**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 13, 2024**

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

# $195,000,000*
# STATE OF NORTH DAKOTA
## North Dakota Housing Finance Agency
## Housing Finance Program Bonds
## Home Mortgage Finance Program
## 2024 Series D (Non-AMT) (Social Bonds)

| | |
|---|---|
| *Tax Matters* | In the opinion of Bond Counsel, based on existing laws, regulations, rulings and court decisions, and assuming compliance with certain covenants and agreements, interest on the Offered Bonds is excludable from gross income for federal income tax purposes, and under existing law, interest on the Offered Bonds is exempt from income taxation imposed by the State of North Dakota. Interest on the Offered Bonds is not a specific preference item for purposes of the federal alternative minimum tax applicable to individuals. Interest on the Offered Bonds may affect the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" on pages 27-30 herein for additional information |
| *Redemption* | The Offered Bonds are subject to redemption prior to maturity, including redemption from sinking fund payments and redemption from unexpended proceeds, Prepayments (as defined herein), Excess Revenues (as defined herein) and certain other funds, including Prepayments and Excess Revenues related to other Series of Bonds, as set forth on pages 8-14 herein. |
| *Security* | On a parity with all other Bonds issued under the 1994 General Resolution, by a pledge of all revenues from the investment or expenditure of the proceeds from the sale of the Bonds, and all Program Obligations and any other amounts which may be pledged pursuant to the terms of a Series Resolution except any revenues or Program Obligations expressly excluded by the terms of a Series Resolution, subject only to the provisions of the 1994 General Resolution permitting other applications thereof. The Bonds are full faith and credit revenue obligations of the Agency, payable out of any of the Agency's revenues, moneys or assets legally available therefor, subject only to agreements heretofore or hereafter made with holders of notes and bonds other than the Bonds pledging particular revenues, money or assets for the payment thereof. *The Agency has no taxing power. The Bonds are limited obligation revenue bonds of the State payable solely from the revenues and assets pledged therefor under the Resolutions. The Bonds do not constitute a debt of the State or any political subdivision thereof. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. See "SECURITY FOR THE BONDS" on pages 16-18 herein.* |
| *Interest Payment Dates* | January 1 and July 1, and at maturity, commencing July 1, 2025.* |
| *Denominations* | The Offered Bonds will be issued in denominations of $5,000 each, or any integral multiple thereof. |
| *Delivery Date* | December 17, 2024* |
| *Bond Counsel* | Kutak Rock LLP |
| *Underwriters' Counsel* | Dorsey & Whitney LLP and Arntson Stewart Wegner PC |
| *Counsel to the Industrial Commission* | Drew H. Wrigley, Esq., Attorney General of the State of North Dakota |
| *Trustee* | Wilmington Trust, National Association, Minneapolis, Minnesota |
| *Book-Entry-Only System* | The Depository Trust Company. See APPENDIX C herein. |

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

**RBC CAPITAL MARKETS**

**FIDELITY CAPITAL MARKETS** **J.P. MORGAN** **WELLS FARGO SECURITIES**

Dated: __________, 2024

* Preliminary; subject to change.

## MATURITIES, AMOUNTS, INTEREST RATES AND PRICES*

**$195,000,000 2024 Series D Bonds (Non-AMT) (Social Bonds)**

$44,620,000 Serial Bonds, Price ____%

| Maturity | Amount | Interest Rate | CUSIP† |
|---|---|---|---|
| January 1, 2026 | $1,550,000 | % | 658909___ |
| July 1, 2026 | 1,700,000 | | 658909___ |
| January 1, 2027 | 1,730,000 | | 658909___ |
| July 1, 2027 | 1,760,000 | | 658909___ |
| January 1, 2028 | 1,790,000 | | 658909___ |
| July 1, 2028 | 1,820,000 | | 658909___ |
| January 1, 2029 | 1,850,000 | | 658909___ |
| July 1, 2029 | 1,885,000 | | 658909___ |
| January 1, 2030 | 1,920,000 | | 658909___ |
| July 1, 2030 | 1,955,000 | | 658909___ |
| January 1, 2031 | 1,990,000 | | 658909___ |
| July 1, 2031 | 2,030,000 | | 658909___ |
| January 1, 2032 | 2,065,000 | | 658909___ |
| July 1, 2032 | 2,110,000 | | 658909___ |
| January 1, 2033 | 2,150,000 | | 658909___ |
| July 1, 2033 | 2,190,000 | | 658909___ |
| January 1, 2034 | 2,235,000 | | 658909___ |
| July 1, 2034 | 2,280,000 | | 658909___ |
| January 1, 2035 | 2,330,000 | | 658909___ |
| July 1, 2035 | 2,375,000 | | 658909___ |
| January 1, 2036 | 2,425,000 | | 658909___ |
| July 1, 2036 | 2,480,000 | | 658909___ |

$16,020,000 – ____% Term Bonds, due July 1, 2039; Price ____%; CUSIP† 658909___

$31,980,000 – ____% Term Bonds, due July 1, 2044; Price ____%; CUSIP† 658909___

$40,495,000 – ____% Term Bonds, due July 1, 2049; Price ____%; CUSIP† 658909___

$21,105,000 – ____% Term Bonds, due January 1, 2052; Price ____%; CUSIP† 658909___

$40,780,000 – ____% Premium PAC Term Bonds, due July 1, 2055; Price ____%; CUSIP† 658909___

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* Preliminary; subject to change.

† 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. CUSIP numbers have been assigned by an independent company not affiliated with the Agency and are included solely for the convenience of the registered owners of the applicable Offered Bonds. None of the Agency, the Underwriters, the Financial Advisor or the Trustee is responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness on the Offered Bonds or as indicated above.

No dealer, broker, salesperson or other person has been authorized by the Agency, the State 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 representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Offered Bonds by any person in any state 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 Agency, the State, Wilmington Trust, National Association and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the 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. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State, the Agency or Wilmington Trust, National Association since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFERED BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE RESOLUTIONS BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

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

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “budget,” “plan” and similar expressions identify forward-looking statements.

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**Financial Advisor to the North Dakota Housing Finance Agency**

Caine Mitter & Associates Incorporated

**Issuer**

North Dakota Housing Finance Agency
2624 Vermont Ave
Bismarck, North Dakota 58504
Attention: David A. Flohr, Executive Director
Telephone: (701) 328-8060
Facsimile: (701) 328-8090

**Trustee, Paying Agent and Registrar**

Wilmington Trust, National Association
50th South Sixth Street, Suite 1290
Minneapolis, Minnesota 55402
Telephone: (612) 217-5672
Facsimile: (612) 217-5651

## OFFICIAL STATEMENT

**$195,000,000***
**State of North Dakota**
**North Dakota Housing Finance Agency**
**Housing Finance Program Bonds**
**Home Mortgage Finance Program**
**2024 Series D (Non-AMT) (Social Bonds)**

The North Dakota Housing Finance Agency (the "Agency") is distributing this Official Statement, which includes the information on the cover page and in the Appendices hereto, to furnish information relating to (a) the issuance by the Agency, on behalf of the State, of its State of North Dakota, North Dakota Housing Finance Agency, Housing Finance Program Bonds, Home Mortgage Finance Program, 2024 Series D (Non-AMT) (Social Bonds) (the "Offered Bonds" or the "2024 Series D Bonds") in the aggregate principal amount of $195,000,000,* and (b) the Agency's Housing Finance Programs (the "Programs") and other pertinent information relating to the Industrial Commission of North Dakota (the "Commission") and the Agency. Capitalized words and terms used herein and not otherwise defined have the respective meanings set forth under "DEFINITIONS OF CERTAIN TERMS FROM THE RESOLUTIONS AND THE OFFICIAL STATEMENT" in APPENDIX A hereto.

## INTRODUCTION AND PURPOSE

Chapter 54-17 of the North Dakota Century Code, as amended (the "Act"), provides for the creation and operation of the Commission. Under an Initiated Measure approved by the citizens of the State on November 4, 1980, the Act was amended to authorize the Commission to act as a state housing finance agency, to create a mortgage purchase program and certain other housing programs and to issue revenue bonds of the State to fund these programs. The Offered Bonds are being issued pursuant to the Act, the Commission's Housing Finance Program General Bond Resolution of 1994 duly adopted by the Commission on July 21, 1994, as amended and supplemented (the "1994 General Resolution"), the 2024 Annual Series Resolution adopted by the Commission on December 18, 2023, as supplemented by the 2024 Supplemental Annual Series Resolution adopted by the Commission on October 29, 2024, (the "Annual Series Resolution") and a 2024 Series D Bond Certificate dated December 17, 2024* (the "2024 Series D Certificate" and, with the 1994 General Resolution and the Annual Series Resolution, collectively, the "Resolutions").

As of September 30, 2024, an aggregate principal amount of $2,020,400,000 of bonds were issued and outstanding pursuant to the 1994 General Resolution (the "1994 Program Bonds" and, together with the Offered Bonds and any additional bonds issued from time to time pursuant to the 1994 General Resolution, the "Bonds"). The mortgage loans, the revenues of which are pledged to the 1994 Program Bonds, were originated in accordance with the 1994 Mortgage Purchase Agreements. The Program Loans have been or will be originated under the same agreement under an Agency program directive.

Neither the Act nor the 1994 General Resolution place any limit on the amount of Bonds that can be issued under the 1994 General Resolution. Unless otherwise provided in a Series Resolution, all of the Housing Finance Program Bonds heretofore or hereafter issued pursuant to the 1994 General Resolution rank and will rank on a parity with the Offered Bonds. The 1994 General Resolution designates Wilmington Trust, National Association, Minneapolis, Minnesota, as trustee for the Bonds (the "Trustee").

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* Preliminary; subject to change.

The 1994 General Resolution authorizes the Agency to issue Series of Bonds thereunder from time to time for the purpose of establishing and maintaining the Programs and to issue Refunding Bonds for the purpose of refunding any of the Agency's Outstanding obligations. The term "Programs" is defined in the 1994 General Resolution to mean those housing finance programs authorized at any time under the Act, which presently includes the Home Mortgage Finance Program, the Mobile Home and Manufactured Housing Finance Program, the Multifamily Housing Finance Program, the Mortgage Loan Financing Program, the Home Improvement Finance Program and the Residential Mortgage Program (all as defined in APPENDIX A hereto). The 1994 General Resolution requires satisfaction of certain conditions precedent prior to issuing a Series of Bonds under the 1994 General Resolution, including but not limited to written verification from the hereinafter-defined Rating Agency that the issuance of such Series will not, in and of itself, cause a withdrawal or reduction in the rating assigned by the Rating Agency to any Outstanding Bonds of any prior Series. As of the date hereof, the Agency has not issued bonds under the 1994 General Resolution to finance any Programs other than the Home Mortgage Finance Program. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—Conditions Precedent to the Issuance of a Series of Bonds" in APPENDIX B hereto.

The proceeds of the Offered Bonds will be used to make amounts available to purchase, or reimburse the Agency for purchasing, approximately $184,750,000 in aggregate principal amounts of Program Loans with a weighted average interest rate of 5.58%. The Resolutions require that Program Loans to be purchased, or transferred upon reimbursement, with the amounts made available from the proceeds of the Offered Bonds (a) be insured or guaranteed, to the extent and in the manner specified thereby, by a Governmental Insurer, (b) be insured by certain private insurance companies approved by the Agency, or (c) in the event no such insurance or guaranty will be obtained, have an original principal amount not greater than 80% of the Principal Value of the mortgaged property, provided that Program Loans need not be so insured or guaranteed if the Agency obtains written confirmation from the Rating Agency that to not so insure or guarantee Program Loans will not adversely affect the Rating Quality of the Offered Bonds and obtains an opinion of bond counsel that such action will not adversely affect the excludability of interest on the Offered Bonds from gross income for federal income tax purposes. For information on insurance requirements, see "MORTGAGE INSURANCE" in APPENDIX D hereto.

The Agency administers the North Dakota Roots Program on behalf of the State. The program provides home mortgage financing, as well as down payment and closing cost assistance, to any household which does not qualify for the Home Mortgage Finance Program.

Any mortgage financing has certain inherent risks and is based upon various assumptions. For a discussion of such assumptions, see "ESTIMATED REVENUES AVAILABLE FOR DEBT SERVICE." See also "HOME MORTGAGE FINANCE PROGRAM" and "THE INDUSTRIAL COMMISSION OF NORTH DAKOTA."

In addition to the Programs, the Agency and the Commission are authorized under the Act to engage in certain other activities. The proceeds of the Bonds, however, may not be used to finance any activities other than those of the Commission acting in its capacity as the Agency in conducting the Programs nor are any revenues or assets relating to such other activities pledged to the payment of the principal of or interest on the Bonds.

THE BONDS OFFERED HEREBY WILL CONSTITUTE FULL FAITH AND CREDIT REVENUE OBLIGATIONS OF THE AGENCY PAYABLE OUT OF ANY OF THE AGENCY'S REVENUES, MONEYS OR ASSETS LEGALLY AVAILABLE THEREFOR SUBJECT ONLY TO AGREEMENTS HERETOFORE OR HEREAFTER MADE WITH HOLDERS OF NOTES AND BONDS OTHER THAN THE OFFERED BONDS PLEDGING PARTICULAR REVENUES, MONEYS OR ASSETS FOR THE PAYMENT THEREOF. THE OFFERED BONDS WILL BE LIMITED

OBLIGATION REVENUE BONDS OF THE STATE PAYABLE SOLELY FROM THE REVENUES PLEDGED UNDER THE RESOLUTIONS. THE OFFERED BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR INTEREST ON THE OFFERED BONDS.

Summary descriptions of the Commission, the Agency, the Offered Bonds, the security for the Bonds, the Programs, the insurance with respect to the Program Loans and the Resolutions are included in this Official Statement and in Appendices A-M hereto. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Offered Bonds are qualified in their entirety by reference to the forms thereof included in the 2024 Series D Certificate and the provisions with respect thereto included in the aforesaid documents and agreements, copies of which are available for inspection at the principal office of the Agency in Bismarck, North Dakota, and at the principal corporate trust office of the Trustee in Minneapolis, Minnesota. During the period of the issuance of the Offered Bonds, such documents and agreements will also be available for inspection at the office of RBC Capital Markets, LLC in New York, New York.

## THE INDUSTRIAL COMMISSION OF NORTH DAKOTA

### General

The State legislature created the Commission in 1919 to conduct and manage, on behalf of the State, certain utilities, industries, enterprises and business projects established by State law. The Act provides that the acts of the Commission constitute the acts of the State functioning in its sovereign capacity and that the Commission may negotiate the sale of bonds of the State in such amounts and in such manner as may be provided by law to procure the necessary funds for utilities, industries, enterprises and business projects under its control. The Commission is responsible for the operation and management of the Agency and certain other State enterprises.

### Organization and Members

The members of the Commission are the Governor, the Attorney General and the Agriculture Commissioner of the State. The Governor is the Chairman of the Commission, and a quorum for the transaction of business of the Commission consists of the Governor and one additional member. The present members of the Commission and the expiration of their term of office are:

Doug Burgum, Governor, December 14, 2024*
Drew H. Wrigley, Attorney General, December 31, 2026
Doug Goehring, Agriculture Commissioner, December 31, 2026

The Attorney General of the State serves as general counsel to the Commission. Each State enterprise under the control of the Commission employs and is operated by a separate staff or authorized agents under the supervision of the Commission.

* Doug Burgum did not seek reelection as Governor of North Dakota in the November 5, 2024 election. Kelly Armstrong was elected Governor of North Dakota and will succeed Governor Burgum at the end of his term.

The Commission's mailing address is c/o Karen Tyler, Executive Director and Secretary to the Industrial Commission of North Dakota, State Capitol, 14th Floor, 600 East Boulevard Avenue, Bismarck, North Dakota 58505, and its telephone number is (701) 328-3722.

**Other Activities of the Commission**

In addition to its management of the Agency, the Commission manages the Bank of North Dakota, performs regulatory functions through its Oil and Gas Division and Geological Survey and operates and manages the North Dakota Public Finance Authority, the North Dakota Student Loan Trust, the Mill and Elevator Association, the North Dakota Building Authority, the North Dakota Pipeline Authority and the North Dakota Transmission Authority and is also responsible for certain other programs which are currently inactive or unrelated to the activities of the Agency, including the Outdoor Heritage Fund and the Clean Sustainable Energy Authority. The Commission also has the authority to borrow money and issue evidences of indebtedness for the purpose of funding lignite research, development and marketing projects, processes or activities directly related to lignite and products derived from lignite. In connection with the operation of the foregoing programs, the State may and has issued indebtedness. However, such indebtedness is not secured by any of the moneys pledged to the payment of the Bonds under the Resolutions.

## THE NORTH DAKOTA HOUSING FINANCE AGENCY

**Organization and Staff**

The Agency was created in December of 1980 pursuant to the passage of an Initiated Measure. Under the Act, the Agency receives advice in connection with the operation of its financial programs from a Housing Advisory Board (the "Advisory Board") consisting of six members appointed by the Commission representing home owners and buyers, lenders and other persons in the residential real estate and mobile home and manufactured housing industries. The present members of the Advisory Board and their principal occupations are:

| Member | Principal Occupation | Member | Principal Occupation |
|---|---|---|---|
| Ninetta Wandler<br>Chairperson | Representative of<br>residential real estate<br>RE/MAX Integrity Realty<br>Dickinson, ND | Kevin Hanson<br>Board Member | Representative of lenders<br>Gate City Bank<br>Fargo, ND |
| Lisa Rotvold<br>Vice Chairperson | Representative of<br>homebuyer/ homeowner<br>Fargo, ND | Larry Nygard<br>Board Member | Representative of builders<br>Roers Companies<br>Fargo, ND |
| Jim Farnsworth<br>Board Member | Representative of<br>manufactured housing<br>Colonial Estates<br>Bismarck, ND | Joe Sheehan<br>Board Member | Representative of lenders<br>Benchmark Mortgage<br>Bismarck, ND |

Prior to purchasing Program Loans from Lenders (hereinafter defined), the Commission receives the Advisory Board's recommendations therefor.

The Agency currently employs a 51-member staff, 22 of whom work primarily on the Agency's homeownership programs described below. The principal staff members of the Agency involved in financial programs are as follows:

*David A. Flohr*, Executive Director of the Agency, has worked for the Agency since 1984 in various capacities. Before becoming Executive Director, Mr. Flohr served as the Homeownership Division Director, and previous to that as the division's loan servicing coordinator and as the special programs coordinator. Mr. Flohr is a Certified Housing Development Finance Professional by Grow America. Mr. Flohr has announced his retirement from the Agency effective May 2, 2025. The Agency plans to conduct a search and identify Mr. Flohr's successor prior to his retirement.

*Kayla Axtman,* Chief Financial Officer, joined the Agency in July of 2021. Prior to joining the Agency, Ms. Axtman worked with a local financial institution and private business as the controller and director of accounting. She graduated from Concordia College with a bachelor's degree in Accounting and received a Master of Business Administration degree from the University of Mary. Ms. Axtman is a certified public accountant with an active license in the State of North Dakota.

