and thereafter accruing to the Debt Service Fund and the Capital Reserve Fund, together with any other money held by the Trustee under the Resolution, shall be applied in accordance with the provisions of (a) above.

Restrictions Upon Actions by Individual Bondowner

No owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Resolution or for the enforcement of any remedy under the Resolution *unless* such owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and *unless* also the owners of not less than 15% in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or to any other remedy under the Resolution; *provided, however*, that *notwithstanding* the foregoing provisions of this paragraph and without complying therewith, the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all owners of Bonds under the Resolution.

Trustee Entitled to Indemnity

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the Resolution, or to enter any appearance or in any way defend in any suit in which it may be named as a defendant, or to take any steps in the execution of the trusts created by the Resolution or in the enforcement of any rights and powers under the Resolution, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Authority shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith.

Compensation and Indemnification of Trustee

Subject to the provisions of any contract between the Authority and the Trustee relating to the compensation of the Trustee, the Authority shall pay, from the Pledged Property, to the Trustee reasonable compensation for all services performed by it under the Resolution and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts created by the Resolution and the performance of its powers and duties under the Resolution, and, from such source only, shall indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution.

Resignation and Removal of Trustee

The Trustee may resign by notice in writing to be given to the Authority and mailed, first class postage prepaid, to all registered owners of Bonds at their addresses as they appear on the registration books kept by the Bond Registrar(s), not less than sixty (60) days before such resignation is to take effect, and such resignation shall take effect immediately upon the appointment of a new Trustee if such new Trustee shall be appointed before the time limited by such notice and shall accept the trust hereof.

The Trustee shall be removed by the Authority if so requested at any time by an instrument in writing filed with the Trustee and the Authority and signed by the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee may also be removed at any time by the Authority, except during an event of default as defined herein for such cause as shall be determined in the sole discretion of the Authority by filing with the Trustee an instrument signed by an Authorized Representative.

No resignation or removal of the Trustee or appointment of a successor Trustee shall become effective until the acceptance of appointment under the Resolution by the successor Trustee.

Appointment of Successor Trustee

If the Trustee shall resign, be removed, be dissolved, or otherwise become incapable of acting under the Resolution or if the position of Trustee becomes vacant for any other reason, then the Authority shall cause notice of such vacancy to be mailed, first class postage prepaid, to all registered owners of Bonds at their addresses as they appear on the registration books kept by the Bond Registrar(s). At any time within one year after any such vacancy shall have occurred, the owners of a majority in principal amount of the Bonds hereby secured and then Outstanding, by an instrument or concurrent instruments in writing, executed by such Bondowners and filed with the Authority, may appoint a successor Trustee, which shall supersede any Trustee theretofore appointed by the Authority. If no appointment of a

successor Trustee shall be made pursuant to the foregoing provisions within ten (10) days after the vacancy shall have occurred, the owner of any Bond Outstanding under the Resolution or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribed, appoint a successor Trustee. Any successor Trustee shall be a bank or trust company having its principal corporate trust office in the State duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, of good standing, and having at the time of its appointment either a combined capital and surplus aggregate of not less than \$75,000,000 or trust assets of at least \$500 million, as shown on its most recently published report of its financial condition.

Mortgage Loans in Certificated Form

A Mortgage Loan which is an instrument evidencing an ownership interest in mortgage loans shall, if such instrument is in certificated form, be registered in the name of and held by the Trustee. If such certificated Mortgage Loans are in book-entry form, the Trustee must have a first perfected security interest in such certificated Mortgage Loans. If payment with respect to any such certificated Mortgage Loans is not received by the date scheduled for receipt of such payment, the Trustee shall promptly notify the relevant paying agent of such nonpayment.

Supplemental Resolutions

The Authority, without obtaining the consent of the owners of the Bonds, may from time to time and at any time, adopt such Supplemental Resolutions as shall not be inconsistent with the terms and provisions of the Resolution:

- (a) to cure any ambiguity or defect or omission in the Resolution; or
- (b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondowners or the Trustee; or
- (c) to include as pledged revenues or money under, and subject to the provisions of, the Resolution any additional revenues or money legally available therefor; or
- (d) to cure any ambiguity, to correct or supplement any provision of the Resolution which may be inconsistent with any provision of the Resolution or to make any other provisions with respect to matters or questions arising under the Resolution which shall not be inconsistent with the provisions thereof, *provided* such action shall not materially adversely affect the interests of the Bondowners; or
- (e) to add to the covenants and agreements of the Authority in the Resolution other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power in the Resolution reserved to or conferred upon the Authority; or
- (f) to add provisions relating to coupon Bonds or Bonds issued with book-entry delivery; or
- (g) to modify any of the provisions of the Resolution in any respect whatever; *provided, however,* that either (i) such modification shall apply only to Series of Bonds issued after the effective date of the Supplemental Resolution and shall not materially adversely affect the interests of the owners of Bonds of any Series Outstanding on the effective date of the Supplemental Resolution or (ii) (a) such modification shall be effective only after all Bonds then Outstanding shall cease to be Outstanding, and (b) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any

Series authenticated and delivered after the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; or

(h) to modify, amend or supplement the Resolution or any Supplemental Resolution in such manner as to permit, if presented, the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state Blue Sky Law; or

(i) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, *provided* that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution; or

(j) to add to the definition of Investment Obligations pursuant to the last proviso of the definition thereof; or

(k) to modify, amend or supplement the Resolution or any Supplemental Resolution in such manner as to permit a trustee (other than the Trustee) with respect to any subordinated Bonds issued under the Resolution; or

(l) to make any other change which, in the judgment of the Trustee, does not materially adversely affect the interests of the Bondowners.

The Owners of (i) not less than 51% in aggregate principal amount of the Bonds then Outstanding; (ii) if less than all of the Bonds then Outstanding are affected, greater than 50% in principal amount of Bonds so affected then Outstanding; and (iii) in case the terms of any Sinking Fund Requirements are changed, greater than 50% in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Requirements and then Outstanding shall have the right, from time to time, anything contained in the Resolution to the contrary *notwithstanding*, to consent to and approve the adoption by the Authority and the Trustee of such supplemental resolution or resolutions as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to, repealing or rescinding, in any particular, any of the terms or provisions contained in the Resolution or in any Supplemental Resolution; *provided, however*, no Supplemental Resolution shall permit, or be construed as permitting, any of the following without the consent of all of the adversely affected Bondowners: (a) change in the terms of redemption or of the maturity of the principal of or the interest on any Bonds; or (b) a reduction in the principal amount or redemption premium of any Bond or the rate of interest on any Bond; or (c) the creation of a lien upon or pledge of the Revenues, or any part thereof, other than the lien and pledge created by the Resolution, or a lien or pledge permitted under the Resolution; or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, *except* as may be permitted by the applicable Series Resolution(s); or (e) a reduction in the aggregate principal amount or classes of the Bonds required for consent to such Supplemental Resolution; or (f) the provisions regarding the sale of Mortgage Loans described in the last paragraph of the subheading "Sources of Payment for the Bonds – Cash Flow Statements" herein. A Series shall be deemed to be affected by a modification or amendment of the Resolution or a Supplemental Resolution if the same adversely affects or diminishes the rights of the Owner of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series and maturity would be affected by any modification or amendment of the Resolution or a Supplemental Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds.

Notice of any proposed Supplemental Resolution to be effective with consent of Bondowners will be mailed to all Bondowners.

Whenever, at any time after the giving of such notice, the Authority shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the owners of not less than fifty-one percent (51%) in aggregate principal amount of the affected Bonds then Outstanding, or other document evidencing such consent, which instrument, instruments or other document shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee may perform its duties under such Supplemental Resolution in substantially such form, without liability or responsibility to any Bondowner, whether or not such Bondowner shall have consented thereto.

Defeasance

If, when the Bonds secured by the Resolution shall have become due and payable in accordance with their terms or otherwise as provided in the Resolution, or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Authority to the Trustee, and the whole amount of the principal of, Redemption Price, and the interest on all of the Bonds then Outstanding shall be paid or the Trustee shall hold money or Government Obligations or shall hold money and Government Obligations sufficient to pay the principal of, Redemption Price, and interest on all Outstanding Bonds on their respective interest payment, stated maturity or prescribed redemption dates, *provided* that such Government Obligations shall be in such amount that the principal of and the interest on such Government Obligations so held by the Trustee, when due and payable, will provide sufficient money which, with any and all other money held by the Trustee for such purpose under the provisions of the Resolution, shall be sufficient to pay such principal of, Redemption Price, and the interest on such Bonds and, if sufficient funds shall also have been provided for paying all other obligations payable under the Resolution by the Authority, then and in that case, the right, title and interest of the Trustee under the Resolution shall thereupon cease, terminate and become void, and the Trustee in such case, on demand of the Authority, shall release the Resolution and shall release the security and shall execute such documents to evidence such release as may be reasonably required by the Authority, and shall turn over to the Authority or to such officer, board or body as may then be entitled to receive the same, all the remaining property held by the Trustee under the Resolution. Otherwise, the Resolution shall be, continue and remain in full force and effect; *provided, however*, that in the event money or Government Obligations shall be deposited with and held by the Trustee as hereinabove described, applicable provisions of the Resolution pertaining to the payment of the principal and Redemption Price of, or interest on the Bonds issued under the Resolution and other obligations payable hereunder by the Authority, shall be continued in force until such Bonds and other obligations have been fully paid.

All money and Government Obligations held by the Trustee pursuant to the defeasance provisions of the Resolution shall be held in trust exclusively for and applied to the payment, when due, of the Bonds payable therewith.

MORTGAGE INSURANCE AND MORTGAGE LOAN MODIFICATION PROGRAMS

Introduction

This Exhibit F describes the federal insurance and guarantees and private mortgage insurance which cover or will cover, as applicable, Prior Bonds Mortgage Loans and Offered Bonds Mortgage Loans (collectively, the “*Bond Financed Mortgage Loans*”). In addition, this Exhibit F sets forth information regarding certain mortgage loan modification programs of the FHA, VA and RHS and of the Authority. This Exhibit F also provides certain information regarding repair of foreclosed property.

Such description is intended only as a brief description and does not purport to summarize or describe all of the provisions of such programs and insurance. Reference is made to applicable statutes, regulations and agreements for more detailed information regarding FHA, VA and RHS program(s), and this summary is qualified in its entirety by reference to such statutes, regulations and agreements. Reference is also made to the regulations, insurance contracts and other information of the various private mortgage insurance companies (each a “*Mortgage Insurer*”).

Each Bond Financed Mortgage Loan is or will be, as applicable, insured by FHA or a private mortgage insurance company or guaranteed by VA or by RHS, unless such Mortgage Loan is exempt from the requirement for such insurance or guaranty. See “The Program – Mortgage Loan Characteristics – General” in the forepart of this Official Statement for information concerning when Mortgage Loans are exempt from such requirements. Mortgage Loans financed from the proceeds of additional series of Bonds will be the subject of mortgage insurance or guarantees to the extent (if any) provided in the series resolution authorizing such series.

Prior to the closing of a Bond Financed Mortgage Loan (or, in the case of a government loan, prior to purchase of the loan by the Authority) for which insurance or a guaranty is required, the Mortgage Lender is required to submit an application to FHA or VA or to RHS or the Mortgage Insurer for mortgage insurance or guaranty in connection with such Bond Financed Mortgage Loan. FHA, VA, RHS or the Mortgage Insurer will review the application and, in its discretion, either (i) approve the Bond Financed Mortgage Loan for mortgage insurance or guaranty and issue to the Authority a commitment/certificate of insurance or guaranty so stating or (ii) reject the application. If FHA, VA, RHS or the Mortgage Insurer rejects the application, the Mortgage Lender is not authorized to close the Bond Financed Mortgage Loan. Alternatively, if FHA, VA, RHS or the Mortgage Insurer issues a commitment/certificate of insurance or guaranty, the Mortgage Lender is required to transmit to FHA, VA, RHS or the Mortgage Insurer the initial premium payable no later than ten calendar days after the closing of the Bond Financed Mortgage Loan. Upon receipt of the premium by FHA, VA, RHS or the Mortgage Insurer, the Bond Financed Mortgage Loan will be covered by mortgage insurance or guaranty, effective as of the date of the closing of such Bond Financed Mortgage Loan and subject to the terms of the applicable policy or guaranty. Should the Mortgage Lender fail to provide the appropriate insurance or guarantee within 90 days of closing the Bond Financed Mortgage Loan, the Authority will require the Mortgage Lender to repurchase the Bond Financed Mortgage Loan.

The payments the Authority receives under the terms of the respective insurance or guaranty programs are affected by the physical condition of the foreclosed property. In many instances, the property financed by a Bond Financed Mortgage Loan that is the subject of a foreclosure process has been damaged through neglect or vandalism. In order to receive payment under FHA insurance, the property must be restored to “marketable” condition. Under some circumstances, the Authority may determine not

to repair the property if it believes that the costs of the repairs exceed the payment that would be received from FHA insurance. For Bond Financed Mortgage Loans without insurance or guaranty, or that have private mortgage insurance or VA or RHS guaranties, the Authority may elect to repair damage to the foreclosed property if it expects that the proceeds of a sale of the property as repaired will be greater than the proceeds of the sale of the property without repairs. In all circumstances, the Authority is responsible for securing the foreclosed property and for maintaining the property once it is under the Authority's control.

Private Mortgage Insurance Policy

Unless insured by FHA or guaranteed by the VA or RHS, Bond Financed Mortgage Loans not exempt from insurance and guaranty requirements are or will be insured, as applicable, under private mortgage insurance policies to the extent described under “The Program – Mortgage Loan Characteristics.”

Bond Financed Mortgage Loans with private primary mortgage insurance that were financed with Bonds issued prior to the 1998 Series B and C Bonds are required to be insured under such private primary mortgage insurance policies to at least the following extent:

Initial Loan-to-Value Ratio	<u>Requirement</u>
96-97%	28%
91-95	25
81-90	20
72-80	12
below 72	0

Bond Financed Mortgage Loans with private primary mortgage insurance that were financed with proceeds of the 1998 Series B and C Bonds or Bonds issued subsequent to the 1998 Series B and C Bonds but prior to the 2014 Series A Bonds, are required to be insured under such private primary mortgage insurance policies to at least the following extent:

Initial Loan-to-Value Ratio	<u>Requirement</u>
97.1-103%	35%
95.1-97	28
90.1-95	25
80.1-90	20
80 or below	0

Bond Financed Mortgage Loans with private primary mortgage insurance that were financed with proceeds of the 2014 Series A Bonds or Bonds issued subsequent to the 2014 Series A Bonds but prior to the 2017 Series AB Bonds or other available moneys of the Authority are required to be insured under such private primary mortgage insurance policies to at least the following extent:

Initial Loan-to-Value Ratio	<u>Requirement</u>
95.1-97%	35%
90.1-95	30
85.1-90	25
80.1-85	12
80 or below	0

Bond Financed Mortgage Loans with private primary mortgage insurance that were or are to be financed with proceeds of the 2017 Series AB Bonds or Bonds issued subsequent to the 2017 Series AB Bonds or other available moneys of the Authority are required to be insured under such private primary mortgage insurance policies to at least the following extent:

Initial Loan-to-Value Ratio	<u>Requirement</u>
95.1-97%	18%
90.1-95	16
85.1-90	12
80.1-85	6
80 or below	0

The Authority makes no representation as to the financial condition or resources of any of the Mortgage Insurers. The following discussion pertains to all Bond Financed Mortgage Loans for which private mortgage insurance is acquired.

Term of policies. A private mortgage insurance policy eligible under the Authority’s Single-Family Mortgage Revenue Bond Program will typically provide that proceedings to vest title to the mortgaged property in the Authority must be instituted against the mortgagor when the mortgagor has failed to pay the total aggregate amount of monthly payments due under the terms of the Bond Financed Mortgage Loan for a specified number of months, unless the Authority obtains a voluntary conveyance of title to the mortgaged property from the mortgagor. Subject to the coverage of the policy, the amount of benefits payable to the Authority pursuant to the policy will be limited to the principal balance due on the Bond Financed Mortgage Loan, accumulated interest computed through the date of tender of good and merchantable title to the mortgaged premises by the mortgage holder to the Mortgage Insurer, real estate taxes and hazard insurance premiums necessarily paid by the Authority, expenses necessarily incurred by the Authority in preservation of the property, and all other necessary expenses of the proceedings to vest title in the Authority, together with reasonable attorneys’ fees. These benefits are payable within 60 days of the filing by the Authority of a claim with the Mortgage Insurer, which claim must be accompanied by tender to the Mortgage Insurer of good and merchantable title to the mortgaged property. As a prerequisite for the payment of such benefits, the Authority must (if necessary) cause the mortgaged property to be restored to its condition at the time of issuance of the private mortgage insurance policy, reasonable wear and tear excepted. Upon presentation of a claim by the Authority, the Mortgage Insurer will have the option of paying the claim in full and taking title to the property or of paying the insured per centum of the claim and allowing the Authority to retain title to the property.