*Brandon Dettlaff*, Homeownership Division Director, is a Certified Housing Development Finance Professional by Grow America. Mr. Dettlaff has worked for the Agency since 2007 in various capacities. Before becoming the Homeownership Division Director, Mr. Dettlaff served as the division's loan servicing coordinator.

The Agency's principal office location is 2624 Vermont Avenue, Bismarck, North Dakota 58504 and its mailing address is Post Office Box 1535, Bismarck, North Dakota 58502. The Agency's telephone number is (701) 328-8080, and its website is located at www.ndhfa.org. The Agency's website address is included in this Official Statement for informational purposes only, and except as specifically provided herein, the information presented on that website is not incorporated herein by reference. In addition to its principal office in Bismarck, the Agency has a housing assistance program field office in Fargo, North Dakota.

**Summary of Agency Activities**

***Home Mortgage Finance Program***. Information concerning Bonds issued and Outstanding under the 1994 General Resolution is set forth in APPENDIX E hereto. Information concerning Mortgage Loan balances, uncommitted proceeds available to finance Mortgage Loans from previous Series of Bonds, delinquency and foreclosure status and mortgage insurance status of the Mortgage Loans is set forth in APPENDIX F hereto. See "HOME MORTGAGE FINANCE PROGRAM" herein and "MORTGAGE INSURANCE" in APPENDIX D hereto for additional information on the Home Mortgage Finance Program.

The Agency also administers the North Dakota Roots Program on behalf of the State. The program provides home mortgage financing, as well as down payment and closing cost assistance, to any household which does not qualify for the Home Mortgage Finance Program. From 2003 to September 30, 2024, the Agency has financed approximately $620 million of mortgage loans under this Program.

In response to an initiative announced by the United States Department of the Treasury ("Treasury"), Fannie Mae and Freddie Mac, the Commission adopted the General Bond Resolution of 2009 on November 25, 2009 (the "General Bond Resolution of 2009"). The Agency has issued bonds pursuant to the General Bond Resolution of 2009 (the "Homeownership Revenue Bonds"), the proceeds of which have been made available to purchase Program Loans on five occasions. As of September 30, 2024, an aggregate of $35,870,000 of Homeownership Revenue Bonds issued by the Agency remained Outstanding under the General Bond Resolution of 2009. **Amounts pledged for the payment of the 1994 Program Bonds are not available for payment of bonds issued under the General Bond Resolution of 2009 and amounts pledged under the General Bond Resolution of 2009 are not available for payment of 1994 Program Bonds.**

From time to time, in lieu of utilizing the proceeds of bond issues to finance certain federally insured or guaranteed Mortgage Loans, the Agency, as a GNMA seller/servicer, has pooled those Mortgage Loans into Government National Mortgage Association ("GNMA") Mortgage-Backed Securities and has sold a portion of such Mortgage-Backed Securities into the national TBA ("To Be Announced") future delivery market, for which Caine Mitter & Associates Incorporated acts as its agent. From time to time, the Agency has used the proceeds of such sales to purchase additional federally insured or guaranteed Mortgage loans. The Agency has also acquired and deposited a portion of such Mortgage-Backed Securities into the Debt Service Reserve and Collateral Accounts under the Resolutions. As of September 30, 2024, the Agency has pooled approximately $423,766,863 of such Mortgage-Backed Securities since the inception of the program in 2011.

***Housing Assistance Program***. The Agency currently administers certain units under the substantial rehabilitation and new construction and the moderate rehabilitation provisions of the United States Department of Housing and Urban Development's Section 8 housing assistance program.

***Multifamily Program***. The Agency has issued bonds under various indentures which are not secured on a parity basis with the Bonds in order to finance or refinance multifamily projects in the State. Moneys pledged for the payment of such issues are not available for payment of the Bonds and moneys pledged for payment of the Bonds may not be used for payment on such issues.

The Tax Reform Act of 1986 created a tax credit for rental housing for low-income persons. As the state housing credit agency, the Agency has been designated to administer this program in the State, which provides tax credits for developers and contractors as an incentive to develop affordable housing.

The State legislature created the Housing Incentive Fund to provide financing (generally subordinate financing) for rental housing for low- and moderate-income persons, including essential service workers and persons with special needs, particularly in difficult to develop areas and oil and gas producing areas. The Agency administers the Fund. The Fund may be capitalized by either contributions from private donors (such donors receive a state tax credit equal to the amount of their donation), the transfer of certain earnings of the Bank of North Dakota, or a transfer of general funds of the State. The amount of available tax credits is specified on a biennial basis as part of the State budgetary process.

***Other Programs***. The 1994 General Resolution authorizes the Agency to issue revenue bonds under the 1994 General Resolution to finance (in addition to the Home Mortgage Finance Program) the Mobile Home and Manufactured Housing Finance Program, the Multifamily Housing Finance Program, the Mortgage Loan Financing Program, the Home Improvement Finance Program, the Residential Mortgage Program and such additional programs as may from time to time be authorized by the Act. Such bonds, when and if issued, would rank on a parity basis with the Offered Bonds if so provided in the applicable Series Resolution. As of the date hereof, the Agency has not issued bonds under the 1994 General Resolution to finance any Programs other than the Home Mortgage Finance Program.

## THE OFFERED BONDS

### General Description

The Offered Bonds will be subject to the redemption provisions set forth below and will mature on the dates and in the amounts set forth on the inside front cover page hereof.

The Offered Bonds due on January 1, 2026 and thereafter on each January 1 and July 1 to and including July 1, 2036 are hereinafter referred to as the "Serial Bonds." The Offered Term Bonds due July 1, 2039 are hereinafter referred to as the "2039 Term Bonds." The Offered Term Bonds due July 1, 2044 are hereinafter referred to as the "2044 Term Bonds." The Offered Term Bonds due July 1, 2049 are hereinafter referred to as the "2049 Term Bonds." The Offered Term Bonds due January 1, 2052 are hereinafter referred to as the "2052 Term Bonds." The Offered Term Bonds due July 1, 2055 are herein referred to as the "2055 Premium PAC Term Bonds." The 2039 Term Bonds, 2044 Term Bonds, 2049 Term Bonds, 2052 Term Bonds and 2055 Premium PAC Term Bonds are hereinafter referred to as the "Term Bonds."

Individual purchases of the Offered Bonds can be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Pursuant to the provisions of the 1994 General Resolution, the Offered Bonds may be redeemed in part from time to time in one or more units of $5,000, as is more fully provided in the 1994 General Resolution.

In the event the Offered Bonds are no longer held under a book-entry system, for every exchange or transfer of an Offered Bond, (a) the Agency or the Trustee shall impose a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and (b) the Agency may require payment of the cost of and expenses associated with preparing each new Offered Bond upon such exchange or transfer.

Interest on the Offered Bonds shall be payable to DTC by the Trustee as described under "BOOK-ENTRY-ONLY SYSTEM" in APPENDIX C hereto. Principal and Redemption Price of the Offered Bonds will be payable to DTC, as described below, upon presentation and surrender of such Offered Bond at the corporate trust office of Wilmington Trust, National Association, as Trustee and Paying Agent, in Minneapolis, Minnesota.

**Interest—General**

Interest on the Offered Bonds will accrue from the Delivery Date and will be payable on each January 1 and July 1, as well as their maturity date, commencing July 1, 2025, to the Person appearing on the applicable Record Date on the registration books of the Trustee. The Offered Bonds will bear interest at the rates set forth on the inside cover hereof. Interest on the Offered Bonds will be calculated on the basis of a 30-day month and a 360-day year. The Record Date with respect to the Offered Bonds will be the fifteenth day, preceding each Interest Payment Date (or the dated date if it is less than 15 days before the first Interest Payment Date); provided, however, that if the Record Date is not a Business Day, then such Record Date shall be deemed to be the First Business Day following such Record Date.

**Redemption Provisions***

***Optional Redemption of the Offered Bonds***. The Offered Bonds due on or after January 1, 2034 (other than the 2055 Premium PAC Term Bonds) are subject to redemption prior to their maturity, at the option of the Agency, on and after July 1, 2033, upon notice and otherwise as provided in the 1994 General Resolution, on any date, in whole or in part, from any moneys at a Redemption Price equal to 100% of the Outstanding principal amount thereof, together with accrued interest to the redemption date.

The 2055 Premium PAC Term Bonds are subject to redemption either in whole or in part at the option of the Agency on any date on or after the dates and at the prices set forth below with accrued interest to the date of redemption:

* Preliminary; subject to change.

| Redemption Date | Redemption Price† |
|---|---|
| July 1, 2033 | % |
| January 1, 2034 | |
| July 1, 2034 | |
| January 1, 2035 | |
| July 1, 2035 | |
| January 1, 2036 and thereafter | |

†Any of the 2055 Premium PAC Term Bonds optionally redeemed on a date other than a redemption date listed above will be redeemed at a price calculated by the Agency using straight-line interpolation between the redemption prices for the redemption dates listed above immediately preceding and succeeding such redemption date.

If any Offered Bond is in a denomination larger than the minimum Authorized Denomination, a portion of such Bond may be redeemed in integral multiples of $5,000.

***Sinking Fund Redemption of the 2039 Term Bonds***. The 2039 Term Bonds are subject to redemption prior to maturity in part by lot, at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on January 1 and July 1 of each year the respective principal amount of such Bonds specified for each of the dates below:

**2039 Term Bonds**

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2037 | $2,530,000 | July 1, 2038 | $2,695,000 |
| July 1, 2037 | 2,585,000 | January 1, 2039 | 2,755,000 |
| January 1, 2038 | 2,640,000 | July 1, 2039† | 2,815,000 |

†Final maturity.

***Sinking Fund Redemption of the 2044 Term Bonds***. The 2044 Term Bonds are subject to redemption prior to maturity in part by lot, at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on January 1 and July 1 of each year the respective principal amount of such Bonds specified for each of the dates below:

**2044 Term Bonds**

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2040 | $2,875,000 | July 1, 2042 | $3,230,000 |
| July 1, 2040 | 2,940,000 | January 1, 2043 | 3,305,000 |
| January 1, 2041 | 3,010,000 | July 1, 2043 | 3,380,000 |
| July 1, 2041 | 3,080,000 | January 1, 2044 | 3,460,000 |
| January 1, 2042 | 3,155,000 | July 1, 2044† | 3,545,000 |

†Final maturity.

*__Sinking Fund Redemption of the 2049 Term Bonds__*. The 2049 Term Bonds are subject to redemption prior to maturity in part by lot, at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on January 1 and July 1 of each year the respective principal amount of such Bonds specified for each of the dates below:

**2049 Term Bonds**

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2045 | $3,625,000 | July 1, 2047 | $4,090,000 |
| July 1, 2045 | 3,715,000 | January 1, 2048 | 4,190,000 |
| January 1, 2046 | 3,805,000 | July 1, 2048 | 4,290,000 |
| July 1, 2046 | 3,895,000 | January 1, 2049 | 4,395,000 |
| January 1, 2047 | 3,990,000 | July 1, 2049† | 4,500,000 |

†Final maturity.

*__Sinking Fund Redemption of the 2052 Term Bonds__*. The 2052 Term Bonds are subject to redemption prior to maturity in part by lot, at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on January 1 and July 1 of each year the respective principal amount of such Bonds specified for each of the dates below:

**2052 Term Bonds**

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2050 | $4,610,000 | July 1, 2051 | $4,955,000 |
| July 1, 2050 | 4,725,000 | January 1, 2052† | 1,975,000 |
| January 1, 2051 | 4,840,000 | | |

†Final maturity.

*__Sinking Fund Redemption of the 2055 Premium PAC Term Bonds__*. The 2055 Premium PAC Term Bonds are subject to redemption prior to maturity in part by lot, at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date of redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on January 1 and July 1 of each year the respective principal amount of such Bonds specified for each of the dates below:

**2055 Premium PAC Term Bonds**

| Date | Principal Amount | Date | Principal Amount |
|---|---|---|---|
| January 1, 2052 | $3,105,000 | January 1, 2054 | $5,705,000 |
| July 1, 2052 | 5,220,000 | July 1, 2054 | 5,875,000 |
| January 1, 2053 | 5,375,000 | January 1, 2055 | 6,055,000 |
| July 1, 2053 | 5,535,000 | July 1, 2055† | 3,910,000 |

†Final maturity.

Amounts accumulated in the Revenue Account for each sinking fund installment may, and at the direction of the Agency shall, be applied by the Trustee to the purchase of the applicable Term Bonds listed above at prices (including any brokerage and other charges) not exceeding the principal amount thereof, provided that the Agency may provide funds to pay any portion of such purchase price in excess of the principal amount thereof.

Upon any purchase or redemption of the Term Bonds other than by application of sinking fund installments, the principal amount thereof shall be credited against such sinking fund installments thereafter to become due as the Agency may direct.

***Special Redemption of the Offered Bonds from Unexpended Proceeds***. The Offered Bonds will be subject to redemption prior to maturity, in whole or in part, at any time upon notice as provided in the 1994 General Resolution, at a Redemption Price equal to 100% (except with respect to the 2055 Premium PAC Term Bonds as described below) of the principal amount of such Bonds or portions thereof to be redeemed, together with accrued interest thereon to the date of redemption, from unexpended moneys in the 2024 Series D Subaccount of the Proceeds Account (as of September 30, 2024, approximately $-0- principal amount of Mortgage Loans had been purchased which will be reimbursed to the Agency from the proceeds of the Offered Bonds). The 1994 General Resolution provides that such amounts may be transferred to the applicable subaccount of the Revenue Account designated for special redemption pursuant to an Agency Request filed at any time. The Offered Bonds are required to be redeemed by the Trustee no later than June 17, 2028 from unexpended moneys (in amounts of $250,000 or more) credited to the 2024 Series D Subaccount of the Proceeds Account. In connection with any such redemption from unexpended proceeds, the Offered Bonds will be selected for redemption as directed by the Agency.

Any redemption of the 2055 Premium PAC Term Bonds pursuant to this provision shall be at a Redemption Price which maintains the original yield of such bonds plus accrued interest to the Redemption Date.

If any Offered Bond is in a denomination larger than the minimum Authorized Denomination, a portion of such Bond may be redeemed in integral multiples of $5,000.

***Special Redemption of the Offered Bonds from Prepayments***. The Offered Bonds will be subject to redemption in whole or in part on any date at the option of the Agency, or as required by law, at a Redemption Price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date, from Prepayments (as defined in "APPENDIX A—DEFINITIONS OF CERTAIN TERMS FROM THE RESOLUTIONS AND THE OFFICIAL STATEMENT") of Mortgage Loans or any other Program Obligations in excess of amounts required for scheduled debt service that were acquired or financed in whole or in part from moneys made available by the issuance of the Offered Bonds.

In connection with any redemption from Prepayments received with respect to the Mortgage Loans, amounts allocated to the Offered Bonds will be applied as follows:

(a) First, the Agency shall apply amounts to the redemption of the 2055 Premium PAC Term Bonds, but only to the extent that the Outstanding principal amount of such Bonds following such redemption is not less than the 2055 Premium PAC Term Bonds Outstanding Applicable Amount (set forth in the table below) as of such date, which is calculated based on the assumed receipt of Prepayments received with respect to the Mortgage Loans the revenues of which are allocated to the payment of the Offered Bonds, at approximately 50% of the PSA Prepayment Model (as defined below);

(b) amounts remaining following the redemptions specified in clause (a) above will be applied, unless otherwise directed by the Agency, to the redemption of the Offered Bonds (other than the 2055 Premium PAC Term Bonds); and

(c) amounts remaining following the redemptions specified in clauses (a) and (b) above will be applied, unless otherwise directed by the Agency, to the redemption of any remaining 2055 Premium PAC Term Bonds, notwithstanding the 2055 Premium PAC Term Bonds Outstanding Applicable Amounts.

The 2055 Premium PAC Term Bonds Outstanding Applicable Amount is as follows:

| Date | Outstanding Applicable Amount | Date | Outstanding Applicable Amount |
|---|---|---|---|
| December 17, 2024 | $40,780,000 | January 1, 2031 | $18,430,000 |
| July 1, 2025 | 40,735,000 | July 1, 2031 | 16,200,000 |
| January 1, 2026 | 40,285,000 | January 1, 2032 | 14,025,000 |
| July 1, 2026 | 39,280,000 | July 1, 2032 | 11,915,000 |
| January 1, 2027 | 37,730,000 | January 1, 2033 | 9,860,000 |
| July 1, 2027 | 35,665,000 | July 1, 2033 | 7,865,000 |
| January 1, 2028 | 33,145,000 | January 1, 2034 | 5,925,000 |
| July 1, 2028 | 30,530,000 | July 1, 2034 | 4,035,000 |
| January 1, 2029 | 27,985,000 | January 1, 2035 | 2,200,000 |
| July 1, 2029 | 25,500,000 | July 1, 2035 | 420,000 |
| January 1, 2030 | 23,080,000 | January 1, 2036 | -0- |
| July 1, 2030 | 20,725,000 | | |

Any special redemption of the Offered Bonds as described above under “Special Redemption From Unexpended Proceeds” will reduce the 2055 Premium PAC Term Bonds Outstanding Applicable Amount described above for the current and each future semiannual period by an amount equal to the product of such amounts and a fraction the numerator of which equals the principal amount of the 2055 Premium PAC Term Bonds so redeemed and the denominator of which equals the original principal amount of the 2055 Premium PAC Term Bonds.

***Assumptions Used in Calculating the 2055 Premium PAC Term Bonds Outstanding Applicable Amount***. The 2055 Premium PAC Term Bonds Outstanding Applicable Amount (subject to adjustment as described above) for each period has been calculated based upon assumptions (the “PAC Bond Assumptions”) that include, among other assumptions, the receipt of Prepayments with respect to the Mortgage Loans acquired or financed with proceeds of the Offered Bonds at a rate equal to approximately 50% of PSA, as further described below. Because Mortgage Loan Prepayments cannot be predicted, the actual performance of and statistical characteristics of the Mortgage Loans acquired or financed with proceeds of the Offered Bonds may differ from such assumptions. Many factors, including but not limited to Mortgage Loan ages and interest rates, can affect the speeds at which Mortgage Loans prepay, and the Agency makes no representation that actual experience will conform to the PAC Bond Assumptions.

***PSA Prepayment Model***. Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The standard used in this Official Statement is The Standard Prepayment Model of the Securities Industry and Financial Markets Association, formerly the Bond Market Association and, prior thereto, the Public Securities Association (the "PSA Prepayment Model"). The PSA Prepayment 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 Mortgage Loans acquired or financed with proceeds of the Offered Bonds. 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 30$^{th}$ month. Beginning in the 30$^{th}$ 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.

***Projected Weighted Average Lives of the 2055 Premium PAC Term 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 2055 Premium PAC Term Bonds will be influenced by, among other factors, the rate at which loan principal payments and loan prepayments on Mortgage Loans acquired or financed with proceeds of the Offered Bonds are received.

Set forth in the following table are the projected weighted average lives (in years) of the 2055 Premium PAC Term Bonds based upon various rates of prepayment of the Mortgage Loans acquired or financed with proceeds of the Offered Bonds expressed as percentages of PSA. As used in the following table, "0% PSA" assumes no prepayments on the principal of such Mortgage Loans. "50% PSA" assumes the principal of Mortgage Loans will prepay at a rate one-half times as fast as the prepayment rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of such Mortgage Loans will prepay at a rate three-quarters times as fast as prepayment rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of such Mortgage Loans will prepay at a rate equal to the prepayment rates for 100% of the PSA Prepayment Model. "200% PSA" assumes the principal of such Mortgage Loans will prepay at a rate twice as fast as the prepayment rates for 100% of the PSA Prepayment Model. "300% PSA" assumes the principal of such Mortgage Loans will prepay at a rate three times as fast as the prepayment rates for 100% of the PSA Prepayment Model. "400% PSA" assumes the principal of such Mortgage Loans will prepay at a rate four times as fast as the prepayment rates for 100% of the PSA Prepayment Model. "500% PSA" assumes the principal of such Mortgage Loans will prepay at a rate five times as fast as the prepayment rates for 100% of the PSA Prepayment Model. The Agency has made no projections as to the weighted average lives of the 2055 Premium PAC Term Bonds at rates of prepayment of the Mortgage Loans acquired or financed with proceeds of the Offered Bonds exceeding 500% of PSA.

The table below assumes, among other things, that:

(i) the Mortgage Loans acquired or financed with proceeds of the Offered Bonds will have 30-year terms with level principal amortization,

(ii) approximately $184,750,000 of Mortgage Loans with a weighted average interest rate of 5.58% are expected to be acquired or financed with proceeds of the Offered Bonds on or before July 1, 2025,

(iii) all Mortgage Loans acquired or financed with proceeds of the Offered Bonds will be prepaid at the percentage of PSA indicated in the table,

(iv) all scheduled Principal Payments, scheduled interest payments, and Prepayments on the Mortgage Loans acquired or financed with proceeds of the Offered Bonds will be timely received and the Agency experiences no foreclosure losses on such Mortgage Loans,

(v) all Prepayments of Mortgage Loans acquired or financed with proceeds of the Offered Bonds will be applied to redeem 2055 Premium PAC Term Bonds up to the applicable 2055 Premium PAC Term Bonds Outstanding Applicable Amount;

(vi) Excess Revenues related to the Offered Bonds will be applied to redeem 2055 Premium PAC Term Bonds up to the applicable 2055 Premium PAC Term Bonds Outstanding Applicable Amount,

(vii) Excess Revenues not related to the Offered Bonds will be applied to pay certain cash flow shortfalls structured into the scheduled debt service on the Offered Bonds;

(viii) there will be no optional redemption of the 2055 Premium PAC Term Bonds as described above under the subheading "Redemption Provisions – Optional Redemption,"

(ix) redemptions of 2055 Premium PAC Term Bonds, other than by application of sinking fund requirements, will be credited against all remaining sinking fund requirements for the 2055 Premium PAC Term Bonds on a pro rata basis, and

(x) moneys invested in the 2024 Series D Subaccount of the Revenue Account are assumed to be invested at a rate of 3.50% and moneys invested in the 2024 Series D Subaccount of the Proceeds Account are assumed to be invested at a rate of 4.00%.

Notwithstanding such assumptions, the Agency has the right to redeem the 2055 Premium PAC Term Bonds pursuant to the provisions described under "Redemption Provisions – Special Redemption from Excess Revenues" using moneys generally available under the Resolution, including moneys from other Series of Bonds. Notwithstanding such assumptions, the Agency also has the right to redeem the 2055 Premium PAC Term Bonds pursuant to the provisions described under "Redemption Provisions – Special Redemption from Prepayments" and "Redemption Provisions – Optional Redemption". However, in no case will amounts be applied in excess of the applicable 2055 Premium PAC Term Bonds Outstanding Applicable Amount unless the 2055 Premium PAC Term Bonds are the only Offered Bonds outstanding. Some or all of the assumptions used in preparing the table below are unlikely to reflect actual experience.

**PROJECTED AVERAGE LIFE OF THE**
**2055 PREMIUM PAC TERM BONDS**

| PSA Prepayment Speed | Average Maturity in Years |
|---|---|
| 0% | 28.6 |
| 50% | 6.0 |
| 75% | 6.0 |
| 100% | 6.0 |
| 200% | 6.0 |
| 300% | 6.0 |
| 400% | 6.0 |
| 500% | 6.0 |

PSA does not purport to be a prediction of the anticipated rate of prepayment of the Mortgage Loans acquired or financed with proceeds of the Offered Bonds, and there is no assurance that such Prepayments will conform to any of the assumed prepayment rates. The rate of principal payments of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage interest rates and the rate at which homeowners sell their homes or default on their mortgage loans. In general, if prevailing interest rates fall significantly, the Mortgage Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on such Mortgage Loans. Conversely, if interest rates rise, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of Mortgage Loans include changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgaged properties. In addition, as homeowners move or default on their Mortgage Loans, the houses are generally sold and the Mortgage Loans prepaid, although under certain circumstances the Mortgage Loans may be assumed by a new buyer. Because of the foregoing and since the rate of prepayment of principal of the Offered Bonds will depend on the rate of repayment (including prepayments) of the Mortgage Loans acquired or financed with proceeds of the Offered Bonds, the actual repayment of any Offered Bond is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Agency makes no representation as to the percentage of the principal balance of the Mortgage Loans acquired or financed with proceeds of the Offered Bonds that will be paid as of any date or as to the overall rate of prepayments. The projected weighted average lives reflect a projected average of the periods of time for which the 2055 Premium PAC Term Bonds are Outstanding. They do not reflect the period of time which any one 2055 Premium PAC Term Bond will remain Outstanding. At each prepayment speed, some 2055 Premium PAC Term 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.

***Special Redemption of the Offered Bonds from Excess Revenues***. The Offered Bonds will be subject to redemption prior to maturity in whole or in part at any time at a Redemption Price equal to 100% of the principal amount thereof to be redeemed, plus interest accrued to the redemption date, from any amounts remaining on deposit in the Revenue Account following the payments required to be made therefrom pursuant to the 1994 General Resolution, including amounts on deposit in the 2024 Series D Subaccount of the Revenue Account and amounts on deposit in subaccounts of the Revenue Account established with respect to Bonds of any Series ("Excess Revenues"), unless the Agency otherwise directs pursuant to an Agency Request accompanied by a Cash Flow Certificate.

In connection with any redemption from Excess Revenues the Offered Bonds will be selected for redemption as follows:

(a) first, the Agency shall apply amounts to the redemption of the 2055 Premium PAC Term Bonds, but only to the extent that the Outstanding principal amount of such Bonds following such redemption is not less than the 2055 Premium PAC Term Bonds Outstanding Applicable Amount (set forth in the table above);

(b) amounts remaining following the redemptions specified in clause (a) above can be applied as directed by the Agency to the redemption of the Offered Bonds (other than the 2055 Premium PAC Term Bonds); and

(c) amounts remaining following the redemptions specified in clauses (a) and (b) above will be applied, unless otherwise directed by the Agency, to the redemption of any remaining 2055 Premium PAC Term Bonds, notwithstanding the 2055 Premium PAC Term Bonds Outstanding Applicable Amounts.

## DESIGNATION OF THE OFFERED BONDS AS SOCIAL BONDS

### General

The Offered Bonds have been designated as "Social Bonds". Kestrel ("Kestrel") has provided an independent external review and opinion that the 2024 Series D Bonds conform with the four core components of the International Capital Market Association's ("ICMA") Social Bond Principles, and therefore qualify for Social Bonds designation. The information under the subcaptions "Social Bonds Designation" and "Independent Second Party Opinion on Social Bonds Designation and Disclaimer" below has been provided by Kestrel.

None of the Agency, the Underwriters (as defined herein), Caine Mitter & Associates Incorporated, Kutak Rock LLP, Dorsey & Whitney LLP or Arntson Stewart Wegner PC, has independently confirmed or verified the information below or assumed any obligation to ensure that the Offered Bonds comply with any legal or other standards or principles that may be related to Social Bonds. The Agency has designated the Offered Bonds as Social Bonds based solely on Kestrel's Second Party Opinion (the "Second Party Opinion") which is attached hereto as APPENDIX M – Kestrel's Second Party Opinion. The designation of the Offered Bonds as Social Bonds does not entitle the owner of any Offered Bond to any benefit under the Internal Revenue Code. Owners of the Offered Bonds do not have any security other than as described under "SECURITY FOR THE BONDS."

### Social Bonds Designation

Per the ICMA, Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Social Projects and which are aligned with the four core components of the Social Bond Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting.

Kestrel has determined that: (a) the Offered Bonds are in conformance with the four core components of the ICMA Social Bond Principles, as described in the Second Party Opinion, and (b) the uses of the proceeds of the Offered Bonds align with the Affordable Housing, Access to Essential Services, and Socioeconomic Advancement and Empowerment eligible project categories by financing mortgages for low- and moderate-income families.

Upon the expenditure of the proceeds of the Offered Bonds deposited into the 2024 Series D Subaccount of the Proceeds Account, the Agency expects to prepare a report regarding the Mortgage Loans acquired or financed with proceeds of the Offered Bonds consisting of the information set forth in APPENDIX L – USE OF PROCEEDS REPORT.

### Independent Second Party Opinion on Social Bonds Designation and Disclaimer

For over twenty years, Kestrel has been consulting in sustainable finance. Kestrel is an Approved Verifier accredited by the Climate Bonds Initiative. Kestrel reviews transactions in all asset classes worldwide for alignment with ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and Criteria.

The Second Party Opinion issued by Kestrel does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Offered Bonds. Second Party Opinions provided by Kestrel are not a recommendation to any person to purchase, hold, or sell the Offered Bonds and designations do not address the market price or suitability of the Offered Bonds for a particular investor and do not and are not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the Second Party Opinion, Kestrel has assumed and relied upon the accuracy and completeness of the information made publicly available by the Agency or that was otherwise made available to Kestrel.

## SECURITY FOR THE BONDS

The Bonds will constitute full faith and credit revenue obligations of the Agency payable out of any of the Agency's revenues, moneys or assets legally available therefor subject only to agreements heretofore or hereafter made with holders of notes and bonds other than the Bonds pledging particular revenues, moneys or assets for the payment thereof.

The Bonds are limited obligation revenue bonds of the State payable solely from the revenues and assets pledged therefor under the Resolutions. The Bonds do not constitute a debt of the State or any political subdivision thereof. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

### General

Under the 1994 General Resolution, the Agency has pledged and assigned all revenues from the investment or expenditure of the proceeds from the sale of the Bonds, and all Program Obligations and any other amount which may be pledged pursuant to the terms of a Series Resolution except any revenues or Program Obligations expressly excluded by the terms of a Series Resolution as security for the payment of the principal or Redemption Price of and interest on the Bonds, subject only to the provisions of the 1994 General Resolution permitting the application thereof on the terms and conditions permitted by the 1994 General Resolution. Pursuant to the Series Resolutions adopted to date under the 1994 General Resolution, the revenues generated by the Program Loans (but not the Program Loans themselves) are pledged to secure the Bonds. Under the 2024 Series D Certificate, the Agency has pledged and assigned as security for the payment of the principal or Redemption Price of and interest on the Bonds all Revenues generated by the application of the proceeds from the sale of the Bonds.

The Agency is permitted by the terms of the 1994 General Resolution to issue Bonds and to pledge Revenues pursuant to the Series Resolution which exceed the amount required to meet the requirement that the issuance of such Bonds will not, in and of itself, cause a withdrawal or reduction in the rating assigned by the Rating Agency to any Outstanding Bonds of any prior Series. In such event, it is likely that any such Series of Bonds would produce Excess Revenues in the Revenue Account which could be available to redeem the related Series of Bonds or any other Series of Bonds prior to the stated maturities thereof.

Funds made available by the issuance of the Offered Bonds will be invested in permitted investments at the estimated rates of return described herein under "ESTIMATED REVENUES AVAILABLE FOR DEBT SERVICE." The Offered Bonds are secured on a parity basis with all other Bonds issued under the 1994 General Resolution.

The pledge and assignment contained in the 1994 General Resolution is subject to the liens of certain Fiduciaries for reasonable compensation and expenses. The 1994 General Resolution permits payments to the United States of America from amounts held in the Rebate Account in such amounts and at such times as are necessary to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code").

Each Program Loan to be purchased with proceeds of the 1994 Program Bonds must be secured by a Mortgage which is the subject of a title insurance policy insuring that the Mortgage constitutes a first lien on the Single Family Residence, subject only to permitted liens and encumbrances, and must satisfy certain conditions contained in the 1994 Mortgage Purchase Agreements with respect to the 1994 Program Bonds, provided that the Agency may purchase Program Loans with characteristics different from those described above if it obtains written confirmation from the Rating Agency that such purchase will not adversely affect the Rating Quality of the Bonds and obtains an opinion of bond counsel that such purchase will not adversely affect the excludability of interest on the Offered Bonds from gross income for federal income tax purposes. See "HOME MORTGAGE FINANCE PROGRAM—The 1994 Mortgage Purchase Agreements."

**Investment Agreements Relating to the Bonds**

Information about investment agreements held with respect to the Bonds may be obtained by accessing the Agency's website, www.ndhfa.org, in the Financial Disclosure section. The initial Series of Bonds issued under the 1994 General Resolution was the 1994 Series D. This link is included to provide information about the investment agreements, and any other information contained on the Agency's website is not incorporated by reference.

**Debt Service Reserve Account**

The 1994 General Resolution establishes a Debt Service Reserve Account and provides that the Debt Service Reserve Account shall be at least equal to 3% of the Outstanding principal amount of Program Loans (but not Program Securities) including the principal amount of Program Loans anticipated to be originated with the proceeds of the Offered Bonds (the "Debt Service Reserve Requirement"). The Agency will deposit $________ representing proceeds of the Offered Bonds into the 2024 Series D Subaccount of the Debt Service Reserve Account. The Debt Service Reserve Requirement may be funded through a letter of credit, insurance policy, surety, guarantee or other security arrangement, which shall have such terms necessary to maintain the Rating Quality on the Bonds ("Cash Equivalent"). See "APPLICATION OF BOND PROCEEDS" and "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—Debt Service Reserve Account" in APPENDIX B hereto. THERE IS NO PROVISION UNDER STATE LAW OR ANY OBLIGATION IMPOSED UPON, OR ASSUMED BY, THE STATE WITH RESPECT TO THE RESTORATION OF AMOUNTS WITHDRAWN FROM THE DEBT SERVICE RESERVE ACCOUNT.

**Collateral Account**

The 1994 General Resolution establishes a Collateral Account with respect to the Bonds. The Agency may cause to be deposited into the Collateral Account, from time to time, such cash, securities, mortgage loans or other property as directed by the Agency.

The Agency has covenanted in the 2024 Series D Certificate as follows with respect to the Collateral Account:

(a) The Agency shall maintain on deposit in the Collateral Account whether allocated or unallocated to a specific series subaccount from the date of issuance of the related Series of Bonds, Cash Equivalents or Collateral with a market value (evaluated on each Bond Payment Date) sufficient to ensure that (i) the sum of (A) the moneys, Investment Obligations, Collateral, and Cash Equivalents then credited to the Collateral Account and the appropriate subaccounts of the Proceeds Account, the Revenue Account and the Debt Service Reserve Account, and any accrued interest on the foregoing, (B) the unpaid principal amount of all Program Obligations credited to the appropriate subaccounts of the Proceeds Account and any accrued interest thereon, equals or exceeds (ii) an amount equal to 102% of the principal amount of and any accrued interest on Outstanding Bonds (excluding any Bonds the proceeds of which may not be applied to purchase Program Loans until after the mandatory tender date or maturity date therefor), or such lesser amount as shall be sufficient to retain the Rating Quality of the Bonds; and

(b) The Agency shall, on the earlier of the date which is 42 months after the date of issuance of the related Series of Bonds or the date on which no funds remain on deposit in the applicable Subaccount of the Proceeds Account, inform the Rating Agency of the mortgage insurance status of the Mortgage Loans funded by the application of the proceeds of the related Series of Bonds, and the Agency hereby covenants to pledge such additional assets to the Collateral Account as may be required by the Rating Agency to maintain the Rating Quality of the Bonds.

Any moneys held in the Collateral Account may be invested or reinvested in such securities, mortgage loans or other investment as may be directed by an Authorized Officer, which may include Investment Obligations, Program Obligations or Collateral but is not restricted thereto, unless otherwise provided in a Series Resolution. Any interest or income earned with respect to any such securities, mortgage loans or other property is not expected to be retained in the Collateral Account except as may be required to satisfy the covenants described above.

If on any date payments are required to be made from the Revenue Account and there are not sufficient funds in the Revenue Account to make such payments, the Trustee shall withdraw from the Collateral Account and transfer to the Revenue Account such amounts as are necessary to provide sufficient funds for the required transfers from the Revenue Account.

As of September 30, 2024, securities with an approximate market value of $5,566,795 were on deposit in the Collateral Account in order to meet the funding requirements described above. The Agency has pledged to the Collateral Account the principal on but not the interest with respect to such securities. The Agency will satisfy the Collateral Account funding requirement described above with respect to the Offered Bonds by, if necessary, depositing on or prior to the date of issuance of the Offered Bonds additional Collateral sufficient to meet the funding requirement described above. At any time, at the direction of an Authorized Officer, the Trustee shall withdraw from the Collateral Account and pay to the Agency, free and clear of the lien of the 1994 General Resolution, such amounts, securities, mortgage loans or other property as shall be specified therein, unless otherwise restricted by a Series Resolution as described above.

THERE IS NO GUARANTEE THAT IF AMOUNTS ARE DEPOSITED BY THE AGENCY INTO THE COLLATERAL ACCOUNT THAT SUCH AMOUNTS WOULD BE AVAILABLE TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS.

**Additional Bonds**

The Resolutions permit the issuance of additional Series of Bonds on a parity with the Offered Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS” in APPENDIX B hereto.

## LIQUIDITY FACILITIES FOR BONDS BEARING VARIABLE RATES OF INTEREST

The Agency has issued, and expects in the future to issue, certain Series of Bonds as variable interest rate debt, in order to reduce its overall cost of funds and further its objective of providing affordable mortgage rates for homebuyers in the State. The Agency's variable rate bonds are currently subject to optional tender on a weekly basis. Through standby bond purchase agreements, certain financial institutions (the "liquidity providers") have agreed to purchase variable rate bonds that have been tendered for purchase and not remarketed. Variable rate bonds purchased by a liquidity provider (the "Bank Rate Bonds") bear interest at various special negotiated interest rates (the "Bank Interest Rates") and have accelerated principal payments over various terms of years (the "Term-Out Provisions"), as set forth in each such agreement. If the Agency's outstanding Bank Rate Bonds are not successfully remarketed, or alternatively if the Agency does not otherwise act, including action to replace certain affected liquidity providers, the applicable Term-Out Provisions require amortization and redemption of the Bank Rate Bonds over accelerated terms that are different than the maturity of such bonds.