See “—Mortgage Loan Modification Programs” below.

FHA Mortgage Insurance Programs

The United States Department of Housing and Urban Development (“*HUD*”), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various Federal programs authorized under the National Housing Act of 1934, as amended (the “*Housing Act*”). The Housing Act authorizes various FHA mortgage insurance programs. Bond Financed Mortgage Loans which are insured by FHA may have a loan-to-value ratio equal to the maximum acceptable to the Secretary of HUD. The regulations governing all of the FHA programs under which the Authority’s mortgages are insured provide that insurance benefits are payable either upon foreclosure (or other acquisition of possession after default) and conveyance of the mortgaged premises to HUD. HUD may accept an assignment of any mortgage conveying a one-to-four family residence when certain conditions are met, including that the mortgagee notify the mortgagor of intent to foreclose, that at least three full monthly installments due on the mortgage are unpaid, and that the mortgagee has modified the mortgage, in part, to provide for mortgage payments within the reasonable ability of the mortgagor to pay and an interest rate not exceeding current market rates.

HUD has the option at its discretion to pay insurance claims in cash, in debentures or in a combination of both. *However*, insurance payments on mortgages covering fewer than five dwelling units where the mortgage is insured in connection with the repair, rehabilitation, construction or purchase of property in older, declining urban areas is required to be in cash, *unless* the mortgagee files a written request for payment in debentures.

The regulations provide that HUD debentures issued in satisfaction of FHA insurance claims bear interest from the date of issue at the HUD debenture interest rate in effect under HUD regulations on the day the mortgage insurance commitment was issued or as of the date the mortgage was endorsed for insurance, whichever rate is higher, payable semiannually on the first day of January and the first day of July of each year. The HUD debenture interest rates applicable to the FHA-insured mortgage loans which the Authority may acquire could be lower than the interest rates of such mortgages.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the amount of insurance benefits generally paid by HUD is equal to the unpaid principal amount of the mortgage loan on the date of such institution of foreclosure proceedings (or other acquisition of possession). The amount of insurance benefits generally paid by FHA is adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it, foreclosure costs or costs of acquiring the property paid by the mortgagee in an amount not to exceed two-thirds of the mortgagee’s foreclosure costs or \$75, whichever is greater, and to deduct certain amounts received or retained by the mortgagee after default. In addition, the mortgagee may be entitled to an allowance for unpaid mortgage interest on the insured principal amount *provided* that the mortgagor has failed to meet the requirements of a forbearance agreement entered into pursuant to HUD regulations and such failure continued for a period of 60 days (the mortgage holder generally is not compensated for mortgage interest accrued and unpaid prior to that date). Where the foreclosure involves a mortgage insured on or after February 1, 1998, or a mortgage executed in connection with the sale of property on or after such date, then the mortgagee is reimbursed for a percentage of the costs of foreclosure or costs of otherwise acquiring the property. Where the foreclosure involves a mortgage sold on or after August 1, 1969, or a mortgage executed in connection with a sale of property on or after such date, the mortgagee shall be reimbursed for certain extra costs incurred in the foreclosure. When entitlement to insurance benefits results from assignment of the mortgage loan to HUD, the insurance payment includes the unpaid principal balance of the loan at the time of assignment plus, among other things, any accrued and unpaid mortgage interest.

Except as otherwise provided in HUD regulations, when property is to be conveyed to HUD or subject to a mortgage to be assigned to HUD has been damaged by fire, earthquake, flood, tornado, hurricane, or, for mortgages insured on or after January 1, 1977, the property has suffered damage because of the mortgagee's failure to take required action, the damage is required to be repaired prior to such conveyance or assignment.

See “—Mortgage Loan Modification Programs” below for a description of certain variations to the information above.

VA Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the veteran's spouse) to obtain a mortgage loan guaranty from VA covering mortgage financing of the purchase or construction of a one-to-four family dwelling unit at interest rates permitted by VA. The program has no preset mortgage loan limits (although Mortgage Loan limits set by the Authority are applicable), requires no down payment from the purchaser and permits the guaranty of mortgage loans of up to 30 years' duration. Under this program, the maximum VA guaranty on a loan has varied based upon applicable law at the time the loan was originated. Examples of prior guaranty amounts include (i) the lesser of the veteran's available entitlement (a maximum of \$36,000, or if the original loan amount exceeds \$144,000, 25% of the applicable “maximum guaranty amount”) or (1) 50% of the original loan amount if such amount does not exceed \$45,000, (2) \$22,500 if the original loan amount is greater than \$45,000 but not more than \$56,250, (3) the lesser of \$36,000 or 40% of the original loan amount if such amount is greater than \$56,250 but not more than \$144,000, or (4) if the original loan amount is in excess of \$144,000 the lesser of \$60,000 or 25% of the original loan amount, and (ii) pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans Benefits Improvement Act of 2008, the “maximum guaranty amount” for loans originated from July 30, 2008 through December 31, 2011 is 25% of the greater of: (a) the Freddie Mac conforming loan limit as adjusted, and (b) 125% of the area median price for a single family residence, but in no case to exceed 175% of the Freddie Mac conforming loan limit as adjusted. The Blue Water Navy Vietnam Veterans Act of 2019 changed the way the VA guaranty is calculated for most loans closed on or after January 1, 2020 for purchase, refinance, and construction loans above \$144,000. Specifically, for veterans with full entitlement, the maximum guaranty amount is 25% of any loan amount above \$144,000, regardless of the county loan limit. However, for veterans with partial entitlement, the maximum amount of guaranty for a loan above \$144,000 may not exceed the lesser of 25% of the loan amount or 25% of the county loan limit minus the amount of entitlement previously used and not restored. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of indebtedness, *but* in no event will the amount payable on the guaranty exceed the amount of the original guaranty, except to the extent that the guaranteed amount was increased in a modification. *Notwithstanding* the dollar and per centum limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged property is greater than the original guaranty as adjusted. In the event of a default in the payment of a VA loan, *but* prior to a suit or foreclosure, the VA may, at its option, pay to a mortgage holder the unpaid balance of the obligation plus accrued interest and receive an assignment of the loan and security.

See “—Mortgage Loan Modification Programs” below.

Rural Housing Service Guaranteed Rural Housing Loan Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the RHS interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the RHS Guaranteed Rural Housing Loan program. The RHS guarantee covers

qualified rural housing loans made to low and moderate income homebuyers and includes a payment assistance feature for low-income borrowers.

The RHS Guaranteed Rural Housing Loan program will be limited to only certain rural areas of the State designated by the director of RHS programs within the State office area. The RHS Mortgage Loans will conform to the same maximum annual income limits and purchase price limits as all other Bond Financed Mortgage Loans.

RHS guarantees the lesser of any loss equal to 100% of the actual principal amount loaned or any loss sustained by the Lender up to 35% of the principal amount actually advanced to a borrower plus 85% of any additional loss on the remaining 65% of the principal amount actually advanced to a borrower. Households with annual income of 80% of the area median income or less qualify for payment assistance, in addition to the loan guaranty.

The RHS-guaranteed loan can be for an amount up to the full market value of the home (or 90% of such value if the home is newly constructed, and was not inspected by the Authority during construction and is not covered by a warranty meeting RHS requirements) and can have a maximum term of 30 years.

RHS emphasizes the importance of state housing finance agencies in carrying out the program in the rural areas served by RHS. The Authority is an eligible lender, as defined by the RHS program, and therefore is eligible to process and submit to RHS for approval proposed RHS Mortgage Loans as a direct lender.

See “—Mortgage Loan Modification Programs” below.

Mortgage Loan Modification Programs

The possibility for loan modifications has always been a part of the servicing of Mortgage Loans. Although the Authority is unable to predict whether a modified mortgage loan will become and remain a performing loan, in its experience, modified mortgage loans frequently become delinquent again.

On July 23, 2021, FHA established the COVID-19 Recovery Loss Mitigation Options to target a 25% reduction to the principal and interest portion of a borrower’s monthly mortgage payment. Due to the COVID-19 pandemic, the Authority experienced an increase in the execution of forbearance agreements by borrowers. As these borrowers reached the expiration of their forbearance agreements, many of them chose mortgage modifications in an effort to remain in their homes. Two of the primary options to achieve the 25% reduction are mortgage interest rate reduction and recasting the amortization over a new 30-year term. Both options result in cash flow pressure to the Authority’s single-family mortgage loan portfolios. On March 1, 2022, \$77.7 million of Single-Family Mortgage Revenue Bond mortgage loans were modified utilizing an interest rate reduction and a new 30-year amortization; \$69.0 million of such loans are FHA-insured. HUD Mortgagee Letter 2022-07 (the “*HUD Mortgagee Letter*”), issued April 18, 2022, provides an exemption from the interest rate reduction and new mortgage amortization for housing finance agencies that service mortgages funded in connection with mortgage revenue bonds. The Authority, as such a housing finance agency, has availed itself of the stated exemption in accordance with the HUD Mortgagee Letter.

The Authority expects to continue to participate in programs that facilitate the refinancing or restructuring of eligible FHA-insured, VA-guaranteed, RHS-guaranteed, and conventional single-family mortgage loans in its portfolio. Refinancing and restructuring programs could result in substantial prepayments of mortgage loans, including the Mortgage Loans financed under the Program. Such

prepayments may have the effect of reducing the outstanding principal balance of the Authority's single family loan portfolio and thereby adversely affect the Authority's revenues. The failure to receive full payment of the principal balance on any of the Authority's mortgage loans in connection with any such refinancing and restructuring could result in losses on such mortgage loans and would have an adverse impact on the Authority's revenues. No assurance can be given as to whether or not any federal or State legislation or regulations will be enacted or promulgated or as to the impact on the Authority's revenues.

Also see "The Program – Other Loan Programs and Potential New Programs – Mortgage Loan Refinancing Program under Consideration" in the forepart of this Official Statement.

Foreclosure Proceedings

In the event of a default by a mortgagor in the payment of any Mortgage Repayments, or a mortgagor's default in the performance or observance of any covenant or agreement contained in a mortgage securing a Mortgage Loan, and after the expiration of any applicable grace period, the Authority shall be entitled, in addition to other procedures and remedies available to the Authority, to commence foreclosure proceedings. The Authority may pursue foreclosure proceedings either through a judicial foreclosure or through foreclosure by advertisement. Because a foreclosure by advertisement is more expeditious than a judicial foreclosure, the Authority would most likely use foreclosure by advertisement in all foreclosures. The provisions of law governing such proceedings are contained in the Act.

Under the Act, the circuit courts of the State have the power to order a sale of a Residence which is the subject of a mortgage in order to discharge the amount due on the related Mortgage Loan, plus costs. If the complaint for foreclosure is uncontested, the circuit court may enter an order that the Residence be sold no sooner than six months after the filing of the complaint for foreclosure. If, after a judgment of sale is entered against a mortgagor, the mortgagor brings into court the principal and interest due, with costs, the proceedings in the foreclosure action shall be stayed; but the circuit court shall enter a judgment of foreclosure and sale to be enforced by a further order of the circuit court upon a subsequent default by such mortgagor. All sales pursuant to a foreclosure proceeding by the Authority shall be public. In any such public sale, the Authority would normally bid up to approximately the principal amount of the unpaid Mortgage Loan plus approved costs. The mortgagor or any person lawfully claiming from or under the mortgagor may redeem the Residence by paying, within six months from the time of the foreclosure sale, the sum which was bid together with interest thereon at the rate of interest borne by the Mortgage Loan. Accordingly, the Authority may not transfer title to the Residence to the Mortgage Insurer until expiration of such six-month period.

Every mortgage held by the Authority which contains a power of sale may be foreclosed by advertisement instead of a judicial proceeding as described above. In any such case, however, the Authority would give up its right to a deficiency judgment against the mortgagor. Notice that a mortgage will be foreclosed by a sale under this method must be published for four successive weeks in a newspaper in the county where the Residence is situated. The notice of sale must comply with the reporting requirements set forth in the Act. The sale must be a public sale and be made in the same manner as a sale pursuant to a judicial foreclosure. The sale may be adjourned from time to time by the person appointed to make such sale at the request of the Authority. The officer or person making the sale shall execute a deed in the same manner as required by a judicial foreclosure and, subject to the right of redemption within a period of up to one year, such deed shall become effective in the same manner as provided in the proceedings for judicial foreclosure.

Recent Developments

Legislation affecting the Bonds, the Authority's multi-family mortgage loans and the Authority's other single-family mortgage loans may be considered and enacted by the United State Congress or the State Legislature. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "*Dodd-Frank Act*"), which contains consumer protection provisions affecting the Program, was signed into law. Included in the Dodd-Frank Act are provisions that: (i) establish the Consumer Financial Protection Bureau (the "*CFPB*") within the Federal Reserve with broad authority to protect consumers from unfair or deceptive financial products, acts or practices and reassign to the CFPB responsibility for enforcement of the major federal consumer protection laws, and (ii) establish loan origination restrictions intended to protect borrowers.

The Authority cannot predict whether the aforementioned, or future, legislation or program will affect the Authority's receipt of Revenues from Mortgage Loans. The Authority also cannot predict whether mortgage insurance would cover any loses sustained by the Authority as a result of any current, or future, legislation or program.

In recent years, a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress may pass additional consumer protection and bankruptcy legislation (including legislation that would allow bankruptcy courts to reduce or "cram down" the principal amounts and/or interest rates on mortgage loans on principal residences) as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the State Legislature may enact additional consumer protection legislation relating to mortgage loan origination and servicing. Such legislation, if enacted, could have an adverse effect on the Program, including its ability to originate new Mortgage Loans, to collect payments under originated Mortgage Loans and to foreclose on property securing such Mortgage Loans.

In recent years, a number of regulatory authorities and state attorneys general have taken action against certain loan originators and servicers for alleged violations of laws. Certain of those actions, among other things, prohibit those servicers from pursuing foreclosure actions or revamp their procedures regarding delinquencies and foreclosures. In response to alleged abusive lending and serving practices, the State could enact legislation or implement regulatory requirements that impose limitations on the ability of the Authority to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of Mortgage Loans. Any such limitation that applied to the Authority's Mortgage Loans could adversely affect the Authority's ability to collect amounts due on such Mortgage Loans and could impair the value of such loans.

CONTINUING DISCLOSURE UNDERTAKING

(The Offered Bonds will be “Subject Bonds” under the Continuing Disclosure Undertaking.)

**SECOND MASTER CONTINUING DISCLOSURE UNDERTAKING
SINGLE-FAMILY MORTGAGE REVENUE BONDS**

This Second Master Continuing Disclosure Undertaking (the “*Undertaking*”), dated as of April 1, 2019, is executed and delivered in connection with the issuance or remarketing, now or in the future, of Bonds (the “*Bonds*”) issued pursuant to the General Resolution of the Authority Authorizing The Issuance of Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, adopted by the Authority on December 17, 1987, as supplemented on January 28, 1988, October 12, 1995, May 24, 2006 and January 30, 2007 (the “*General Resolution*”), but this Undertaking applies only to those Bonds which are expressly made subject to this Undertaking in a Series Resolution of the Authority authorizing the issuance of such Bonds or in a certificate of an Authorized Officer of the Authority delivered to the Trustee (collectively, the “*Subject Bonds*”).

The Michigan State Housing Development Authority (the “*Authority*”) covenants and agrees as follows:

I.

DEFINITIONS

Section 1. *Definitions.* Any capitalized terms not otherwise defined in this Undertaking shall have the respective meanings set forth in the General Resolution. The following terms used in this Undertaking shall have the following respective meanings:

(a) “*Annual Financial Information*” means, collectively, (1) financial information or operating data applicable to Subject Bonds and applicable to the Authority’s then most recent Fiscal Year of the types included in Exhibit B of the Official Statement entitled “Certain Authority Financial Information and Operating Data,” plus any additional information with respect to a particular Series of Bonds which may be set forth in a supplement to this Undertaking, and (2) the information regarding amendments to this Undertaking required pursuant to Sections 4.2(c) and (d) of this Undertaking. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (1) of this definition of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(b) “*Audited Financial Statements*” means annual financial statements, if any, of the Authority, audited by such auditor as shall then be required or permitted by State law or the General Resolution. Audited Financial Statements shall be prepared in accordance with GAAP applied on a consistent basis; *provided, however*, that the Authority may from time to time, in accordance with generally accepted accounting principles and subject to applicable federal or State legal requirements, modify the basis upon which its financial statements are prepared.

(c) “*Beneficial Owner*” means a beneficial owner of Subject Bonds, as determined pursuant to the Rule.

(d) “*Fiscal Year*” means that period established by the Authority with respect to which its Audited Financial Statements or Unaudited Financial Statements, as applicable, are prepared. As of the date of this Undertaking, the Authority’s Fiscal Year begins on July 1 and ends on June 30 of the next calendar year.

(e) “*GAAP*” means generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

(f) “*Holder*” means the registered owners of the Subject Bonds.