The payment of principal and interest on Bank Rate Bonds is on parity with the payment of principal and interest on Bonds issued under the Resolution.

Each of such standby bond purchase agreements expire prior to the maturity date of the related bonds. The commitment fees for such standby bond purchase agreements may be substantially lower than the Agency would pay in order to obtain replacement liquidity facilities or extend existing liquidity facilities. There can be no assurance that the Agency will be able to extend any expiration date or to obtain an alternate liquidity facility on terms substantially similar to the terms of any expiring standby bond purchase agreement.

Each of the standby bond purchase agreements provides that certain events may constitute, or with the passage of time may constitute, events of default thereunder, generally including any default under the 1994 General Resolution, any act of insolvency, failure to pay amounts owed to the liquidity provider, invalidity of various documents related to the Bonds, and violation of various financial covenants in the related standby bond purchase agreement (which may include downgrades, suspensions or withdrawals of ratings on the Bonds or failure to timely pay debts or obligations of the Agency). A standby bond purchase agreement further provides that certain defaults thereunder by the Agency enables the liquidity provider to immediately suspend or terminate the related standby bond purchase agreements, generally including any act of insolvency by the Agency, any Bond payment default under the 1994 General Resolution or failures to pay material debts after the passage of any cure period, any determination of invalidity of various documents material to the Bonds and security for the payment thereof, or downgrades, suspensions or withdrawals of ratings below minimum thresholds.

The Agency can give no assurance that all or portions of its variable rate Bonds will not become Bank Rate Bonds subject to Bank Interest Rates and Term-Out Provisions. Certain information relating to the liquidity providers for the Agency's Bonds bearing variable rates of interest, as of September 30, 2024, is set forth in Appendix J hereto.

## INTEREST RATE SWAP AGREEMENTS

The Agency has used and expects to use interest rate swap agreements to manage and reduce exposure to adverse fluctuations in interest rates on variable rate bonds and to lower the overall cost of financing. The Agency is currently a party to various interest rate swap agreements related to various financings of the Agency. Interest rate swap agreements contain certain risks that may cause the Agency to have unintended financial consequences. Certain information relating to the Agency's interest rate swap agreements as of September 30, 2024 is set forth in Appendix K hereto. Additional information can also be found in the Notes to Financial Statements section of Appendix G hereto.

## ESTIMATED REVENUES AVAILABLE FOR DEBT SERVICE

The Agency estimates that, in each year in which the Offered Bonds are scheduled to be Outstanding, there will be sufficient moneys available under the 1994 General Resolution to pay the principal and Redemption Price of and interest on the Outstanding Bonds and to maintain any Debt Service Reserve Requirement.

The maturity schedule for the Offered Bonds takes into consideration scheduled Mortgage Repayments of Mortgage Loans allocated to the Offered Bonds. In estimating the amount of money available to pay Principal Installments of and interest on the Bonds, a number of other assumptions were made by the Agency, including the assumptions that: (a) payments of principal of and interest on the Program Loans will be timely made; (b) the Private Insurers insuring Program Loans under applicable private mortgage insurance (PMI), and Governmental Insurers insuring Program Loans under applicable governmental mortgage insurance (GMI), will pay, in cash, any and all claims arising from default on insured or guaranteed Program Loans in full on a timely basis; and (c) the Lenders will deliver Program Loans purchased with the proceeds of the Offered Bonds to the Agency in accordance with the terms of the 1994 Mortgage Purchase Agreements. Funds made available by the issuance of the Offered Bonds may be invested in Investment Obligations as permitted by the Resolutions. The Agency has not assumed any investment earnings for purposes of structuring the Bonds.

The Agency believes that the foregoing assumptions are reasonable, but can give no assurance that the actual receipt of moneys will correspond to estimated revenues required to pay the principal of and interest on the Bonds.

Payment of capitalized interest for the Offered Bonds will be made from amounts, if any, made available from the issuance of the Offered Bonds. Moneys deposited in the applicable Subaccounts of the Proceeds Account that are not expended to purchase Program Loans or to pay debt service on the Bonds by the dates specified herein under the captions "THE OFFERED BONDS—Redemption Provisions – Special Redemption of the Offered Bonds from Unexpended Proceeds" must be used to redeem the Offered Bonds. Unexpended proceeds of the Offered Bonds, together with amounts available in the Debt Service Reserve Account along with other Agency assets, are expected to be sufficient to redeem that principal amount of the Offered Bonds necessary to assure the payment in full of the principal of and interest on such Bonds remaining Outstanding after such redemption.

Under the current form of Program Loan documents approved by the Agency in connection with the Home Mortgage Finance Program, Program Loans purchased with the proceeds of the Offered Bonds must permit prepayment prior to maturity at the option of the mortgagor without a penalty or premium. Such Program Loans may also be terminated prior to final maturity as a result of such events as default, sale or condemnation of the property securing such Program Loans or casualty loss. Prepayments received by the Agency, pursuant to the provisions of the Resolutions, may be applied to redeem any Series of Bonds. See "THE OFFERED BONDS—Redemption Provisions – Special Redemption of the Offered Bonds from Prepayments."

The Offered Bonds will provide funds for the purchase by the Agency of newly originated mortgage loans at a price and bearing interest at rates to be established on the basis of the interest cost of the bonds and local mortgage market conditions. Historically, the Agency has purchased mortgage loans on terms resulting in an effective rate sufficient to pay the principal of and interest on the related Series of Bonds, the costs of servicing the mortgage loans and other expenses of the program. The Agency may make loan commitments and purchases in advance of issuing bonds. As of October 28, 2024, the Agency had reserved, committed or funded approximately $58,009,110 in principal amount of mortgage loans being originated under its FirstHome Program in excess of currently available tax-exempt bond proceeds which the Agency expects to finance with proceeds of the Offered Bonds.

The following information summarizes the insurance/guaranty status of the Mortgage Loans expected to be purchased or reimbursed with the proceeds of the Offered Bonds (the "Expected 2024 Series D New Mortgage Loans") as of October 28, 2024:

**Expected 2024 Series D New Mortgage Loans by Insurance/Guarantee Type:**

| | |
|---|---|
| FHA Insured | 31.8% |
| VA Guaranteed | 6.7% |
| PMI Insurance | 44.9% |
| RHS Guaranteed | 2.9% |
| Uninsured | 13.7% |
| **Total** | 100.0% |

For information with respect to the entire portfolio of the Program Loans held under the 1994 General Resolution, see "APPENDIX F—CERTAIN INFORMATION CONCERNING THE MORTGAGE LOANS."

## APPLICATION OF BOND PROCEEDS*

Amounts made available by the issuance of the Offered Bonds are expected to be applied to make deposits as set forth in the table below.

| | |
|---|---|
| Deposit to 2024 Series D Subaccount of Proceeds Account[1] | $ |
| Deposit to 2024 Series D Subaccount of Debt Service Reserve Account[2] | |
| Deposit to 2024 Series D Subaccount of Proceeds Account for payment of Cost of Issuance[3] | |
| TOTAL | $ |

[1]Amounts on deposit in the 2024 Series D Subaccount of the Proceeds Account are expected to be applied for the purchase of Program Loans and for other purposes as permitted by the Resolutions as fully described under the section "INTRODUCTION AND PURPOSE."
[2]A portion of the proceeds of the 2024 Series D Bonds will be deposited in the Debt Service Reserve Account to satisfy the Debt Service Reserve Requirement with respect to the 2024 Series D Bonds.
[3]Includes the Underwriters' fee described under the section "UNDERWRITING."

## HOME MORTGAGE FINANCE PROGRAM

Pursuant to the Act, the Agency has established the Home Mortgage Finance Program in furtherance of which the Agency has agreed to purchase from the Lenders new Program Loans on qualified Single Family Residences in the State made to Eligible Mortgagors. In connection with Program Loans to be purchased from the proceeds of the Offered Bonds the Agency has established family income limits in

* Preliminary; subject to change.

accordance with applicable provisions of the Code which are based upon Department of Housing and Urban Development estimates of median incomes. Such income limits vary from county to county and presently range from $119,485 to $128,110 for applicant households of three or more persons and from $103,900 to $111,400 for applicant households of one or two persons with respect to Single Family Residences.

A Single Family Residence is defined in the Act as one- to four-family units and is required by the Code to be occupied as the principal residence of the mortgagor, the purchase price of which does not exceed certain limits established by the Agency. Manufactured housing, including mobile homes, which is permanently attached to real property can qualify for financing under the Home Mortgage Finance Program.

Targeted Area Loans are Program Loans made to acquire Qualified Residences located in Targeted Areas. Targeted Areas are "areas of chronic economic distress" that satisfy certain federally mandated characteristics or census tracts in which 70% or more of the families residing in such census tracts have incomes which are 80% or less of the statewide median family income. The State contains seven "qualified census tracts" located in Cass County and Sioux County. The Code requires that a portion of the lendable proceeds of an issue be reserved or made available from other sources for owner financing of Targeted Area residences for at least one year after the date on which owner-financing is first made available and that the issuer must proceed with reasonable diligence to place such proceeds in qualified mortgages. The Agency has covenanted and agreed to use reasonable diligence to arrange for the funding of any Targeted Area Program Loans in an aggregate principal amount at least equal to the Targeted Area set aside and, if such funds are unavailable, to otherwise finance and acquire any such Targeted Area Program Loans.

**General**

In order to establish the exemption from federal income taxation of interest on the Offered Bonds and to meet other Program requirements, the Agency will require that investment in Program Loans with proceeds of the issuance of the Offered Bonds meet certain requirements at the date of purchase thereof. Such requirements include the following, although the Agency may purchase Program Loans which do not meet the following requirements upon receipt of confirmation from the Rating Agency that such purchase will not adversely affect the Rating Quality of the Offered Bonds and, to the extent such Program Loans are purchased with proceeds of the Offered Bonds, upon receipt of an opinion of bond counsel that such purchase will not adversely affect the excludability of interest on the Offered Bonds from gross income for federal income tax purposes:

(a) each mortgagor must certify that the proceeds of the Program Loan will be used only to acquire or, with respect to any Qualified Rehabilitation Loan (as defined in Section 143 of the Code), rehabilitate a Single Family Residence located in the State to be owned and occupied by the mortgagor and, except in certain limited circumstances, may not be used to acquire or replace an existing mortgage or other financing of the residence or any improvements thereto;

(b) each mortgagor must certify with respect to the Single Family Residence to be acquired that, on the date of execution of the Program Loan, the Eligible Mortgagor (i) is presently occupying such residence as such mortgagor's principal residence or intends to occupy such residence as such mortgagor's principal residence within 60 days after the date of closing of the Program Loan, or in the case of a Qualified Rehabilitation Loan, where the rehabilitation is to be accomplished by the mortgagor, the date of completion of the rehabilitation; (ii) intends thereafter to maintain the residence as such mortgagor's principal residence; (iii) will not use all or any portion of the land acquired with the proceeds of the Program Loan in any trade or business activity; and (iv) will not use more than a limited percentage of the total area of the residence primarily for any trade or business activity in any manner that would qualify, for federal income tax purposes, for a home business expense deduction;

(c) without the prior written consent of the Agency, each Program Loan is due on sale and assumption is not permitted (Section 54-17-07.7 of the Act authorizes the Agency to require such provision); however, the Agency expects to consent to assumptions to the extent permitted under the applicable provisions of the Code;

(d) subject to certain exceptions including one for qualified veterans, each mortgagor must certify that such mortgagor did not have a present ownership interest in a principal residence at any time during the three years preceding the closing of the Program Loan and, subject to certain exceptions, provide the Lender with copies of income tax returns filed with the Internal Revenue Service and the mortgagor's credit reports, which the Lender must examine to confirm that the mortgagor had not claimed any deductions on such income tax returns or have any entries on such credit reports which would indicate any such present ownership interest in a principal residence, unless (i) the Single Family Residence to be financed is located in a Targeted Area or (ii) the related Program Loan is a Qualified Rehabilitation Loan;

(e) with respect to Program Loans relating to the Offered Bonds, each mortgagor and seller must certify that the "Acquisition Cost" of the mortgaged property generally does not exceed 90% of the current "safe harbor" average area purchase prices applicable to the State published by the U.S. Treasury Department or 110% of such average area purchase prices (applicable to residences located in Targeted Areas), or as may otherwise be determined from time to time by the Agency. Subject to adjustment upward or downward, the maximum "acquisition costs" currently in effect for the Program with respect to one-family unit Single Family Residences located in non-Targeted Areas is $481,176 (higher limits are applicable to two- to four-family Single Family Residences); and

(f) each Program Loan must provide that it shall become immediately due and payable if the Agency discovers that any mortgagor's affidavit was not made in good faith or contains a material misstatement.

However, the Agency reserves the right to provide financing for the acquisition of residential dwelling units to Eligible Mortgagors that do not meet the requirement of (d) above, but not in an amount in excess of the requirement that 95% or more of the net proceeds of the Offered Bonds be used to finance Mortgage Loans that do meet the requirement.

In addition, the Agency will require that each Program Loan (unless the Agency receives confirmation from the Rating Agency that waiver of any such requirements will not adversely affect the Rating Quality of the Offered Bonds and an opinion of bond counsel that the waiver of any such requirements will not adversely affect the excludability of interest on the Offered Bonds from gross income for federal income tax purposes):

(a) be made to one or more Eligible Mortgagors who, on the basis of Fannie Mae and/or Freddie Mac mortgage underwriting criteria, have the financial ability to repay the Program Loan, make Escrow Payments and repay other existing indebtedness;

(b) be subject to GMI or PMI or have an original principal amount not greater than 80% of the Principal Value of the mortgaged property (see "MORTGAGE INSURANCE" in APPENDIX D hereto);

(c) have a maximum term of not less than 29 years and 11 months nor more than 30 years and one month and require substantially equal monthly payments of interest and principal, payable on the first day of a calendar month, which (i) are in amounts sufficient to amortize the principal amount of the Program Loan over the term thereof and (ii) are established at the time of the Program Loan closing, and the payment of which shall commence not later than 60 days following the Program Loan closing; and

(d) be evidenced by a Mortgage note.

**The 1994 Mortgage Purchase Agreements**

The Agency will purchase Program Loans from Lenders with the proceeds of the Offered Bonds pursuant to 1994 Mortgage Purchase Agreements entered into between Lenders and the Agency. The Lenders will accept loan applications, screen potential mortgagors and originate (or cause to be originated) and sell to the Agency qualifying Program Loans. Before any Program Loan which is required to be covered by a GMI or PMI policy has been originated, it will be reviewed by the issuer of the policy of PMI, or its delegated underwriter, or, in the case of a Program Loan subject to GMI, by the applicable Governmental Insurer or its delegated underwriter.

Under the 1994 Mortgage Purchase Agreements, each Lender shall (a) submit to the Agency (or its delegated compliance underwriter) appropriate documents for program compliance underwriting for each Program Loan prior to the Agency's purchase of such Program Loan and (b) deliver the Program Loan to the Agency for purchase within 15 days following closing but no later than 60 days (300 days if new construction) from the date the Agency approves a reservation for a Program Loan or as otherwise required by the Agency.

The Agency expects to purchase fixed-rate Program Loans with origination fees and points not in excess of 1.5% (or, at the option of the mortgagor, if the Program Loan bears a higher rate the Agency will pay such origination fees and points) with the proceeds of the Offered Bonds. The Agency currently evaluates the interest rates on its Program Loans on a daily basis relative to the statewide mortgage loan market, and the Agency may (but is not required to) reset the interest rates on the Program Loans it will purchase. To effect a reset, the Agency may use other moneys, which may or may not be pledged under the Resolutions, to blend with the proceeds of a Series of Bonds to produce a desired interest rate.

Each 1994 Mortgage Purchase Agreement contains certain representations and warranties by the Lender to the Agency concerning the Program Loans purchased by the Agency with the proceeds of the Offered Bonds, including, among others, that at the time of delivery of each Program Loan to the Agency (unless the Agency has received confirmation from the Rating Agency that the waiver of any of the following requirements will not adversely affect the Rating Quality of the Offered Bonds) (a) there is no default or delinquency under the Program Loan; (b) all documents required to be filed to perfect the lien on the mortgaged property against third parties have been filed; (c) the Mortgage is the subject of a paid-up title insurance policy insuring that the Mortgage constitutes a first lien, subject only to permitted liens and encumbrances; (d) the Program Loan does not exceed (i) 97% of the Principal Value of the mortgaged property (calculated after giving effect to certain approved "pledged account" arrangements), if such Program Loan is subject to PMI insurance, (ii) 100% of the Principal Value, if such Program Loan is subject to GMI issued by FHA (which may be adjusted upward in the event that the mortgage insurance premium is financed), (iii) 100% of such Principal Value, if such Program Loan is subject to GMI issued by RHS, VA or HUD, or (iv) 80% of the Principal Value of the mortgaged property, if such Program Loan is not subject to any insurance or guaranty; (e) the maximum term of the Program Loan is not more than 30 years and one month and does not exceed 90% of the remaining economic life of the mortgaged property; (f) the Program Loan meets all applicable state and federal laws, codes and regulations; (g) the improvements constituting part of the mortgaged property are covered by hazard insurance in certain specified amounts; and (h) the initial premium for applicable PMI or GMI (if any) has been paid.

Each 1994 Mortgage Purchase Agreement further provides that the Lender will repurchase any Program Loan sold to the Agency, upon written notice by the Agency, if any of the following occur at any time: (a) the Agency determines that any material representation by the Lender was untrue when made, any warranty or term under such 1994 Mortgage Purchase Agreement was breached or a misstatement of a material fact exists in any of the documents delivered in connection with such Program Loan; (b) the issuer of the PMI or GMI, if any and as the case may be, shall fail to deliver to the Lender or the Agency a policy or certificate of PMI or GMI, as the case may be; (c) the Lender or other Servicer waives the provisions of the Program Loan requiring (i) that the Program Loan is due on sale and may not be assumed without the prior written consent of the Agency, (ii) that the mortgagor may not borrow additional moneys secured by the lien of the Mortgage without the prior written consent of the Agency and (iii) acceleration of the Program Loan at any time that documents executed in connection with the Program Loan are found to contain any representation or a statement of a fact that would impair the eligibility of the Program Loan for purchase by the Agency; or (d) the initial premium for any PMI, GMI or any other insurance required under the 1994 Mortgage Purchase Agreement, if any, is not paid or any payment of principal or interest is not made on the Program Loan and, on the basis of such nonpayment, the issuer of the respective insurance refuses to pay a claim on such Program Loan upon the occurrence of an event of default thereunder.