(g) “*Listed Event*” means any of the following events with respect to the Subject Bonds:

- i. principal and interest payment delinquencies;
- ii. non-payment related defaults, if material;
- iii. unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. unscheduled draws on credit enhancements reflecting financial difficulties;
- v. substitution of credit or liquidity providers, or their failure to perform;
- vi. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of any Subject Bonds, or other material events affecting the tax status of any Subject Bonds;
- vii. modifications to rights of Holders, if material;
- viii. Subject Bond calls, if material, and tender offers;
- ix. defeasances;
- x. release, substitution, or sale of property securing repayment of the Subject Bonds, if material;
- xi. rating changes;
- xii. bankruptcy, insolvency, receivership or similar event of the Authority;

- xiii. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- xiv. appointment of a successor or additional trustee or the change of name of a trustee, if material;
- xv. incurrence of a financial obligation, as defined in the Rule, of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material; or
- xvi. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of financial obligation of the Authority, any of which reflect financial difficulties.

For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority 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 Authority, 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, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(h) “*MSRB*” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the function of the MSRB contemplated by this Undertaking.

(i) “*Notice*” means written notice, sent for overnight delivery via the United States Postal Service or a private delivery service which provides evidence of delivery.

(j) “*Notice Address*” means with respect to the Authority:

Michigan State Housing Development Authority
735 East Michigan Avenue
Lansing, Michigan 48909
Attention: Executive Director

(k) “*Official Statement*” means the offering document of the Authority, dated March 14, 2019, with respect to its Single-Family Mortgage Revenue Bonds, 2019 Series A.

(l) “*Required Event Notice*” means written or electronic notice of a Listed Event.

(m) “*Rule*” means the applicable provisions of Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Undertaking, including any official interpretation thereof.

- (n) “SEC” means the United States Securities and Exchange Commission.
- (o) “Securities Counsel” means legal counsel expert in federal securities law.
- (p) “Series of Bonds” means one or more series of Bonds issued pursuant to the General Resolution.
- (q) “State” means the State of Michigan.
- (r) “Trustee” means U.S. Bank National Association as the Trustee under the General Resolution or any successor thereto.
- (s) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.
- (t) “Underwriters” means the respective underwriters in connection with the offering of a Series of Bonds which are Subject Bonds.

II.

THE UNDERTAKING

Section 1. *Purpose.* This Undertaking shall constitute a written undertaking for the benefit of the Holders and the Beneficial Owners, and is being executed and delivered solely to assist Underwriters in complying with subsection (b)(5) of the Rule.

Section 2. *Annual Financial Information.*

(a) The Authority shall provide Annual Financial Information with respect to each Fiscal Year to the MSRB, by no later than 180 days after the end of such Fiscal Year.

(b) The Authority shall provide, in a timely manner, notice of any failure by it to provide Annual Financial Information by the date required by Section 2.2(a) hereof to the MSRB, with a copy to the Trustee.

Section 3. *Audited Financial Statements.* If not provided as part of Annual Financial Information by the date required by Section 2.2(a) hereof, the Authority shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 4. *Required Event Notice.* The Authority shall provide, in a timely manner not in excess of ten business days after the occurrence of the respective Listed Event, a Required Event Notice to the MSRB, with a copy to the Trustee.

Section 5. *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Required Event Notice, in addition to that which is required by this Undertaking. If the Authority chooses to include any information in any Annual Financial Information or Required Event Notice in addition to that which is specifically required by this Undertaking, the Authority shall

have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information or Required Event Notice.

III.

OPERATING RULES

Section 1. *Fiscal Year.* Annual Financial Information shall be provided at least annually, *notwithstanding* any Fiscal Year longer than 12 calendar months. The Authority shall promptly notify the Trustee and the MSRB of each change in its Fiscal Year.

Section 2. *Incorporation by Reference.* It shall be sufficient for purposes of Section 2.2 hereof if the Authority provides Annual Financial Information by specific reference to documents previously either (i) available to the public on the MSRB Internet Web site or (ii) filed with the SEC.

Section 3. *Submission of Information.* Annual Financial Information may be provided in one document or a set of documents, and at one time or in part from time to time.

Section 4. *Transmission of Information and Notices.* Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

IV.

TERMINATION, AMENDMENT AND ENFORCEMENT

Section 1. *Termination.*

(a) The Authority's obligations under this Undertaking with respect to Subject Bonds shall terminate upon the legal defeasance pursuant to the General Resolution, prior redemption, or payment in full of all of the Subject Bonds. The Authority shall give notice of any such termination to the MSRB.

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Authority (1) delivers to the Trustee an opinion of Securities Counsel, addressed to the Authority and the Trustee, to the effect that those portions of the Rule which require the provisions of this Undertaking, or any of such provisions, do not or no longer apply to the Subject Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers notice to such effect to the MSRB.

Section 2. *Amendment.*

(a) This Undertaking may be amended and any provision of this Undertaking may be waived, without the consent of the Holders or Beneficial Owners, except to the extent required pursuant to subclause (ii) below, if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or

a change in the identity, nature or status of the Authority or the type of business conducted thereby, (2) this Undertaking as so amended or waived could have complied with the requirements of the Rule as of the date of each primary offering of Subject Bonds affected by such amendment or waiver, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Authority shall have delivered to the Trustee an opinion of Securities Counsel, addressed to the Authority and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) a party unaffiliated with the Authority (such as the Trustee or bond counsel), acceptable to the Authority and the Trustee, has determined that the amendment or waiver does not materially impair the interests of the Beneficial Owners, or (ii) the Holders consent to the amendment or waiver of this Undertaking pursuant to the same procedures as are required for amendments to the General Resolution with consent of Holders, and (5) the Authority shall have delivered copies of such amendment or waiver to the MSRB.

(b) In addition to clause (a) above, the Authority may amend this Undertaking, and any provision of this Undertaking may be waived, if the Trustee shall have received an opinion of Securities Counsel, addressed to the Authority and the Trustee, to the effect that the adoption and the terms of such amendment or waiver would not, in and of themselves, cause the undertakings herein to violate the Rule, taking into account any subsequent change in or official interpretation of the Rule.

(c) To the extent any amendment to this Undertaking results in a change in the type of financial information or operating data provided pursuant to this Undertaking, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the change and the impact of the change.

(d) If a change is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3. *Benefit; Enforcement.*

(a) The provisions of this Undertaking shall inure solely to the benefit of the Holders and the Beneficial Owners from time to time.

(b) *Except* as provided in this subsection (b), this Undertaking shall create no rights in any other person or entity. The obligation of the Authority to comply with the provisions of this Undertaking shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Subject Bonds, or by the Trustee on behalf of the holders of Outstanding Subject Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Subject Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Subject Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity.

(c) The right to enforce the provisions of this Undertaking shall be limited to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Undertaking. Any failure by the Authority to perform in accordance with this Undertaking shall not constitute a default or an Event of Default under the General Resolution, and the rights and

remedies provided by the General Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

V.

MISCELLANEOUS

Section 1. *Governing Law.* This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State, *provided that*, to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the Authority has executed this Undertaking by its duly authorized representative as of the date first above written.

**MICHIGAN STATE HOUSING
DEVELOPMENT AUTHORITY**

By: /s/ Jeffrey J. Sykes
Chief Financial Officer

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OTHER LOAN PROGRAMS OF THE AUTHORITY

This Exhibit H is intended to summarize certain programs and operations of the Authority other than the Single-Family Mortgage Revenue Bond Program under which the Offered Bonds are to be issued. **The assets, income from such assets, fund balances and revenues related to the programs described herein are not included in the Pledged Property that secures and serves as a source of payment for the Bonds.** The original principal amount of bonds issued and the outstanding principal amount of outstanding bonds as of June 30, 2023 for each resolution are set forth in Exhibit C — “Outstanding Indebtedness.”

Multi-Family Housing Programs

Rental Housing Revenue Bonds

Through June 30, 2023, the Authority has issued \$5,810,965,000 of Rental Housing Revenue Bonds (“RHRBs”), of which \$1,858,158,000 were outstanding as of such date. See Exhibit C — “Outstanding Indebtedness”. As of June 30, 2023, the mortgage loans financed with RHRB proceeds (all of which relate to multi-family rental developments) had an aggregate outstanding principal balance of approximately \$1,631,077,000 and interest rates ranging from 1.00% to 10.00%. Such 305 developments as of June 30, 2023 contained an aggregate of 32,903 units of multi-family housing. Such developments have various restrictions as to the incomes of the families eligible to occupy units in such developments but are not the subject of Federal Section 236 or Section 8 subsidies. The balance of the proceeds of the RHRBs were used to refund then-outstanding Housing Development Bonds, Section 8 Bonds and Multi-Family Insured Housing Bonds, and the mortgage loans previously funded by the refunded bonds are now pledged as security for the RHRBs. As of June 30, 2023 approximately 48.66% of such mortgage loans are the subject of Federal Section 236 or Section 8 subsidies.

Pass-Through Bond Program

The Authority offers “conduit” or “pass-through” financings in which limited obligation bonds are issued to finance multi-family housing developments; the bonds are not secured by the Authority’s Capital Reserve Capital Account; and the bonds are not backed by the moral obligation of the State (the “*Pass-Through Program*”). Instead, the bonds are secured solely by revenues and property derived from or obtained in connection with the particular housing developments. On July 18, 2024, the Authority’s Board established a \$350 million limit for use of its unified volume cap under the Pass-Through Program. Since 2019, the Pass-Through Program has been evaluated and renewed annually.

Other Single-Family Housing Programs

The Authority’s low and moderate income single-family housing program has entailed the making of mortgage loans for terms not exceeding 30 years to qualified individual purchasers in amounts not exceeding 100% of the approved cost of the single-family housing units. Substantially all of the Authority’s single-family mortgage loans are limited to individual purchasers of single-family housing units and such loans are insured by the FHA or private mortgage insurance companies or guaranteed by VA or RHS. As of June 30, 2023, the Authority held 519 single-family mortgage loans having an aggregate unpaid principal balance of approximately \$25,970,000[†] which have been financed from its Operating Fund and from the proceeds attributable to bonds other than Single-Family Mortgage Revenue Bonds, including the Authority’s Single-Family Homeownership Revenue Bonds (“SFHRBs”). As of

[†] Includes Expected Future Mortgage Loans.

June 30, 2023, there are no outstanding SFHRBs. As of June 30, 2023, the approximate aggregate unpaid principal balance of the 444 single-family mortgage loans financed with SFHRBs (the “*SFHRB Financed Mortgage Loans*”) was \$16,380,000.

Generally, each single-family mortgage loan made under the Authority’s single-family housing programs has an initial term not exceeding 30 years, a rate or rates of interest fixed at the time of origination and approximately equal monthly payments for each rate of interest borne by such single-family mortgage loan.

Although mortgage lenders originate the single-family mortgage loans for the Authority, the Authority has established procedures for the review of each loan application and Authority staff presently reviews the mortgage lender’s credit analysis of each applicant with particular emphasis on credit history, asset verification and ratios of housing-related expenses and of total monthly debt payments to total monthly income of the applicant. In addition, insured or guaranteed single-family mortgage loans must meet the requirements established by the applicable insurer or guarantor, if any.

Home Improvement Program

The Act was amended during 1977 to authorize the Authority to undertake a home and neighborhood improvement program utilizing FHA Title I Property Improvement Insurance. The Authority issued \$110,480,000 of Home Improvement Program Bonds (including \$13,848,000 of original issue discount and \$13,480,000 of refunding bonds), none of which are outstanding. The proceeds of these bonds, together with \$17,789,000 of State appropriations and moneys provided from Authority revenues, have provided funds for the purchase of loans under this program. The Authority commenced purchasing loans under this program in July 1978, and as of June 30, 2023 had outstanding loans totaling approximately \$1,411,000 (including Moderate Rehabilitation loans). Included in these loans were loans that were 60 or more days delinquent with unpaid principal balances of \$209,000 as of June 30, 2023. The Authority expects that proceeds of future Bonds will finance Mortgage Loans to provide home improvements and that such Mortgage Loans will not be secured by a first lien but will be insured under the FHA Title I Property Insurance Loan Program.

Other Authority Programs and Activities

The Authority administers or otherwise participates in several federally-funded and State-funded programs involving the provision of grants, loans and subsidies, federal and State tax credit programs, and technical assistance programs referred to under “The Authority – Management” in the forepart of this Official Statement and in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority.” In addition, the Authority has committed to provide certain housing operating and rent subsidies (see Note 14 in Exhibit A — “Financial Statements of the Michigan State Housing Development Authority” for certain information as of June 30, 2023 regarding such commitments) and may use its available assets to make certain grants, loans and investments, including as described below.

The Authority is empowered to make loans to nonprofit housing corporations and consumer housing cooperatives to assist in the development of proposed housing projects, and grants to local communities and certain other non-profit entities for planning and implementing housing assistance or community or housing development, and has used and expects to (but is not obligated to) continue to use certain available assets of the Authority, including assets of the Authority’s Operating Fund or assets permitted to be withdrawn from the Resolution, for such purposes (in addition to State legislative appropriations and interest income on such appropriations).

The Authority has used and expects to (but is not obligated to) continue to use certain funds (which are not pledged under the Resolution and are designated by resolution of the Authority’s Members for purposes other than payment of the Bonds) to make subordinate-lien loans with below-market interest

rates and payments deferred in full for a specified period and thereafter deferred in part based on development revenues, to assist in the financing of multi-family housing developments, including developments financed through mortgage loans (including first-lien mortgage loans) that are or may become Mortgage Loans under the RHRB General Resolution.

On July 18, 2023, legislation was signed to amend 1996 Public Act 381, the Brownfield Redevelopment Financing Act, which resulted in new review, oversight, and funding roles for the Authority in connection with Tax Increment Financing (“*TIF*”) for affordable or subsidized housing developed utilizing taxes levied for school operating purposes. The MSHDA Housing Tax Increment Financing Program Statement was authorized and adopted by the Authority on September 29, 2023.

In April 2024 the Authority launched its MI Neighborhood program, which will provide up to \$60 million to fund projects throughout the State through grants under three categories: Public Amenities, Rehabilitation, and New Units. Regional investment targets have been developed using an equitable, transparent, data driven strategy. Regions are based on the 15 regional housing partnerships identified in the Statewide Housing Plan. The MI Neighborhood program is funded with \$30 million from the Michigan Housing and Community Development Fund and \$30 million from the federal Community Development Block Grant program.

Future Programs. The Authority is exploring the ability to offer a Single-Family Acquisition Rehabilitation Program (the “*HCDF Acquisition Rehab Program*”), which is to include funds allocated from the State of Michigan Housing and Community Development Fund (the “*HCDF*”). This HCDF Acquisition Rehab Program is expected to be a purchase transaction in which a single-family property requires rehabilitation. The first mortgage loan will be an Authority conventional first mortgage loan with a maximum loan-to-value (“*LTV*”) ratio of seventy-five percent (75%) (the “*First Mortgage Loan*”). A down-payment assistance (“*DPA*”) second mortgage loan is offered to qualified buyers for a maximum of Ten Thousand Dollars (\$10,000) and can be used towards closing costs, prepaids and some of the down payment (the “*DPA Mortgage Loan*”). A subordinate mortgage loan made by the Authority with funds from the HCDF will be available to pay costs of construction or rehabilitation (the “*HCDF Mortgage Loan*”). Each HCDF Mortgage Loan is expected to take the form of a third mortgage loan with a five (5) year term and a zero percent (0%) interest rate with no scheduled payments. Twenty percent (20%) of the HCDF Mortgage Loan will be discharged each year, and at the end of the fifth (5th) year the mortgage loan will be fully discharged. Under the HCDF Acquisition Rehab Program, the borrower will be required to invest one percent (1%) into the transaction. The maximum amount of the HCDF Mortgage Loan will be limited to the lesser of the full acquisition costs of the property or Fifty Thousand Dollars (\$50,000). It is expected that HCDF Mortgage Loan proceeds will be held in escrow after closing and disbursed through two (2) to three (3) draws. The number of draws will be dependent on the total amount of assistance provided. This HCDF Acquisition Rehab Program is expected to be available to low- and middle-income borrowers who purchase properties that meet the Authority’s eligible sales price and who meet HCDF requirements.

The Authority is exploring the ability to offer a \$5,000 Homebuyer Grant Program (“*5K HO Grant*”) that would be funded from the HCDF. The 5K HO Grant is designed to help increase homeownership by providing homebuyers obtaining a Mortgage Loan with \$5,000 in additional funds for closing costs, prepaids, and/or down payment assistance. The 5K HO Grant is a non-repayable grant being offered to eligible homebuyers in addition to the Authority’s DPA Mortgage Loans. Eligible homebuyers must meet all Authority program and underwriting requirements of the Single-Family Mortgage Revenue Bond Program with the additional qualifying condition that the homebuyer must currently live in a Qualified Census Tract (“*QCT*”). The home being purchased must be located in Michigan but does not need to fall within the QCT area.