**Servicing of the Program Loans**

The Program Loans will be serviced under a Servicing Agreement by the originating Lender or, in some cases, by a delegated Servicer, by an independent Servicer approved by the Agency or by the Agency. Each Servicing Agreement currently provides for an annual servicing fee in an amount equal to ¼ of 1% of the unpaid principal balance, computed monthly, of each Program Loan serviced thereunder. In addition, the Servicer will be reimbursed for certain expenses and will be entitled to certain other financial benefits. Information about the Servicers currently servicing Program Loans may be obtained by accessing the Agency's website, www.ndhfa.org, in the Financial Disclosure section. This link is included to provide information about the Servicers, and any other information contained on the Agency's website is not incorporated by this reference.

The Servicing Agreements require the Servicer to service Program Loans in accordance with acceptable mortgage practices of prudent lending institutions, applicable GMI, PMI, Fannie Mae or Freddie Mac (as the case may be) mortgage loan servicing standards and the Agency's written directions, and in conformity with the specific provisions of the Servicing Agreements, which include, among other things, taking steps to assure the maintenance of mortgage insurance and hazard insurance, inspecting the mortgage premises, and applying properly, and rendering an accounting to the Agency of, all sums collected from a mortgagor for payment of principal and interest, taxes, assessments and hazard and mortgage insurance premiums.

In the event of any default on a Program Loan, the Servicer, when so requested by the Agency, is also obligated to take all actions it would take with respect to loans serviced for others or held for its own account consistent with the terms of the Servicing Agreement, and in accordance with the provisions of the National Housing Act and the applicable rules and regulations issued thereunder regarding any GMI and the policy of PMI including, at the direction of the Agency, the institution of foreclosure proceedings. All foreclosure and related expenses, to the extent not reimbursable by a mortgage insurer or collected from the mortgagor, will be borne by the Agency.

Under each Servicing Agreement, the Servicer must deposit all payments of principal and interest and other moneys received on account of the Program Loans being serviced in Payment Accounts and Escrow Accounts, as appropriate, that are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration. From the funds so deposited to each Escrow Account, the Servicer must pay, when due, mortgage and hazard insurance premiums, taxes, special assessments and other customary charges. The Servicer is required to remit the payments received on account of principal and interest (net of applicable servicing fees) to the Trustee at least monthly.

**Business Disruption Risk**

***General.*** Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency's ability to conduct its business. A prolonged disruption in the Agency's operations could have an adverse effect on the Agency's financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Housing Finance Agency Continuity of Operations Plan (the "Plan"). The Plan is designed to (i) provide planning and program guidance to allow the Agency to continue to conduct its essential processes and functions in the event of an emergency, (ii) recover any other processes and functions as quickly as possible, to the extent such processes and functions are lost, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency. No assurances can be given that the Agency's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations in the event of an emergency.

***Cybersecurity Risks.*** The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered cyber security defense approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The State and the Agency conduct regular information security and privacy awareness training that is mandatory for all Agency staff and regularly conduct risk assessments and tests of the Agency's cybersecurity systems and infrastructure. The Agency's Chief Financial Officer and system administrators focus on and lead the efforts of the Agency to keep its cyber assets secure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber-attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict the severity of future attacks. The results of any attack on the Commission's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, or damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack could also result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect its ability to make loans and issue Bonds in the future.

### Down Payment and Closing Cost Assistance

In conjunction with the Home Mortgage Finance Program the Agency conducts several programs to provide down payment and/or closing cost assistance to certain eligible low-income borrowers. Under one such program (the "Start Program"), the Agency provides a cash closing cost credit to borrowers under either the FirstHome Program or the North Dakota Roots Program in an amount equal to three percent (3%) of the first mortgage Program Loan; in such cases the Program Loan bears a slightly higher interest rate (typically 0.50%) than it would otherwise, and if the borrower prepays the Program Loan or sells the residence within eight years a pro rata share of the closing cost credit must be repaid to the Agency (such repayment obligation is secured by a subordinate lien on the residence). The Start Program is funded in part from premiums received by the Agency upon the sale of its bonds. In calendar year 2020, approximately 64% of borrowers, in calendar year 2021, approximately 58% of borrowers, in calendar year 2022, approximately 46% of borrowers, in calendar year 2023, approximately 38% of borrowers and to date in calendar year 2024 approximately 41% of borrowers have utilized the Start Program.

Under another such program (the "DCA Program"), the Agency provides a cash closing cost credit to eligible borrowers under the FirstHome Program in an amount equal to three percent (3%) of the first mortgage Program Loan. If the borrower prepays the Program Loan or sells the residence within eight years a pro rata share of the closing cost credit must be repaid to the Agency (such repayment obligation is secured by a subordinate lien on the residence). The DCA Program is targeted to households at 80% of median income or less and an Agency-approved homebuyer education course is required. In calendar year 2020, approximately 24% of borrowers, in calendar year 2021, approximately 27% of borrowers, in calendar year 2022, approximately 25% of borrowers, in calendar year 2023 approximately 24% of borrowers and to date in calendar year 2024 approximately 20% of borrowers have utilized the DCA Program.

In the case of both programs the borrower must have a minimum $500 out-of-pocket investment, and neither program can be used in conjunction with other Agency down payment or closing cost assistance programs. The Agency also cooperates with various non-profit or government agencies throughout the State which offer programs to assist with down payment and closing cost requirements.

## TAX MATTERS

In the opinion of Bond Counsel, based on existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants and agreements which are intended to assure compliance with Section 103 and applicable provisions of Sections 141 through 150 of the Code, interest on the Offered Bonds is excludable from gross income for federal income tax purposes, and interest on the Offered Bonds is exempt from income taxation imposed by the State of North Dakota under existing law. In the opinion of Bond Counsel, interest on the Offered Bonds is not a specific preference item for purposes of the federal alternative minimum tax applicable to individuals. Interest on the Offered Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Offered Bonds. The Agency has covenanted and agreed to comply with certain guidelines designed to assure that interest on the Offered Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with these covenants and agreements may result in interest on the Offered Bonds being included in federal gross income, possibly from the date of issuance of the Offered Bonds. The opinion of Bond Counsel assumes compliance with these covenants and agreements. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Offered Bonds may affect the tax status of interest on the Offered Bonds.

Section 103(a) of the Code provides that interest on a "qualified mortgage bond" is excluded from gross income for federal income tax purposes. Under Section 143 of the Code, a qualified mortgage bond is a bond which is issued as part of an issue the proceeds of which are used to finance owner-occupied residences meeting certain requirements relating to loan eligibility, targeted areas, arbitrage and other matters.

The mortgage loan eligibility requirements of Section 143 of the Code applicable to the Offered Bonds are that (1) the residence on which the Mortgage Loan is made is a single-family residence which is located in the State and can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the Mortgage Loans are made; (2) except in certain limited circumstances, no part of the proceeds are to be used to acquire or replace any existing mortgage; (3) the acquisition cost of the completed residence meets certain limits; (4) with certain exceptions, most notably targeted areas and for certain mortgagors who are veterans, the mortgagor will not have had a present ownership interest in his principal residence during the preceding three years; (5) with certain exceptions, the family income of the mortgagor will not exceed 100%, in the case of a household of less than three persons, and 115%, in the case of a household of three or more persons, of median gross income for the area in which the residence is located or the State, whichever is greater; and (6) the loan will not be assumable unless the requirements of (1), (3), (4) and (5) above are met at the time of the assumption. An issue is treated as meeting the loan eligibility requirements of Section 143 if (1) the issuer in good faith attempted to meet all of the requirements before the loans were executed; (2) 95% or more of the proceeds of the issue used to finance loans was devoted to residences which met all such requirements at the time the loans were executed; and (3) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered.

The Code imposes additional nonmortgage loan eligibility requirements relating to the Offered Bonds to maintain the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds. For example, the Code limits the amount of the costs of issuance which may be paid from the proceeds of the Offered Bonds, limits the size of reserve funds established with the proceeds of the Offered Bonds and requires earnings on nonmortgage investments in excess of the yield on the Offered Bonds to be rebated to the United States. Mortgage Loan principal prepayments and repayments that are received more than 10 years after the date of issuance of the Offered Bonds or more than 10 years after the issuance of any prior bonds that are refunded from proceeds of the Offered Bonds (or the earliest date in a chain of refundings) must be used to redeem or retire the Offered Bonds, and such amounts may not be recycled into new Mortgage Loan originations. Proceeds of the Offered Bonds that are deposited into the Mortgage Loan Account must either be used to acquire Mortgage Loans within 42 months of the date of issuance of the Offered Bonds or be used to redeem the Offered Bonds by such date. The Code also imposes limitations on the yield of the Mortgage Loans allocable to the Offered Bonds. The Agency will covenant, in substance, to take such actions as are necessary to comply with such requirements unless, in the opinion of nationally recognized bond counsel, it is not necessary to comply with such requirements in order to assure the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds.

The terms and conditions of the Program documents have been designed to meet the requirements of the Code, as applicable. The Agency covenants to meet these requirements and to take all steps necessary to comply with these requirements so long as any Offered Bonds issued to finance such Mortgage Loan are outstanding. Noncompliance with the requirements in the Program documents could cause interest on the Offered Bonds to become includable in the gross income of the holders thereof retroactively to the date of issue and adversely affect the price of the Offered Bonds in the secondary market. The Agency has also covenanted to meet any other applicable federal tax law requirements.

Although Bond Counsel has rendered an opinion that interest on the Offered Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Offered Bonds may otherwise affect a Bondholder's income tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Offered Bonds, particularly purchasers that are corporations (including S corporations, United States branches of foreign corporations, and certain corporations subject to the alternative minimum tax), property and casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Offered Bonds.

The 2055 Premium PAC Term Bonds (the "Premium Tax-Exempt Bonds") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Tax-Exempt Bond over its stated redemption price at maturity constitutes premium on such Premium Tax-Exempt Bond. A purchaser of a Premium Tax-Exempt Bond must amortize any premium over such Premium Tax-Exempt Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Tax-Exempt Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Tax-Exempt Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Tax-Exempt Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Tax-Exempt Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Tax-Exempt Bond.

From time to time, there are legislative proposals in Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved or whether the Offered Bonds or the market value thereof would be impacted thereby. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation. In addition, there can be no assurance that legislation, regulatory initiatives or litigation that would adversely affect the exclusion of interest on the Offered Bonds from gross income for federal income tax purposes will not be introduced, enacted, announced, proposed, threatened or commenced after the issuance and delivery of the Offered Bonds. Under such circumstances, the Agency has no obligation to redeem or to increase the rate of interest paid on the Offered Bonds. Each purchaser of the Offered Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation, regulatory initiatives or litigation.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Offered Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after

March 31, 2007 to any bondholder who fails to provide certain required information, including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Offered Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Interest on the Offered Bonds may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. Each purchaser of the Offered Bonds should consult his or her own tax advisor with regard to the tax status of the Offered Bonds.

## ABSENCE OF LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to enjoin the issuance or delivery of the Offered Bonds or in any way contesting or affecting the validity of the Offered Bonds, the Resolutions or other proceedings of the Commission taken with respect to the authorization, issuance or sale of, the Offered Bonds, or the pledge or application of any moneys under the 1994 General Resolution or the existence or powers of the State, the Commission or the Agency.

## RATINGS

Moody's Investors Service has assigned a rating of "Aa1" to the Offered Bonds. An explanation of the significance of such rating may be obtained only from the rating agency furnishing the same. The Agency and the Underwriters furnished to such rating agency information and materials relating to the Offered Bonds and the Agency, certain of which information and materials have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the 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 agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of such Bonds.

## CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Offered Bonds will be approved by Kutak Rock LLP, Bond Counsel. The form of opinion to be rendered by Kutak Rock LLP in connection with the issuance of the Offered Bonds is attached hereto as APPENDIX I.

Certain legal matters relating to the Commission will be passed upon by Drew H. Wrigley, Esq., Attorney General of the State. Certain legal matters, but not approval of the authorization and issuance of the Offered Bonds or their tax exemption, will be passed upon for the Underwriters by their co-counsel, Dorsey & Whitney LLP and Arntson Stewart Wegner PC.

## FINANCIAL STATEMENTS OF THE AGENCY

The audited financial statements of the Agency as and for the year ended June 30, 2024 included in APPENDIX G, have been examined by Brady, Martz & Associates, P.C., independent certified public accountants, as indicated in their report with respect thereto included in APPENDIX G and are included herein in reliance upon the authority of such firm in giving said report.

## LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the Offered Bonds are securities which may be acquired and held by all North Dakota insurance companies. In addition, the Offered Bonds are securities in which all North Dakota personal representatives, guardians, conservators, trustees and other fiduciaries may legally and properly invest funds, including capital in their control or belonging to them, subject to the standard of investment judgment and care prescribed by Section 6-05-15 and Section 59-17-02 of the North Dakota Century Code, as amended. There is no applicable statutory provision of the State with respect to the legality of investment in the Offered Bonds for banks incorporated under the laws of the State.

## CERTAIN RELATIONSHIPS OF PARTIES

RBC Capital Markets, LLC, an affiliate of Royal Bank of Canada, is acting as an Underwriter of the Offered Bonds. RBC Capital Markets, LLC also acts as the remarketing agent for other Bonds under the 1994 General Resolution. Royal Bank of Canada has acted as counterparty to the Agency under certain interest rate swap agreements, as described in this Official Statement, and is the provider of liquidity facilities in connection with certain Series of Bonds.

Wells Fargo Bank, N.A. is acting as an Underwriter of the Offered Bonds. Wells Fargo Bank, N.A. has acted as counterparty to the Agency under certain interest rate swap agreements, as described in this Official Statement.

## UNDERWRITING

RBC Capital Markets, LLC, Fidelity Capital Markets, J.P, Morgan Securities LLC and Wells Fargo Bank, N.A. (together, the "Underwriters") have jointly agreed, subject to certain conditions, to purchase the Offered Bonds at a price of $____________ (the principal amount of the Offered Bonds ($____________), plus premium in the amount of $____________). The Underwriters will be paid a fee of $____________ with respect to the Offered Bonds by the Trustee from Bond Proceeds or other moneys of the Agency. See "APPLICATION OF BOND PROCEEDS" herein. The initial public offering prices set forth on the inside front cover page may be changed from time to time by the Underwriters. The Commission has been advised that one or more of the managing Underwriters identified on the cover of this Official Statement expect to make a market in the Offered Bonds. If commenced, such market making activities may be discontinued at any time.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Offered Bonds, has entered into a negotiated dealer agreement (each a "Dealer Agreement") with 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 Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bond that such firm sells.

Wells Fargo Bank, N.A. ("WFBNA"), one of the Underwriters, acting through its Municipal Finance Group, 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 Offered Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Offered 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 Offered 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. 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 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.

The Underwriters (and their 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, financing and brokerage services. The Underwriters have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Agency, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and/or the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities may involve securities and instruments of the Agency. The Underwriters may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities, or instruments and may at any time hold or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## CONTINUING DISCLOSURE

The Agency will enter into an undertaking (the "Undertaking to Provide Continuing Disclosure") for the benefit of the holders of the Offered Bonds to send certain financial information and operating data to the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Securities and Exchange Commission ("SEC") annually and to provide notice to the MSRB of certain events, pursuant to the requirements of Section (b)(5)(i) of SEC Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12). Such information will be filed with the Electronic Municipal Market Access ("EMMA®") system of the MSRB. Information filed with EMMA® may be obtained at www.emma.msrb.org. A copy of the proposed form of the Continuing Disclosure Agreement is contained in APPENDIX H.

The Agency is currently subject to written continuing disclosure undertakings pursuant to the Rule with respect to its other Outstanding Bonds. A failure by the Agency to comply with any Undertaking to Provide Continuing Disclosure will not constitute an Event of Default under the Resolutions (although Bondholders will have the remedies specified in the related Undertaking to Provide Continuing Disclosure). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Offered Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Offered Bonds and their market price.

On occasion the Agency has failed to link all series of Outstanding Bonds to its timely filed audited financial statements and operating data. Corrective filings have since been made on EMMA®.

## MISCELLANEOUS

The summaries and explanations of, or reference to, the Act, the 1994 Mortgage Purchase Agreements, the 1994 General Resolution, the Annual Series Resolution, the 2024 Series D Certificate and the Offered Bonds included in this Official Statement do not purport to be comprehensive or definitive; such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file at the offices of the Agency and the Trustee. The descriptions of the insurance programs and Private Insurers do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations.

This Official Statement is not to be construed as a contract or agreement between the State and the holders of any of the Offered Bonds.

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

NORTH DAKOTA HOUSING FINANCE AGENCY

By ________________________________________
David A. Flohr
Executive Director

## APPENDIX A

## DEFINITIONS OF CERTAIN TERMS FROM THE RESOLUTIONS AND THE OFFICIAL STATEMENT

*The following are definitions of certain terms as used herein and in the Resolutions.*

"*Acquisition Cost*" shall mean the total cost of acquisition of a Single Family Residence as a completed residential housing unit computed in the manner described in the forms of affidavit of buyer or affidavit of owner prescribed by the Agency.

"*Act*" means Chapter 54-17 of the North Dakota Century Code, as amended and supplemented from time to time.

"*Agency*" means the Commission, acting in its capacity as the housing finance agency of the State in conducting the Programs.

"*Agency Certificate*" means, as the case may be, a document signed by an Authorized Officer either (a) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (b) setting forth matters to be determined by the Agency or an Authorized Officer pursuant to the 1994 General Resolution.

"*Agency Request*" means a written request or direction of the Agency signed by an Authorized Officer.

"*Amortized Value*" means, when used with respect to Investment Obligations purchased at a premium above or at 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 Investment Obligations were purchased by the number of days remaining to the first call date (if callable) or the maturity date (if not callable) of such Investment Obligations 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 Investment Obligations purchased at a premium, by deducting the product thus obtained from the purchase price and (b) in the case of Investment Obligations purchased at a discount, by adding the product thus obtained to the purchase price.

"*Annual Budget*" means the Agency's budget or amended or supplemented budget in effect as provided in or adopted pursuant to the 1994 General Resolution.

*"Annual Series Resolution"* means the 2024 Annual Series Resolution adopted by the Commission on December 18, 2023, as supplemented by the 2024 Supplemental Annual Series Resolution adopted by the Commission on October 29, 2024.

"*Authorized Denominations"* means $5,000 each, or any integral multiple thereof with respect to the Offered Bonds.

"*Authorized Officer*" means the Chairman or any member of the Commission, the Executive Director of the Agency and any other person designated from time to time as an Authorized Officer by resolution of the Commission or a certificate of the Chairman and, when used with reference to any act or document, also means any other person authorized by the Chairman to perform such act or sign such document.

"*Bondholder*" or similar term, when used with respect to a Bond or Bonds, means any Person who shall be the registered owner of any Outstanding Bond as shown on the books of the Trustee.

"*Bond Payment Date*" means each date on which principal or interest or both shall be payable on any of the Bonds according to their respective terms so long as any Bonds are Outstanding.