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BOOK-ENTRY ONLY

General

The Offered Bonds will be issued as fully-registered bonds 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, as registered owner of the Offered Bonds. So long as Cede & Co., as nominee of DTC, is the registered holder of all of the Offered Bonds, one fully-registered Offered Bond certificate will be issued for the Offered Bonds of a Series, maturity and interest rate in the aggregate principal amount of each such maturity and interest rate of such Series, and will be deposited with DTC. Purchasers of the Offered Bonds (the "*Beneficial Owners*") will not receive physical delivery of bond certificates. By purchasing Offered Bonds, a Beneficial Owner shall be deemed to have waived the right to receive a bond certificate, *except* under the circumstances described under this exhibit. For purposes of the Official Statement, so long as all Offered Bonds of a Series, maturity and interest rate are immobilized in the custody of DTC, references to Bondowners or holders mean DTC or its nominee.

The information in this Exhibit I concerning DTC and DTC book-entry system has been obtained from sources the Authority believes to be reliable, *but* the Authority takes no responsibility for the accuracy or completeness thereof. 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 a 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.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each 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 Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests

in the Offered Bonds, *except* in the event that use of the book-entry system for the Offered Bonds of a Series is discontinued.

To facilitate subsequent transfers, all Offered Bonds 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 Offered Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Neither the Authority nor the Trustee is responsible or liable for sending transaction statements or for maintaining, supervising or reviewing such records.

The Authority and the Trustee will recognize DTC or its nominee as the Bondowner for all purposes, *including* notices and voting. 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. If less than all of a Series, maturity and initial CUSIP number of the Offered Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series, maturity and initial CUSIP number to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal, Redemption Price and interest payments on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail from the Authority or Trustee on a payment 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 (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. A Beneficial Owner may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

The Offered Bonds Resolutions provide that the Trustee and Authority may treat DTC (or its nominee) as the sole and exclusive holder of the Offered Bonds registered in its name for the purposes of (i) payment of the principal or Redemption Price of or interest, if any, on or purchase price of the Offered

Bonds, (ii) selecting the Offered Bonds or portions thereof to be redeemed or subject to tender for purchase or conversion, (iii) giving any notice permitted or required to be given to Bondowners under the Offered Bonds Resolutions or the General Resolution, (iv) registering the transfer of Offered Bonds and (v) obtaining any consent or other action to be taken by Bondowners and for all other purposes whatsoever; and neither the Trustee nor the Authority will be affected by any notice to the contrary. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE OFFERED BONDS UNDER OR THROUGH DTC OR ANY PARTICIPANT OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDOWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE RESOLUTION, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE OFFERED BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

The Resolution provides for issuance of bond certificates (the "*Replacement Bonds*") directly to registered owners of such Offered Bonds other than DTC or its nominee, *but* only in the event that (a) DTC notifies the Authority that it is unwilling or unable to continue to act as securities depository for such Bonds; or (b) DTC is no longer registered or in good standing under the Securities Exchange Act or other applicable statute or regulation; or (c) the Authority has determined not to continue the book entry system of transfer. Upon occurrence of the events described in (a) or (b) above, the Authority shall attempt to locate another securities depository and, in connection with retaining the services of such replacement securities depository, may amend the procedures described under this Exhibit I. If the Authority fails to locate another securities depository to replace DTC within ninety days after the Authority receives notice or becomes aware of a condition described in (a) or (b) above, the Authority shall cause to be authenticated and delivered Replacement Bonds in certificate form. In the event the Authority makes the determination noted in (c) above (the Authority undertakes no obligations to make any investigation to determine the occurrence of any events that would permit the Authority to make any such determination), and has mailed an appropriate notice to DTC, the Authority shall cause to be authenticated and delivered Replacement Bonds in certificate form. Interest on the Replacement Bonds will be payable by check mailed to each registered owner of such Replacement Bond at the address of such registered owner as it appears in the bond register maintained by or on behalf of the Authority, and principal and Redemption Price of Replacement Bonds will be payable at the principal corporate trust office of the Trustee. Replacement Bonds will be transferable only by presentation and surrender to the Authority, or an agent of the Authority to be designated in the Replacement Bonds, together with an assignment duly executed by the owner of the Replacement Bond or by such owner's representative in form satisfactory to the Authority, or any agent of the Authority, and containing information required by the Authority in order to effect such a transfer. For purposes of this Official Statement, at any time after Replacement Bonds have been issued, references to Bondowners mean the registered owners of such Replacement Bonds and references to such Bonds mean such Replacement Bonds.

For every transfer and exchange of such Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. For every exchange or transfer of a bond certificate, the Authority or, at the direction of the Authority, the Trustee may make a charge for the expense incurred in every such exchange or registration of transfer,

including a charge sufficient to reimburse either the Authority or the Trustee for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Authority and the Trustee are not required to register any change or transfer of any Bond during the fifteen day period next preceding an interest payment date on such Bond or, next preceding the date of notice of redemption of such Bond, or after such Bond has been selected for redemption.

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

DTC may discontinue providing its services as depository with respect to a Series of the Offered Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

**FORM OF APPROVING OPINION OF BOND COUNSEL
WITH RESPECT TO THE OFFERED BONDS**

Michigan State Housing Development Authority
Lansing, Michigan

Ladies and Gentlemen:

We have examined certified copies of proceedings of the Michigan State Housing Development Authority (the “Authority”), a public body corporate and politic of the State of Michigan (the “State”), including particularly the Single-Family Mortgage Revenue Bond Resolution, adopted on December 17, 1987, as amended and supplemented (the “Resolution”) and the series resolution authorizing the issuance of the Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, 2024 Series D in an amount not to exceed \$430,000,000, the series resolution authorizing the issuance of the Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, 2024 Series E (Federally Taxable) in an amount not to exceed \$225,000,000, and the series resolution authorizing the issuance of the Michigan State Housing Development Authority Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable) in an amount not to exceed \$55,000,000, each adopted on September 19, 2024 (collectively, the “Series Resolutions” and, together with the Resolution, the “Resolutions”); the Constitution and laws of the State, including particularly Act 346, Public Acts of Michigan, 1966, as amended (the “Act”); and certain instruments submitted to us relative to the issuance and sale of the Authority’s Single-Family Mortgage Revenue Bonds, 2024 Series D in the aggregate principal amount of \$_____ (the “Series D Bonds”), the Authority’s Single-Family Mortgage Revenue Bonds, 2024 Series E (Federally Taxable) in the aggregate principal amount of \$_____ (the “Series E Bonds”) and the Authority’s Single-Family Mortgage Revenue Bonds, 2024 Series F (Federally Taxable) in the aggregate principal amount of \$_____ (the “Series F Bonds” and, collectively with the Series D Bonds and the Series E Bonds, the “Bonds”), including a certificate relating to the use, application and investment of Bond proceeds.

We have also examined a copy of an executed and authenticated Series D Bond, a copy of an executed and authenticated Series E Bond and a copy of the executed and authenticated Series F Bond, or a specimen of each such Bond. The Bonds are issuable as fully-registered bonds without coupons. The Bonds are numbered, lettered, dated, bear interest, mature and are subject to redemption prior to maturity as provided in the Resolutions.

The Bonds will be issued pursuant to the Act for the purpose of financing, including paying off borrowing facilities used for financing, new single-family mortgage loans and down payment assistance loans (including financing the payment of certain fees to originating lenders). In addition, the Series D Bonds and Series E Bonds will be issued pursuant to the Act for the purposes of (i) if required to satisfy the Capital Reserve Fund Requirement, making a deposit to the Capital Reserve Fund, and (ii) at the discretion of the Authority, paying the costs of issuance of the Bonds.

We have also examined the proposed forms of documents (the “Program Documents”) pertaining to the Mortgage Loans to be financed from the proceeds of the Bonds.

Terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Resolutions.

Based upon our examination, we are of the opinion that:

1. The Authority is a public body corporate and politic of the State, duly organized and validly existing under the Constitution and laws of the State, including particularly the Act.

2. The Resolutions authorizing the Bonds have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

3. The Authority is authorized to issue additional bonds of equal standing and priority of lien with the Bonds from time to time as permitted by the Resolution.

4. The various purposes to which the proceeds of the sale of the Bonds may be applied are lawful purposes under the Act.

5. Subject to any agreements heretofore or hereafter made with the holders of any other notes or bonds of the Authority pledging any particular receipts or revenues, the Bonds are general obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, are entitled to the benefits of the Act and of the Resolutions, and have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Act, and in accordance with the Resolutions. The Bonds are negotiable instruments under the laws of the State, subject only to the provisions of the Bonds for registration. The rights and remedies of Bondowners may be affected by general principles of equity and by bankruptcy laws or other creditors' rights legislation now existing or hereafter enacted.