"*Bond Yield*" means the interest cost percentage to the Agency of a Series of Bonds, calculated in accordance with the Code.

"*Cash Equivalent*" means a letter of credit, insurance policy, surety, guarantee or other security arrangement (as more fully defined and provided for in a Series Resolution), which Cash Equivalent shall have such terms necessary to maintain the Rating Quality on the Bonds.

"*Cash Flow Certificate*" means a Certificate from an Authorized Officer giving effect to the action proposed to be taken and demonstrating that in the current and in each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that amounts expected to be on deposit in the Accounts established under the 1994 General Resolution or under any Series Resolution will be at least equal to all amounts required to be on deposit in order to pay the principal and Redemption Price of and interest on the Bonds and to maintain the Debt Service Reserve Requirement, except that, to the extent specified in a Series Resolution, an Account shall not be taken into account when preparing such Cash Flow Certificate. The Cash Flow Certificate shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Agency's reasonable expectations at the time such Cash Flow Certificate is filed.

"*Code*" means the Internal Revenue Code of 1954, as amended and supplemented from time to time, and the Internal Revenue Code of 1986, as amended and supplemented from time to time, and the regulations of the United States Treasury Department thereunder.

"*Commission*" means the Industrial Commission of North Dakota created by North Dakota Century Code Section 54-17-01, comprised of the Governor, Attorney General and Agriculture Commissioner of the State, acting on behalf of the State, and any successor to its rights, duties and obligations under the Resolutions and under the Act.

"*Costs of Issuance*" means all items of expense, without limitation, that are payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of Bonds.

"*Debt Service Reserve Requirement*" means the aggregate amount on deposit in the Debt Service Reserve Accounts of any and all Series of Bonds Outstanding under the 1994 General Resolution, which amount shall at all times be at least equal to 3% of the Outstanding principal amount of Program Loans (but not Program Securities) held by the Agency for which Bonds are Outstanding or by the Trustee for the benefit of Bondholders and such additional amount as specified in any Series Resolution.

"*Depositary*" means any bank, trust company, national banking association or Depositary institution (including any Fiduciary) selected by the Agency and as a depositary of moneys, assets held or acquired in the administration of any of the Programs of the Agency or Investment Obligations held under the provisions of the Resolutions, and its successor or successors.

"*DTC*" means The Depository Trust Company, New York, New York.

"*Eligible Mortgagor*" means a natural person or family constituting a person or family of "low or moderate income" within the meaning of, and as determined by the Agency, from time to time, pursuant to, the Act.

"*Escrow Account*" means an account established by a Servicer with respect to a Program Loan owned by the Agency in which Escrow Payments are recorded and held prior to their application.

"*Escrow Payment*" means all payments made by or on behalf of the obligor of a Program Loan in order to obtain or maintain mortgage insurance or guaranty coverage of, and fire and other hazard insurance with respect to, a Program Loan, and any payments required to be made with respect to such Program Loan for taxes, other governmental charges, and other similar charges required to be escrowed under the Mortgage.

"*FHA*" means the Federal Housing Administration (or HUD) and any agency or instrumentality of the United States of America succeeding to the mortgage insurance functions thereof.

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, any Paying Agents, any Depositaries or any or all of them, as may be appropriate.

"*Fiduciary Expenses*" means the fees and expenses of any Fiduciaries, except Servicing Fees payable to such Persons.

"*Fiscal Year*" means a period beginning on July 1 in any year and ending on June 30 of the immediately succeeding year or such other 12-month period as may be adopted by the Agency as the fiscal year of the Agency.

"*GMI*" means governmental mortgage insurance or guaranty issued by a Governmental Insurer and providing primary mortgage insurance or guaranty coverage of all or a portion of a Program Loan.

"*Governmental Insurer*" means the FHA, RHS, VA and any other agency or instrumentality of the federal government that insures mortgage loans on terms and conditions at least as favorable to the mortgagee as the FHA insurance or that guarantees mortgage loans on terms and conditions at least as favorable to the mortgagee as the VA guaranty.

"*Government Obligations*" means Investment Obligations that (a) are described in clause (a) of the definition of "Investment Obligations" and (b) are not subject to redemption by the issuer thereof prior to their maturity, unless the Government Obligations shall provide for payment of Bonds which are themselves presently subject to redemption prior to their maturity at the option of the Agency, in which case such Government Obligations may be subject to redemption prior to their maturity by the Issuer thereof.

"*Home Improvement Finance Program*" means the program authorized under the Act to provide full or partial, indirect financing of improvements to existing residential dwelling units.

"*Home Mortgage Finance Program*" means the program authorized under the Act to provide financing or refinancing of loans made by lenders, including second mortgage loans and leasehold mortgage loans on tribal trust or other reservation lands, and leasehold mortgages that are insured or guaranteed through an affordable housing program, to persons or families of low and moderate income for the purchase or substantial rehabilitation of owner-occupied, single-family residential dwelling units, which includes mobile homes and manufactured housing.

"*HUD*" means the Department of Housing and Urban Development and any agency or instrumentality of the United States of America succeeding to the mortgage insurance functions thereof.

"*Investment Obligations*" means and includes any of the following securities and other investments, if and to the extent the same are at the time legal for the investment of the Agency's moneys:

(a) Direct obligations of, or obligations the timely payment of principal of and interest on which are insured or guaranteed by, the United States of America;

(b) Obligations (i) which are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America or (iii) of any public corporation sponsored by the United States of America, provided that such obligations described in (i), (ii) and (iii) hereof at the time of investment shall not adversely affect the Rating Quality of the Bonds;

(c) Interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including any Fiduciary), provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, and the unsecured long-term debt obligations of the Depositary are rated by the Rating Agency at least equal to the rating on the Series of Bonds, or (ii) such Depositary has combined capital and surplus of at least $25,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not adversely affect the Rating Quality of the Bonds or (iii) the deposit of funds with the Depositary will not adversely affect the Rating Quality of the Bonds;

(d) Repurchase Agreements in respect of any of the Investment Obligations described in (a) or (b) of this definition of Investment Obligations, provided that physical delivery of such Investment Obligations is taken either directly or through an authorized custodian of the Agency and provided that such physically delivered Investment Obligations be maintained at levels and valuation frequencies satisfactory to the Agency and sufficient at all times to maintain the Rating Quality of the Bonds;

(e) Interest-bearing notes issued by a bank holding company having combined capital and surplus of at least $500,000,000, provided that such investment does not adversely affect the Rating Quality of the Bonds;

(f) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in subparagraph (a), (b), (c), (d) or (e) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in subparagraph (a), (b), (c), (d) or (e) above;

(g) Any investment contract with any provider as long as such investment contract does not adversely affect the Rating Quality of the Bonds; and

(h) Any other investment that will not adversely affect the Rating Quality of the Outstanding Bonds.

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 1994 General Resolution by a Series Resolution, thus permitting investments with different characteristics from those permitted above which the Agency deems from time to time to be in the interest of the Agency to include as Investment Obligations if at the time of inclusion such inclusion will not, in and of itself, adversely affect the Rating Quality of the Outstanding Bonds.

"*Investment Revenues*" means all interest or income derived from Investment Obligations credited to any 2024 Series D Subaccount pursuant to the 1994 General Resolution or the applicable Series Resolution.

"*Lender*" means a "lender" as defined in the Act.

"*Mobile Home and Manufactured Housing Finance Program*" means the program authorized under the Act to provide financing of loans made by lenders to persons or families of low and moderate income to finance the purchase of mobile homes and manufactured housing other than on a real property mortgage basis.

"*Moody's*" means Moody's Investors Service.

"*Mortgage*" means the mortgage and a mortgage note, as amended from time to time, in accordance with a Series Resolution.

"*Mortgage Loan*" means a Program Loan evidenced by a note that is secured by a Mortgage to finance the purchase of an owner-occupied Single Family Residence in the State made by a Lender to an Eligible Mortgagor and purchased by the Agency, which loan satisfies the requirements of the 2024 Series D Certificate.

"*Mortgage Loan Financing Program*" means the program authorized under the Act to provide for the purchase of mortgage loans originated by lenders on residential real property in addition to such mortgage loans acquired or to be acquired under the Home Mortgage Finance Program, the Mobile Home and Manufactured Housing Finance Program and the Multifamily Housing Finance Program.

"*Mortgage Repayments*" means, with respect to any Program Loan, the amounts received by the Agency or the Trustee as scheduled payments of the principal and interest on such Program Loan by or on behalf of the obligor to or for the account of the Agency, but does not include Prepayments or Escrow Payments.

"*Mortgage Revenues*" means all Revenues other than Investment Revenues.

"*Mortgage Yield*" means the interest return percentage of a Program Loan, calculated in accordance with the Code.

"*Multifamily Housing Finance Program*" means the program authorized under the Act to provide financing directly or indirectly of construction, permanent and combined construction and permanent mortgage loans (including participation in mortgage loans) for the acquisition, construction, refurbishing, reconstruction, rehabilitation or improvement of multifamily housing facilities.

"*Outstanding*" means, when used with respect to the Bonds, as of any date, all Bonds theretofore authenticated and delivered under the 1994 General Resolution except:

(a) any Bond cancelled or delivered to the Trustee for cancellation on or before such date;

(b) any Bond (or any portion of any Bond) (i) for the payment or redemption of which there shall be held in trust under the 1994 General Resolution and set aside for such payment or redemption, moneys and/or Government Obligations maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Government Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any Bond (or any portion of any Bond) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the 1994 General Resolution or provided for in a manner satisfactory to the Trustee;

(c) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to the 1994 General Resolution; and

(d) any Bond deemed to have been paid as provided in the 1994 General Resolution.

"*Parity Certificate*" means an Agency Certificate, giving effect to any action contemplated to be taken in connection with the filing thereof, showing that (a) the sum of (i) the moneys, Investment Obligations and Cash Equivalents then credited to the Proceeds Account, the Clearing Account, the Revenue Account, the Debt Service Reserve Account and any pledged amounts in the Collateral Account, and any accrued interest on any of the foregoing, (ii) the unpaid principal amount of all Program Obligations credited to the Proceeds Account and any accrued interest thereon and (iii) such additional amounts, if any, as may be specified by a Series Resolution, exceeds (b) an amount equal to 102% of the principal amount of Outstanding Bonds of all Series plus accrued interest to the date of calculation.

"*Paying Agent*" means (a) the Trustee and (b) any bank, trust company or national banking association authorized by the Agency pursuant to a Series Resolution to pay the principal or Redemption Price of or interest on any Bonds and having the duties, responsibilities and rights provided for in the 1994 General Resolution and such Series Resolution and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the 1994 General Resolution.

"*Payment Account*" means an account established by a Servicer in the name or for benefit of the Agency in which transactions with respect to the Program Loans (other than Escrow Payments) owned by the Agency are recorded and held prior to application in accordance with a Servicing Agreement.

"*PMI*" means private mortgage insurance issued by a Private Insurer and providing primary mortgage insurance coverage of all or a portion of a Program Loan.

"*Prepayment*" means any moneys received or recovered by the Agency or the Trustee from any unscheduled payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Program Loan financed with the proceeds of the Bonds, the periodic principal and interest payment from which have been pledged to the payment of debt service on a Series of Bonds, but excluding any Servicing Fees with respect to the collection of such moneys) on any Program Loan or Program Security prior to the scheduled payments of principal called for by such Program Loan or Program Security, whether (a) by voluntary prepayment made by the mortgagor, (b) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof, (c) by the sale, assignment, endorsement or other disposition of such Program Loan or Program Security by the Agency or (d) in the event of a default thereon by the mortgagor, by the acceleration, sale, assignment, endorsement or other disposition of such Program Loan by the Agency or by any other proceedings taken by or on behalf of the Agency.

"*Principal Installment*" means, as of any date of calculation, (a) the principal amount of all Bonds due and payable on such date with respect to which no sinking fund installments have been provided, plus (b) any sinking fund installments due and payable on such date.

"*Principal Value*" means with respect to the real property securing a Program Loan, the lesser of (a) the value of the property, as determined in an appraisal prepared by a Person acceptable to the Private or Governmental Insurer, if any, issuing PMI or GMI with respect to such Program Loan and to the Agency or (b) the sales price (exclusive of fees, points and settlement costs) of such property (in the case of a Single Family Residence constructed by an Eligible Mortgagor, the sum of the purchase price of the land and the cost of construction approved by the Lender and the Agency).

"*Private Insurer*" means a private mortgage insurance company approved by the Agency and qualified (a) to transact business in the State and (b) to provide insurance on mortgages purchased by Fannie Mae or Freddie Mac.

"*Program Expenses*" means any Agency expense of administering any of the Programs under this Resolution and the Act, excluding Bond debt service.

"*Program Loan*" means any loan made, or caused to be made, by the Agency pursuant to any of the Agency Programs as now or hereinafter authorized by the Act.

"*Program Obligation*" means any Program Loan or Program Security acquired by the Agency by the expenditure of amounts in the Proceeds Account.

"*Programs*" includes the Home Mortgage, Mobile Home and Manufactured Housing, Multifamily Housing, Program Loan, Home Improvement Finance and Residential Mortgage Programs authorized by the Act and such additional programs as may from time to time be authorized by the State Legislative Assembly.

"*Program Security*" means an obligation representing an undivided interest in a pool of Program Loans.

"*PSA Prepayment Model*" means the standard or model developed by SIFMA with respect to an assumed rate of prepayment each month of the then unpaid principal balance of the Mortgage Loans. The PSA Prepayment Model starts with a 0.2% prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached), and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the Mortgage Loans.

"*Rating Agency*" means any entity which, upon the request of the Agency, has issued a credit rating on any Series of Bonds issued pursuant to the 1994 General Resolution.

"*Rating Quality*" means, with respect to any Series of Bonds, having terms, conditions and/or a credit quality such that the item stated to be of "Rating Quality" will not, as confirmed in writing received by the Trustee from the Rating Agency, impair the ability of the Agency to obtain the ratings initially anticipated to be received from the Rating Agency with respect to such Bonds as described in the 2024 Series D Certificate and, if the Bonds have been rated, will not cause the Rating Agency to lower or withdraw the rating it has assigned to the Bonds.

"*Record Date*" means the fifteenth day preceding each Interest Payment Date (or the dated date if it is less than 15 days before the first Interest Payment Date); provided, however, that if the Record Date is not a Business Day, then such Record Date shall be deemed to be the first Business Day following such Record Date.

"*Redemption Price*" means, when used with respect to a Series of Bonds or portion thereof to be redeemed and unless otherwise specified in the 1994 General Resolution, 100% of the principal amount of such Bonds or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant hereto.

"*Related Series*" means, when used with respect to (a) a Program Loan, the Series of Bonds or the several Series of Bonds, the proceeds of which (including any other moneys deposited in the Program Fund pursuant to the Related Series Resolution) were used, or are to be used, in whole or in part, to purchase such Program Loan and (b) a Series subaccount, the Series of Bonds in connection with which such Series subaccount is established.

"*Related Series Resolution*" means, when used with respect to (a) a Program Loan, the Series Resolution or Resolutions authorizing the issuance of Bonds, the proceeds of which (including any other moneys deposited in the Program Fund pursuant to such Series Resolution) were used, or are to be used, in whole or in part, to purchase such Program Loan and (b) Bonds or a Series of Bonds, the Series Resolution authorizing the issuance thereof.

"*Residential Mortgage Program*" means the program authorized under the Act to originate residential mortgages if private sector mortgage loan services are not reasonably available.

"*Revenue Account*" means that account established by the 1994 General Resolution.

"*Revenues*" means (a) all Mortgage Repayments, Prepayments and, except insofar as such payments may constitute Servicing Fees, any penalty payments on account of overdue Mortgage Repayments, (b) Investment Revenues, (c) penalties paid to the Agency pursuant to a 1994 Mortgage Purchase Agreement, (d) except insofar as such amounts may be payable to or subject to retention by a Servicer or be payable to the Eligible Mortgagors, interest or income received on investments of moneys held in any Payment Account or any Escrow Account and (e) all other payments and receipts received by the Agency with respect to Program Mortgage Loans or of Agency Mortgage Loans, but shall not include (i) amounts held in any Payment Account pending remittance to the Agency or the Trustee, (ii) amounts held in any Escrow Account, (iii) Servicing Fees, unless such fees are specifically pledged to the Trustee, (iv) any application, commitment, delivery or other similar fees charged by the Agency in connection with a Program Loan or 1994 Mortgage Purchase Agreement, unless such fees are specifically pledged to the Trustee, (v) any application, commitment, reservation, closing or other similar fees charged by a Lender in connection with a Program Loan or (vi) accrued interest purchased on any Investment Obligations.

"*RHS*" means the United States Department of Agriculture, Rural Development (the successor entity to the Farmers Home Administration and formerly referred to as RD), or any successor thereto.

"*Securities Depository*" means a Bondholder acting as a central securities depository.

"*Series Bonds,*" "*Series of Bonds*" or "*Bonds of a Series*" means any series of Bonds authorized by a Series Resolution.

"*Series Program Determinations*" means determinations by the Agency relating to Program Loans and certain other matters required in connection with a Series of Bonds to be set forth (or provision to be determined at certain specified times in the future) in a Series Resolution and shall include the following: (a) whether each Program Loan shall be secured by a first lien mortgage, a second lien mortgage or a combination; (b) whether each Program Loan shall have approximately equal monthly payments or shall be a graduated payment mortgage loan or have a fixed or variable rate of interest; (c) the maximum term to maturity of each Program Loan; (d) whether each residence to which each Program Loan relates shall be a principal residence; (e) required primary mortgage insurance, if any, and the level of coverage thereof; (f) limitations, if any, applicable to purchases of Program Loans relating to planned unit developments, and/or cooperatives, geographic concentration and type of principal and interest characteristics;

(g) Supplemental Coverage, if any; (h) provisions relating to prepayments on the Program Loans, including application thereof for redemption or financing new Program Loans; (i) provisions relating to Collateral, if any; and (j) any other provision deemed advisable by the Agency not in conflict with the 1994 General Resolution.

"*Series Resolution*" means a resolution adopted by the Agency pursuant to the 1994 General Resolution authorizing the issuance of one or more Series of Bonds.

"*Series Revenues*" means the revenues pledged pursuant to a Series Resolution to secure the Bonds.

"*Servicer*" means (a) a person with which the Agency enters into a Servicing Agreement or (b) the Agency.

"*Servicing Fees*" means (a) any fees paid to or retained by a Servicer in accordance with the related Servicing Agreement and (b) any fees retained by or payable to the Agency with respect to Mortgage Loans serviced by the Agency.

"*Single Family Residence*" means a single-family residence as defined in the Act located in the State that qualifies as such under the applicable 1994 Mortgage Purchase Agreement.

"*State*" means the State of North Dakota.

"*Supplemental Coverage*" means the coverage, if any, in the form of insurance, Cash Equivalents, additional pledged funds or any combination thereof, to protect against (a) the risk of loss from Program Loan defaults and (b) the risk of deficiency of revenues to meet Bond debt service and Program Expenses.

"*Supplemental Resolution*" means any Series Resolution or any resolution adopted by the Commission in accordance with the 1994 General Resolution amending or supplementing the 1994 General Resolution, any Series Resolution or any Supplemental Resolution.

"*Trustee*" means the bank, trust company or national banking association appointed as trustee under the 1994 General Resolution and having the duties, responsibilities and rights provided for in the 1994 General Resolution and its successor or successors, and any other corporation or association which at any time may be substituted in its place as Trustee pursuant to the 1994 General Resolution.

"*VA*" means the Veterans Administration and any agency or instrumentality of the United States of America succeeding to the mortgage guaranty functions thereof.

*"1994 General Resolution"* means the Housing Finance Program General Bond Resolution of 1994, as the same may be amended or supplemented, from time to time, by any Supplemental Resolution.

*"1994 Mortgage Purchase Agreement"* means a 1994 Mortgage Purchase Agreement, dated as of August 3, 1994, in substantially the form previously approved by the Commission.

*"2024 Series D Certificate"* means the 2024 Series D Bond Certificate executed by the Agency pursuant to the 1994 General Resolution and the Annual Series Resolution authorizing the issuance of the Offered Bonds.

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## APPENDIX B

## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

*The Resolutions contain various covenants and security provisions, some of which are summarized below. For convenience of reference, the number of the relevant section of the Resolutions appears following the respective captions in this summary. When particular provisions of the Resolutions are referred to, such provisions are incorporated by reference as part of the statements made, and the statements made are qualified in their entirety by such reference. Definitions of certain capitalized terms can be found in APPENDIX A hereto.*

**Conditions Precedent to the Issuance of a Series of Bonds (1994 General Resolution, Section 2.15)**

Bonds of each Series, other than Refunding Bonds, may be authenticated by the Trustee and delivered to or upon the order of the Agency only upon delivery to the Trustee of:

(a) a certified copy of the Related Series Resolution and, in the case of the initial Series of Bonds, a certified copy of the 1994 General Resolution;

(b) an Agency Request as to the delivery of such Bonds;

(c) except in the case of the initial Series of Bonds, an Agency Certificate to the effect that no Event of Default under the 1994 General Resolution or an event which with notice and/or the passage of time or both would become an Event of Default has occurred and is continuing;

(d) an opinion of counsel of recognized national standing in the field of municipal law selected by the Commission to the effect that such Bonds are valid and binding limited obligations of the Agency, enforceable in accordance with their terms and the terms of the 1994 General Resolution;

(e) written verification from the Rating Agency that the issuance of such Series will not, in and of itself, cause a withdrawal or reduction in the rating assigned by the Rating Agency to any Outstanding Bonds of any prior Series;

(f) a Cash Flow Certificate giving effect to the issuance of such Bonds; and

(g) such further documents and moneys as may be required by the provisions of the 2024 Series D Certificate.

**Conditions Precedent to the Issuance of a Series of Refunding Bonds (1994 General Resolution, Section 2.16)**

Bonds of each Series of Refunding Bonds may be authenticated by the Trustee and delivered to or upon the order of the Agency only upon delivery to the Trustee of:

(a) the documents referred to above required in connection with the issuance of a Series of Bonds other than Refunding Bonds;

(b) irrevocable instructions to the Trustee, satisfactory to it, to pay when due or to redeem all the Bonds to be refunded on such date or dates specified in such instructions;

(c) either (i) moneys in an amount sufficient to effect payment of the principal amount or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be, which moneys shall be held by the Trustee or any one or more of the alternate Paying Agents in a separate account irrevocably in trust for and assigned to the respective holders of the Bonds to be refunded, or (ii) Government Obligations, the principal of and interest on which when due, together with the moneys, if any, deposited with the Trustee or such alternate Paying Agent or Paying Agents at such time, will be sufficient to pay when due the principal amount or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be; and

(d) such further documents and moneys as may be required by a Series Resolution.

**Certain Accounts Established by the 1994 General Resolution (1994 General Resolution, Section 5.01)**

The 1994 General Resolution establishes the following accounts to be held by the Trustee:

(a) the Proceeds Account;

(b) the Clearing Account;

(c) the Revenue Account;

(d) the Debt Service Reserve Account; and

(e) the Collateral Account.

The 1994 General Resolution authorizes the creation of such other accounts as the Agency shall deem necessary or desirable in connection with the issuance of any Series of Bonds.

**Proceeds Account (1994 General Resolution, Section 5.02)**

There shall be paid into the Proceeds Account for credit to any applicable subaccount the respective amounts of the proceeds of each Series of Bonds and other moneys specified by the Related Series Resolution or from the Revenue Account as described below. There may also be paid into the Proceeds Account, at the option of the Agency, any moneys received by the Agency from any other source, unless required to be otherwise applied as provided by the 1994 General Resolution or a Series Resolution. All Program Obligations shall be deemed to be held in the subaccount of the Proceeds Account corresponding to the Series the proceeds of which financed the acquisition of such Program Obligations.

Proceeds of a Series of Bonds and other moneys deposited in the Proceeds Account shall be applied to purchase Program Obligations (or to pay, redeem, purchase for cancellation or defease bonds or other indebtedness incurred by the Agency to purchase Program Obligations) in accordance with the Related Series Resolution.

Any moneys deposited in a Series subaccount of the Proceeds Account that are not used to purchase Program Obligations or to pay principal of and interest on the Bonds and any Sinking Fund Installments or Costs of Issuance shall be transferred by the Trustee to the applicable subaccount for such Series of the Revenue Account pursuant to an Agency Request filed at any time or pursuant to the Related Series Resolution and applied to the redemption of Bonds unless otherwise specified in such Agency Request or in the Related Series Resolution.

The Trustee shall transfer moneys from the Proceeds Account to the Revenue Account to pay principal of and interest on the Bonds and any Sinking Fund Installments of the Related Series upon receipt of an Agency Request setting forth the amount to be so transferred.

The Trustee shall apply moneys in the Proceeds Account to the payment of the Costs of Issuance of the Related Series, subject to any limitation established in the applicable Series Resolution.

**Clearing Account (1994 General Resolution, Section 5.03)**

Unless otherwise specified in a Series Resolution for a particular Series of Bonds, the Agency shall pay all Revenues derived from the Program Obligations or cause all such Revenues to be paid to the Trustee promptly upon their receipt by the Agency or on its behalf and, in any event, at least monthly. The Trustee shall deposit all such Revenues in the Clearing Account, along with any other amounts required to be deposited therein pursuant to the 1994 General Resolution or any Series Resolution.

At least monthly in each month in which Revenues are received, the Agency shall by Agency Request direct the Trustee to transfer all amounts on deposit in the Clearing Account to the Revenue Account and shall advise the Trustee of the distribution of such amounts among the appropriate subaccounts. Also, at least monthly in each month following a month in which Revenues have been deposited in the appropriate subaccounts of the Revenue Account, the Agency shall by Agency Request direct the Trustee to make such transfers between the appropriate subaccounts as may be necessary to reconcile the amounts deposited to such subaccounts from the Clearing Account so that amounts deposited to each subaccount of the Revenue Account are equal to the payments received on the Program Obligations of the Related Series during such previous month.

**Revenue Account (1994 General Resolution, Section 5.04)**

The Trustee shall deposit into the Revenue Account the amounts transferred from the Proceeds Account, the Clearing Account, the Debt Service Reserve Account and the Collateral Account, all as provided in the 1994 General Resolution, and any income or interest earned by, or increment to, any Account, other than the Collateral Account, established pursuant to the 1994 General Resolution due to the investment thereof.

The Trustee shall withdraw from the Revenue Account, on each interest payment date, an amount equal to the unpaid interest due on the Bonds on that date and, on any Bond redemption date or purchase date, an amount equal to the unpaid interest due on the Bonds to be paid, redeemed or purchased (unless such interest shall be otherwise provided for), and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents, who shall apply it to such payment.

The Trustee shall then withdraw from the Revenue Account an amount equal to the principal amount of the Outstanding Bonds, if any, maturing on that date, which shall be applied to the payment of the principal of said Bonds when due or transmitted to one or more Paying Agents who shall apply it to such payment.

The Trustee shall then withdraw from the Revenue Account an amount equal to the Sinking Fund Installment, if any, due on that date, which shall be applied to the redemption of Bonds to be redeemed on that date or transmitted to one or more Paying Agents who shall apply it to such redemption. The amount accumulated in the Revenue Account for each Sinking Fund Installment may and, if so directed by the Agency, shall be applied (together with amounts accumulated in the Revenue Account with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the date specified in the 1994 General Resolution to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices not exceeding those permitted under the 1994 General Resolution.

Following the withdrawals described in the three immediately preceding paragraphs, the Trustee shall make deposits in such subaccounts of the Debt Service Reserve Account as may be designated by Agency Request.

In the event that the amount in the Revenue Account on any Bond Payment Date, or otherwise, is not sufficient to pay all interest then due, or is not sufficient to pay all principal and Sinking Fund Installments then due, the Trustee shall withdraw the amount of such deficiency from the following Accounts in the following order of priority: (a) Clearing Account, (b) Debt Service Reserve Account, (c) Collateral Account and (d) Proceeds Account.

At such periodic intervals as the Agency, by a certificate from an Authorized Officer, shall direct, the Trustee shall withdraw from the Revenue Account and transfer to the United States of America such amounts as are necessary to comply with the Code.

Amounts credited to the Revenue Account, as directed by or pursuant to the 1994 General Resolution or any Series Resolution or by a certificate from an Authorized Officer, shall be used for the purchase or redemption of Bonds pursuant to the 1994 General Resolution and the Related Series Resolution upon the filing with the Trustee of (a) an Agency Request specifying the maturities, the amounts of each maturity, and the Series of Bonds to be redeemed (including any credits against Sinking Fund Installments on any term Bonds to be redeemed) and (b) in the case of any selection method of Bonds for an optional or special redemption different from the selection method assumed in the most recently filed Cash Flow Certificate, a Cash Flow Certificate.

Amounts credited to the Revenue Account, as directed by a certificate from an Authorized Officer, shall be transferred to the Proceeds Account to be used for any of the purposes described above under "Proceeds Account" (any one or more of which purposes the Agency may specify in its request to the Trustee) upon the filing with the Trustee of a Cash Flow Certificate.

Amounts credited to the Revenue Account, as directed by a certificate from an Authorized Officer, shall be released to the Agency for the payment of Program Expenses or the establishment of reserves therefor in an amount needed or required to pay the Program Expenses set out in the Annual Budget.

Amounts credited to the Revenue Account, except Program Expenses, may be released to the Agency free and clear of the lien of the 1994 General Resolution, upon the filing with the Trustee of (i) a certificate of an Authorized Officer directing the same, (ii) a Cash Flow Certificate and (iii) a Parity Certificate.

Any investment earnings on moneys held in the Revenue Account shall be retained therein.

**Debt Service Reserve Account (1994 General Resolution, Section 5.05)**

There shall be deposited into the Debt Service Reserve Account, from the proceeds of the sale of the Bonds or such other sources as specified by an Agency Certificate, the amounts specified by each Series Resolution, provided that, as a result of such deposit, the amount on deposit in the Debt Service Reserve Account shall be at least equal to the Debt Service Reserve Requirement.

If there is not a sufficient amount in the Revenue Account to provide for the payment when due of principal of and interest on the Bonds and any Sinking Fund Installments, the Trustee shall on such due date withdraw from the Debt Service Reserve Account and pay into the Revenue Account the amount of the deficiency then remaining.

Any balance in the Debt Service Reserve Account at any time in excess of the Debt Service Reserve Requirement may, upon the direction of an Authorized Officer of the Agency, be credited by the Trustee to the Revenue Account.

The Debt Service Reserve Requirement may be funded through Cash Equivalents. For purposes of determining whether such Requirement has been met, the term "moneys" shall be deemed to include said Cash Equivalents.

Moneys deposited in the Series subaccounts of the Debt Service Reserve Account shall be withdrawn by the Trustee and transferred to the applicable subaccount of the Revenue Account at such time or times and in such amount or amounts, if any, as may be authorized in the Related Series Resolution for the purpose of causing the Bonds of the Related Series to cease to be Outstanding.

**Collateral Account (1994 General Resolution, Section 5.06)**

At the direction of an Authorized Officer, the Trustee shall deposit in the Collateral Account any securities, mortgage loans or other property not otherwise pledged under the 1994 General Resolution.

Any moneys held in the Collateral Account may be invested or reinvested in such securities, mortgage loans or other investment as may be directed by an Authorized Officer, which may include Investment Obligations, Program Obligations or Collateral but is not restricted thereto, unless otherwise provided in a Series Resolution. Any interest or income earned with respect to any such securities, mortgage loans or other property shall likewise be retained in the Collateral Account, except as otherwise provided in the 1994 General Resolution.

If on any date payments are required to be made from the Revenue Account and there are not sufficient funds in the Revenue Account to make such payments, the Trustee shall withdraw from the Collateral Account and transfer to the Revenue Account such amounts as are necessary to provide sufficient funds for the required transfers from the Revenue Account.

At any time, at the direction of an Authorized Officer, the Trustee shall withdraw from the Collateral Account and pay to the Agency, free and clear of the lien of the 1994 General Resolution, such amounts, securities, mortgage loans or other property as shall be specified therein, unless otherwise restricted by a Series Resolution. THERE IS NO GUARANTEE THAT IF AMOUNTS ARE DEPOSITED BY THE AGENCY INTO THE COLLATERAL ACCOUNT THAT SUCH AMOUNTS WOULD BE AVAILABLE TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS.

**Redemption of Bonds (1994 General Resolution, Article III)**

As soon as practicable after the forty-fifth day preceding the date on which any Sinking Fund Installment is due and payable, the Trustee shall proceed to call for redemption Bonds of the Series and maturity for which such Sinking Fund Installment was established in the amount thereof. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Revenue Account sufficient to pay the applicable Redemption Price thereof, and accrued interest thereon, on the date of redemption.

Unless otherwise provided in the Related Series Resolution, Bonds of each Series shall be subject to redemption at any time from moneys on deposit in the Revenue Account designated for special redemption. Moneys deposited in the Series subaccounts of the Revenue Account designated for special redemption shall be applied by the Trustee on the earliest practicable date to purchase or redeem Bonds of the Series and maturities and in such amounts of such maturities as shall be provided in the Resolutions.

Upon any purchase or redemption of Bonds of any maturity for which Sinking Fund Installments have been established, there shall be credited toward each Sinking Fund Installment thereafter to become due the amount determined in accordance with the Related Series Resolution or, if a Series Resolution does not so specify, in the applicable Agency Request or other direction to the Trustee to purchase or redeem such Bonds. The portion of such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

**Redemption Procedures (1994 General Resolution, Article III)**

If less than all of the Outstanding Bonds of like maturity of any Series are to be called for redemption, the particular Bonds or portions of Bonds to be redeemed will be selected at random by the Trustee.

Not more than 60 days nor less than 30 days before any date established for the redemption of Bonds, the Trustee will mail notice of the redemption to the registered owners of any Bonds or portions thereof to be redeemed at their last addresses appearing upon the registration books stating (a) the date of redemption, (b) the Series, maturities, numbers and other distinguishing marks of the Bonds to be redeemed, (c) the redemption price, (d) any conditions precedent to such redemption and (e) redemption agent name and address.

Notice having been given as provided above and all conditions precedent, if any, having been satisfied, the Bonds designated in the notice will become due and payable at the applicable redemption price, plus interest accrued on such Bonds to the redemption date. On and after the redemption date (unless the Agency shall default in the payment of the Redemption Price and accrued interest) such Bonds will cease to bear interest, and such Bonds will no longer be considered as Outstanding.

Any notice of redemption may be given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient moneys or Government Obligations to pay the Redemption Price therefor on the redemption date, and if such moneys sufficient to pay the Redemption Price and accrued interest have not been made available by the Agency to the Trustee or the appropriate alternate Paying Agent or Paying Agents on the redemption date, such notice of redemption shall be cancelled and be null and void and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding.

Subject to the terms and conditions set forth in the 1994 General Resolution, the Agency may direct the Trustee to purchase such Bonds under the Resolutions for cancellation in lieu of redemption.

**Investment of Moneys Held by the Trustee; Investment Yield Limitations (1994 General Resolution, Section 5.07)**

Moneys held by the Trustee for the credit of any Account shall be invested by the Trustee as directed by the Agency to the fullest extent practicable and reasonable, in Investment Obligations which shall mature or be redeemable at the option of the holder prior to the respective dates when the moneys held for the credit of such Account will be required for the purposes intended.

In computing the amount in any Account, Investment Obligations shall be valued at par or, if purchased at other than par, at their Amortized Value, in either event exclusive of accrued interest purchased.

Except as otherwise specifically provided in the 1994 General Resolution or a Series Resolution, the income or interest earned by, or gain, shall be transferred by the Trustee upon receipt thereof to the appropriate Revenue Account.

**Program Covenants; Enforcement of Program Loans (1994 General Resolution, Section 6.06)**

The Agency from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and with the provisions of the 1994 General Resolution, shall (a) use and apply the proceeds of the Bonds and other moneys deposited in any funds and to the extent not reasonably required for other Program purposes, to purchase Program Obligations, (b) do all such acts and things necessary to receive and collect Series Revenues (including diligent enforcement of the prompt collection of any delinquencies) sufficient to pay the Program Expenses and the principal or Redemption Price, if any, of and interest on the Bonds and apply such amounts in a manner consistent with such purpose; and (c) shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency to maintain any insurance on Program Obligations and to enforce of all terms, covenants and conditions of Program Obligations.

**Assignment or Disposition of Program Loans (1994 General Resolution, Section 6.07)**

Except as otherwise provided in a Series Resolution, the Agency may sell, assign, transfer, pledge or otherwise dispose of or encumber any Program Obligation or any of its rights with respect to any Program Obligation or arising out of the obligations evidencing or securing any Program Obligation including a Program Obligation in default if (a) the Agency holds a commitment to purchase a substitute Program Obligation, (b) the Related Series Resolution so provides or (c) the Agency determines that such sale, assignment, transfer or other disposition would not have a material adverse effect on the ability of the Agency to pay the principal of and interest on the Outstanding Bonds when and as due and payable.

**Tax Covenants (1994 General Resolution Section 6.13, 2024 Series D Certificate, Section 3.6)**

The Agency shall not use or direct or permit the use of any proceeds of Bonds or any other moneys in its possession or control in any manner that, if such use reasonably had been expected on the date of the delivery of the Bonds, would cause such Bonds to be "arbitrage bonds" within the meaning of the Code; provided, however, that nothing in the 1994 General Resolution shall be deemed to preclude or limit the issuance of Bonds or other obligations the interest on which is taxable or exempt from federal income taxes pursuant to any other applicable provision of law now or hereafter in effect. The Agency will (a) take all steps and actions necessary to assure the successful operation of the Program in a manner consistent with the preservation of the tax-exempt status of the interest payable on the Offered Bonds under the Code; and (b) refrain from taking any steps or actions that would impair or call into question the tax-exempt status of the interest payable on the Offered Bonds under the Code.