6. The Resolution creates the valid pledge it purports to create, including a valid pledge of all deposits in the Capital Reserve Fund created by the Resolution to secure payment of all principal of and interest on all bonds issued pursuant to the Resolution, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for or to the purposes and on the terms and conditions set forth in the Resolution. The Authority has validly covenanted to make and deliver to the Governor and Director of the Budget of the State, in compliance with the provisions of the Act, a certificate stating the amount, if any, required to restore the Capital Reserve Fund to an amount equal to the Capital Reserve Fund Requirement as provided in the Resolution. However, any appropriations by the Michigan Legislature to the Capital Reserve Fund are permissive only, the State has no legal obligation to appropriate such moneys and the Michigan Supreme Court has stated that any such appropriations require the vote of two-thirds of the members of each House of the Michigan Legislature. The State is not liable on the Bonds and the Bonds are not a debt of the State.

7. Subject to any applicable federal requirements or limitations, the Bonds are eligible in Michigan for investment by State and municipal officers, State banks, municipalities, trust companies, savings and loan associations, insurance companies, executors, trustees and other fiduciaries.

8. Under existing law, interest on the Series D Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not treated as an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in clauses (a) and (b) are subject to the condition that the Authority comply with all requirements of applicable federal income tax law that must be satisfied as to the Series D Bonds subsequent to the issuance of the Series D Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such

requirements could cause the interest on the Series D Bonds to be included in gross income retroactive to the date of issuance of the Series D Bonds. The Authority has covenanted in the Resolutions to comply with such requirements. The Resolutions and the Program Documents, in our opinion, establish procedures under which, if followed, such requirements can be met. We express no opinion regarding any other federal tax consequences arising with respect to the Series D Bonds.

9. Under existing law, interest on the Series E Bonds and the Series F Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Series E Bonds or the Series F Bonds.

10. Under existing law, the Bonds and the interest thereon are exempt from all state, city, county or other taxation provided by the laws of the State, except estate and gift taxes and taxes on transfers.

Sincerely,

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**FORM OF APPROVING OPINION OF THE ATTORNEY GENERAL
OF THE STATE OF MICHIGAN WITH RESPECT TO THE OFFERED BONDS**

Michigan State Housing Development Authority
Lansing, Michigan

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan State Housing Development Authority (the “Authority”) of bonds designated MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY SINGLE-FAMILY MORTGAGE REVENUE BONDS, 2024 SERIES D, in the aggregate principal amount of \$_____ (the “Series D Bonds”), MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY SINGLE-FAMILY MORTGAGE REVENUE BONDS, 2024 SERIES E (FEDERALLY TAXABLE), in the aggregate principal amount of \$_____ (the “Series E Bonds”), and MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY SINGLE-FAMILY MORTGAGE REVENUE BONDS, 2024 SERIES F (FEDERALLY TAXABLE), in the aggregate principal amount of \$_____ (the “Series F Bonds” and, collectively with the Series D Bonds and the Series E Bonds, the “Bonds”):

1. the State Housing Development Authority Act, 1966 PA 346, as amended (the “Act”), which created the Authority and empowers it to issue bonds;
2. a certified copy of the resolution adopted on December 17, 1987, as amended and supplemented, authorizing the issuance of the Single-Family Mortgage Revenue Bonds (the “Resolution”);
3. a certified copy of the series resolution adopted on September 19, 2024, authorizing the issuance and sale of the Series D Bonds (the “Series D Resolution”), a certified copy of the series resolution adopted on September 19, 2024, authorizing the issuance and sale of the Series E Bonds (the “Series E Resolution”), and a certified copy of the series resolution adopted on September 19, 2024, authorizing the issuance and sale of the Series F Bonds (the “Series F Resolution” and, collectively with the Series D Resolution and the Series E Resolution, the “Series Resolutions”) (the Resolution and the Series Resolutions are, collectively, the “Resolutions”);
4. the proposed forms of documents (the “Program Documents”) pertaining to the mortgage loans to be financed from the proceeds of the Bonds;
5. an Authority certificate relating to the use, application, and investment of Bond proceeds; and
6. one of the Series D Bonds, as executed, or a specimen thereof, one of the Series E Bonds, as executed, or a specimen thereof, and the Series F Bonds, as executed, or a specimen thereof.

The Bonds will be issued pursuant to the Act for the purpose of financing, including paying off borrowing facilities used for financing, new single-family mortgage loans and down payment assistance loans (including financing the payment of certain fees to originating lenders). In addition, the Series D Bonds and Series E Bonds will be issued pursuant to the Act for the purposes of (i) if required to satisfy

the Capital Reserve Fund Requirement, making a deposit to the Capital Reserve Fund, and (ii) at the discretion of the Authority, paying the costs of issuance of the Bonds.

Terms capitalized but not otherwise defined herein shall have the respective meanings ascribed to them in the Resolutions.

Based upon the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Authority is a public body corporate and politic of the State of Michigan duly organized and validly existing under the Constitution and laws of the State of Michigan, including particularly the Act.

2. The Authority has the power under the laws of the State of Michigan to adopt the Resolutions. The Resolutions have been duly adopted by the Authority, are in full force and effect in the form adopted, and constitute valid and binding agreements of the Authority enforceable in accordance with their terms.

3. The Authority is authorized to issue additional bonds of equal standing and priority of lien with the Bonds, as permitted by the Resolution.

4. The various purposes to which the proceeds of the sale of the Bonds may be applied are lawful purposes under the Act.

5. Subject to any agreements heretofore or hereafter made with the holders of any other notes or bonds of the Authority pledging any particular receipts or revenues, the Bonds, when duly authenticated, (i) are general obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, (ii) are entitled to the benefits of the Act and of the Resolutions, and (iii) have been duly and validly authorized and issued in accordance with the Constitution and laws of the State of Michigan, including the Act, and in accordance with the Resolutions. The Authority has no taxing power.

6. The Resolution creates a valid pledge of all deposits in the Capital Reserve Fund created by the Resolution to secure payment of the principal of, and interest on, all bonds issued pursuant to the Resolution, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart, or appropriation thereof for or to the purposes and on the terms and conditions set forth in the Resolution. The Authority has validly covenanted to deliver to the Governor and the Director of the Budget of the State of Michigan, in compliance with the Act, a certificate stating the amount, if any, required to restore the Capital Reserve Fund to an amount equal to the Capital Reserve Fund Requirement as provided by the Resolution. However, any appropriations by the Michigan Legislature to the Capital Reserve Fund contemplated by the Act are permissive only. The State of Michigan has no legal obligation to appropriate that money. The Michigan Supreme Court has stated that any such appropriations require the vote of two-thirds (2/3) of the members of each House of the Michigan Legislature. The State of Michigan is not liable on the Bonds and the Bonds are not a debt of the State of Michigan.

7. Under existing law, interest on the Series D Bonds (i) is excluded from gross income for federal income tax purposes, and (ii) is not treated as an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in clauses (i) and (ii) are subject to the condition that the Authority comply with all requirements of applicable federal income tax law that must be satisfied as to the Series D Bonds subsequent to the issuance of the Series D Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such

requirements could cause the interest on the Series D Bonds to be included in gross income retroactive to the date of issuance of the Series D Bonds. The Authority has covenanted in the Resolution and the Series D Resolution to comply with such requirements. The Resolution, the Series D Resolution and the Program Documents, in my opinion, establish procedures under which, if followed, such requirements can be met. I express no opinion regarding any other federal tax consequences arising with respect to the Series D Bonds.

8. Under existing law, interest on the Series E Bonds and the Series F Bonds is not excluded from gross income for federal income tax purposes. I express no opinion regarding any other federal tax consequences arising with respect to the Series E Bonds or the Series F Bonds.

9. Under existing law, the Bonds and the interest thereon are exempt from all state, city, county, or other taxation provided by the laws of the State of Michigan, except for estate and gift taxes, and taxes on transfers.

Enforceability of the Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

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FORM OF SOCIAL BONDS REPORTING

Michigan State Housing Development Authority Single Family Mortgage Revenue Bonds, 2024 Series D/E/F Proceeds Summary	
Total Original Lendable Proceeds	
Amount of Proceeds Spent to Acquire Mortgage Loans and Down Payment Assistance Loans as of [date]	
Bond Proceeds Remaining as of [date]	

2024 Series D/E/F			
New Mortgage Loans and New Down Payment Assistance Loans as of [date] by Borrower Income as a Percentage of Area Median Income (AMI)			
AMI Band	# of Loans	\$ of Loans (\$000s)	Cumulative %
50% and below			
50.1% - 60%			
60.1% - 70%			
70.1% - 80%			
80.1% - 90%			
90.1% - 100%			
100.1% - []%			
Totals			

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