The Agency (a) will not amend any material provision of the Program documents and (b) will enforce, and will not waive or consent to the noncompliance by any person of, the material provisions of the Program documents, except upon filing with the Trustee a copy, certified by an Authorized Officer, of any such amendment, waiver or consent, as the case may be, and an opinion of Bond Counsel to the effect that such amendment, waiver or consent will not cause the interest on the Offered Bonds to be subject to federal income taxation under the Code.

The Agency will not purchase any Mortgage Loan unless it reasonably believes that the origination terms and procedures followed with respect to the Mortgage Loan and its origination by a Lender and purchase by the Agency are in conformity with the applicable provisions of the Program documents.

The Agency will (a) require Lenders to repurchase all Program Loans that the Agency determines, in accordance with the Code, violate any of the requirements applicable to such Program Loans under the Code in accordance with the provisions of the applicable 1994 Mortgage Purchase Agreement or (b) to the extent permitted by the documents evidencing such Program Loans and by applicable law, accelerate the maturity of such Program Loans and claim all available benefits under any applicable policy of PMI or GMI, as the case may be, and take any other appropriate steps and actions, including but not limited to considering such Program Loans to be in default and selling such Program Loans for the balance of principal and accrued interest thereon.

**Events of Default (1994 General Resolution, Section 7.01)**

Each of the following constitutes an Event of Default under the 1994 General Resolution:

(a) The Agency shall fail to pay any Principal Installment or the Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) The Agency shall fail to pay any installment of interest on any Bond when and as the same shall become due and payable;

(c) The Agency shall fail to perform or observe any other covenant, agreement or condition on its part contained in the 1994 General Resolution, in any Series Resolution or in the Bonds and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Bondholders of not less than 50% in principal amount of the Bonds Outstanding;

(d) The Agency shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; or

(e) The State has limited or altered the rights of the Agency pursuant to the Act, as in force on the date of adoption of the 1994 General Resolution, to fulfill the terms of any agreements made with the holders of the Bonds or in any way impaired the rights and remedies of holders of Bonds while any Bonds are Outstanding.

**Remedies (1994 General Resolution, Sections 7.02, 7.03 and 7.05)**

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of holders of not less than 25% in aggregate principal amount of Bonds Outstanding must, give 30 days' written notice to the Agency of its intention to declare all Bonds Outstanding immediately due and payable; provided, however, that the Trustee may not make any such declaration with respect to an Event of Default under item (c) above unless (a) the Trustee has received a written request to do so from 100% of the Holders of all Outstanding Bonds or (b) there are sufficient moneys available in the Accounts to pay the principal and interest on the Bonds upon such declaration. At the end of such 30-day period the Trustee may, and upon such written request of Bondholders must, by notice in writing to the Agency, declare all Bonds Outstanding immediately due and payable, and such Bonds will then become and be immediately payable. Prior to entry of final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the 1994 General Resolution, such declaration may be annulled by the Trustee if (i) moneys have been deposited in the Revenue Account sufficient to pay all matured installments of principal or Redemption Price (other than principal then due only because of such declaration) of and interest on all Outstanding Bonds; (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agents; (iii) all other amounts then payable by the Agency under the 1994 General Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Default or impair any right consequent thereon.

Upon the occurrence of an Event of Default described above in item (a) or (b), the Trustee shall, within 30 days, give written notice thereof by first-class mail to the Bondholders, shown on the registry of Bondholders required to be maintained at the office of the Trustee.

Upon the occurrence and continuance of an Event of Default, the Trustee may, and upon the written request of the Bondholders of not less than 50% in aggregate principal amount of the Bonds Outstanding, together with indemnification satisfactory to the Trustee, must, proceed to protect and enforce its rights and the rights of the Bondholders under the Act, the Bonds and the 1994 General Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, may deem expedient.

No remedy conferred upon or reserved to the Trustee or the Bondholders by the terms of the 1994 General Resolution is intended to be exclusive of any other available remedy, but each and every available remedy is cumulative and in addition to any other remedy available under the 1994 General Resolution or existing at law or in equity or by statute.

**Modifications of Resolutions and Outstanding Bonds (1994 General Resolution, Sections 9.01, 9.02, 10.02, 10.03 and 10.04)**

The 1994 General Resolution provides procedures whereby the Agency may amend the Resolutions by adoption of a Supplemental Resolution. Amendments that may be made without consent of Bondholders or the Trustee must be for only the following purposes: (a) closing the 1994 General Resolution or any Series Resolution against, or adding to the limitations and restrictions on, the delivery of Bonds or the issuance of other evidences of indebtedness; (b) adding to the covenants and agreements to be observed by the Agency; (c) adding to the limitations and restrictions in the 1994 General Resolution or any Series Resolution; (d) surrendering any right, power or privilege reserved to or conferred upon the Agency; (e) confirming, as further assurance, any pledge under the Resolutions; (f) modifying any of the provisions of the Resolutions in any respect whatever, provided that such modification shall be effective only after all Bonds of any Series Outstanding at the date of adoption of such Supplemental Resolution shall cease to be Outstanding or the modification, in the sole judgment of the Agency, is reasonably necessary to assure that the interest on any of the Related Series of Outstanding Bonds remains, or on any Series of Bonds thereafter issued will be, exempt from income taxation under the Code; (g) amending the 1994 General Resolution by creating and establishing additional accounts; or (h) making any other change as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondholders (and with respect thereto, the Trustee may rely upon written verifications from the Rating Agency with respect to whether the Rating Quality of the Bonds has been adversely affected).

With the consent of the Trustee, a Supplemental Resolution may be executed and issued by the Commission (a) to cure any ambiguities, supply any omissions to cure any defects or inconsistent provisions in the Resolutions; (b) to insert such provisions clarifying matters or questions arising under the Resolutions; or (c) to waive any right reserved to the Agency, provided that the loss of such right does not adversely impair any pledge of revenues available to pay the Outstanding Bonds.

Amendments or modifications of the respective rights and obligations of the Agency and the Bondholders may be made with the written consent of the holders of not less than 66% in principal amount of the Outstanding Bonds affected by such amendment; but no such amendment or modification can (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof, the rate of interest thereon or the percentages, or otherwise affect the classes of Bonds the consent of the holders of which is required to effect such amendment or modification; or (b) change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Amendments may be made in any respect with the written consent of the holders of all of the Bonds then Outstanding.

**Defeasance (1994 General Resolution, Section 11.03)**

Any Outstanding Series of Bonds and all interest installments will, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the 1994 General Resolution if there has been deposited with the Trustee either moneys in an amount which is sufficient or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, are sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be.

## APPENDIX C

## BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC, BUT NEITHER THE AGENCY NOR THE UNDERWRITER TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC"), New York, New York, will act as Securities Depository for the Offered Bonds. The Offered Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Offered Bonds, each in the aggregate principal amount of such maturities and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 the 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 actual purchaser of each Offered Bond ("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 Bonds 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 the Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

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. Beneficial Owners of the Offered Bonds may wish to take certain steps to augment the 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. For example, Beneficial Owners of the 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.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 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 information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, the Underwriter or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Agency 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 Agency may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

So long as Cede & Co., or any successor thereto, is the registered owner of the Offered Bonds, as DTC's partnership nominee, references herein to the Bondholders or owners or registered owners of the Bonds shall mean DTC and shall not mean the Beneficial Owners of the Offered Bonds. During such period, the Trustee and the Agency will recognize DTC or its partnership nominee as the owner of all of the Offered Bonds for all purposes, including the payment of the principal of, premium, if any, and interest on the Offered Bonds, as well as the giving of notices and voting.

THE AGENCY, THE UNDERWRITER AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF THE OFFERED BONDS WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (3) THE PAYMENT OF ANY AMOUNT DUE TO ANY PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC TO ANY DIRECT PARTICIPANT, OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BOND OWNERS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

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## APPENDIX D

## MORTGAGE INSURANCE

The Series Resolution requires that each Program Loan acquired with the proceeds of the Offered Bonds (a) be subject to GMI, (b) be subject to PMI or (c) in the event no such insurance or guaranty will be obtained, have an original principal amount not greater than 80% of the Principal Value of the mortgaged property, provided that Program Loans need not be so insured or guaranteed if the Agency obtains written confirmation from the Rating Agency that not to so insure or guarantee Program Loans will not adversely affect the Rating Quality of the Offered Bonds and an opinion of bond counsel that such action will not adversely affect the excludability on interest of the Offered Bonds from gross income for federal income tax purposes. Neither PMI nor GMI insures against losses resulting from title defects or casualty losses.

The following description of certain mortgage insurance programs and policies is only a brief outline and does not purport to summarize or describe all the provisions of these programs and policies. For a more complete description thereof, reference is made to the provisions of the insurance contracts embodied in the master insurance contracts and the terms of particular policies of the various insurers. The Agency and the Underwriters make no representations as to the ability of an insurer involved in the Program to make payments under the insurance programs and policies described below. In addition, governmental programs, such as FHA insurance, VA guarantees, RHS guarantees and HUD guarantees, are subject to annual appropriations by Congress. To the extent necessary authorizations for such programs are not extended or renewed, the ability of the Agency to purchase Program Loans in the amounts anticipated could be affected. See "THE OFFERED BONDS—Redemption Provisions."

**Federal Housing Administration**
**Mortgage Insurance Programs**

The National Housing Act of 1934, as amended, authorizes various Federal Housing Administration ("FHA") mortgage insurance programs, which differ in some respects depending primarily upon whether the premises contains five or more dwelling units or less than five such units. Insurance benefits are payable only upon foreclosure (or other acquisition of possession) and conveyance of the premises to FHA.

Under some of the FHA insurance programs, insurance claims are paid by FHA in cash unless the insured specifically requests payment in debentures issued by FHA. Under others, FHA has the option at its discretion to pay insurance claims in cash or in such debentures. The current FHA policy, subject to change at any time, is to make insurance payments on single-family mortgage loans in cash with respect to all programs covering such units as to which it has discretion to determine the form of insurance payment. FHA debentures issued in satisfaction of FHA insurance claims bear interest payable semiannually on January 1 and July 1 of each year at the FHA debenture interest rate in effect under FHA regulations on the date the FHA mortgage insurance commitment was issued or of the initial insurance endorsement of the mortgage loan, whichever rate is higher.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of the institution of foreclosure or the date of acquisition of the property whichever is earlier, and the insured generally is not compensated for interest accrued and unpaid prior to that date. However, the mortgagee will be reimbursed for uncollected interest resulting from the mortgagor's default on a forbearance agreement. Under such circumstances, the amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the mortgage loan adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgagee after default, plus reimbursement not to exceed two-thirds of the mortgagee's foreclosure costs (or $75, whichever is the greater). The regulations under all insurance programs described above provide that the insurance payment itself bears interest from the date of default by the mortgagor, which under HUD regulations will occur no less than 30 days after the due date of a mortgage payment to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property conveyed to FHA has been damaged by fire, earthquake, flood or tornado or the property has suffered damage due to failure of the mortgagee to protect and preserve a vacant or abandoned property, it is required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage lender prior to such conveyance. In some instances, when damage has resulted from failure of the mortgagee to inspect and preserve the property, FHA may deduct the amount of such damages from the insurance payment made by FHA.

The continuation of the availability of FHA mortgage insurance depends on periodic action by the United States Congress to increase the limitation on the aggregate amount of loan guarantees. Through legislative action by the United States Congress or changes in regulations by HUD, the fees and standards for participation in FHA insurance programs may change. It is not possible to predict the effect of legislative or regulatory action, if any, on the ability of the Agency to purchase Mortgage Loans.

**Department of Veterans Affairs**
**Mortgage Guaranty Program**

The Servicemen's Readjustment Act, as amended, permits a veteran (or, in certain instances, the spouse of a veteran) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guaranty of mortgage loans with terms limited by the estimated economic life of the property, up to approximately 30 years.

Under the VA's tiered guaranty system, the maximum guaranty allowed is based on the size of the mortgage loan. The Blue Water Navy Vietnam Veterans Act of 2019, effective January 1, 2020, eliminated county loan limits for certain veterans on loans greater than $144,000. The current maximum guaranty is as follows: (i) for mortgage loans of not more than $45,000, 50% of the loan; (ii) for mortgage loans greater than $45,000, but not more than $56,250, an amount of $22,500; (iii) for mortgage loans greater than $56,250, but not more than $144,000, the lesser of 40% of the loan or $36,000; and (iv) for loans greater than $144,000, (x) 25% of the loan amount for veterans with full VA home loan guaranty entitlement and (y) 25% of the Freddie Mac conforming loan limits for veterans who have previously used and not restored the guaranty entitlement. The actual guaranty may be less than the maximum guaranty as described above in the event a veteran's guaranty entitlement previously used for a guaranteed loan has not been restored by the VA.

The liability on the guaranty is reduced or increased proportionately with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage 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 the mortgaged premises is greater than the original guaranty, as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a mortgagee of unsatisfied indebtedness on a mortgage upon its assignment to the VA. Under certain circumstances, a mortgagee is required to accept partial payments on a loan that is more than 30 days overdue.

When a VA loan is foreclosed, the VA must decide whether to (a) acquire the property and pay off the debt or (b) not acquire the property through the "no bid" process. Under option (b), the VA gives instructions to the mortgagee to make "no bid" at the foreclosure sale and pays the guaranty amount to the mortgagee, leaving the mortgagee responsible for the disposition of the property. Mortgagees may also "buydown" the veteran's indebtedness at the time of the foreclosure sale to convert a no bid into a VA acquisition. "No bids" are more likely if the property has significantly declined in value, because the cost to the VA may be less than their expected cost to acquire, manage and dispose of the property.

**Rural Housing Service of the United States Department of Agriculture (formerly Farmers Home Administration) 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 Rural Development Guaranteed Rural Housing Loan program (formerly known as the FmHA Guaranteed Rural Housing Loan program).

The RHS Guaranteed Rural Housing Loan program is limited to only certain rural areas of the State. Any city, place, town or village with a population greater than 35,000 people will not be considered an eligible rural area.

The RHS guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by RHS and approximately 15% by the Agency. The loss is determined by the difference between the loan amount and the appraised value, less foreclosure costs, plus a fixed percentage of appraised value to cover costs associated with the holding and sale of the property.

**Private Mortgage Insurance**

The 1994 Mortgage Purchase Agreements require that PMI coverage with respect to Program Loans financed in connection with the Offered Bonds must provide that the insurer, upon taking title to the property securing a Program Loan, must pay the holder of such Program Loan the unrecovered balance of its loss but may permit such holder to retain such title and pay a claim equal to the difference between the original principal amount of such Program Loan and 72% of the appraised value (at the time of origination) or purchase price of such property, whichever is less; provided, however, a minimum PMI coverage of up to 35% of the original principal amount of the Mortgage Loan is required if (1) the Mortgage Loan has an original principal balance greater than 95% of the lesser of the appraised value or the purchase price of such property, (2) the Mortgage Loan has been classified/rated by the Private Insurer under its A-Minus, sub-prime or similar program or (3) the Private Insurer is charging a policy premium greater than its standard published premium rates. Such insurance also must (a) be issued by a Private Insurer which is rated in either of the two highest claims-paying rating categories of the Rating Agency or approved by Fannie Mae or Freddie Mac and (b) remain in full force and effect for the life of the Program Loan, provided that the Agency (i) requires the cancellation of such PMI at such time as the unpaid principal balance of the Program Loan is reduced to 78% of the original Principal Value of the mortgaged property and certain conditions are satisfied and (ii) allows cancellation of such PMI at such time as the unpaid principal balance of the Program Loan is less than 75% of the current value of the mortgaged property and certain conditions are satisfied.

All policies of PMI contain provisions substantially as follows: (a) under the policy, a claim includes unpaid principal, accrued interest at the mortgage rate to the date of payment of a claim under the policy and certain advances described below; (b) for the insured to present a claim, the insured must have acquired, and tendered to the insurer, good and merchantable title to the property, free and clear of all liens and encumbrances, except permitted encumbrances, including any right of redemption by the mortgagor; (c) premiums on the standard hazard insurance policy, real estate taxes and foreclosure, protection and preservation expenses shall be advanced by the insured, as approved by the insurer; (d) when a claim is presented, the insurer will have the option of (i) paying the claim in full and taking title to the property and arranging for the sale thereof, or (ii) paying the percentage of the claim as indicated on the certificate of insurance and having no claim to the title of the property; (e) unless earlier directed by the insurer, claims must be made within 60 days after the insured has acquired good and merchantable title to the property; and (f) a claim must be paid within 30 days after the claim is made by the insured. Such PMI policies provide that no payment for a loss will be made unless the property financed by the defaulted Program Loan is in the same physical condition as when the Program Loan was originally insured, subject to reasonable wear and tear. If the insurer elects to pay under option (i), the insured must convey good and merchantable title to the property to the insurer upon payment of the claim for benefits, among other conditions. If the insurer elects to pay under option (ii), the insured will be responsible for restoring and reselling the property.

Generally, PMI policies will not insure against a loss sustained by reason of a default arising from or involving certain matters, including (a) fraud or negligence in origination or servicing of the Program Loans, including misrepresentation by the Lender, borrower or other persons involved in the origination of a Program Loan; (b) failure to construct a property subject to a Program Loan in accordance with specified plans; (c) physical damage to a property; and (d) a Lender not being approved as a servicer by the insurer.

**Office of Native American Programs of the**
**Department of Housing and Urban Development**

The Native American Housing and Self-Determination Act of 1996 ("NAHASDA") permits the Office of Native American Programs ("ONAP") of the Department of Housing and Urban Development ("HUD") to guarantee loans from private lenders for housing on Indian lands pursuant to Section 184 of the Housing and Urban Development Act of 1992 (such loans are referred to herein as "Section 184 Loans").

Section 184 Loans are guaranteed by HUD through ONAP. The guarantee covers loans that are used to construct, acquire or rehabilitate one- to four-family homes of a reasonable size. The homes must be located on lands that are under the jurisdiction of an Indian tribe and each tribe must have submitted an Indian Housing Plan pursuant to NAHASDA. The guarantee applies to 100% of the principal and interest of outstanding Section 184 Loans. For guaranteeing the loans, HUD collects a fee for each guarantee of up to 1% of the principal of the loan.

Section 184 Loans must comply with the following requirements, among others: (1) the term of the loan cannot be greater than 30 years; and (2) the principal obligation cannot exceed 97.75% of the appraised value of the home or 98.75% of the appraised value of the home if the home is valued at $50,000 or less.

Section 184 Loans become delinquent when payments are not made on or before the due date for the payment. Default occurs when a payment is 30 days past-due. HUD encourages lenders to tailor a plan for repayment on the delinquent account that best serves the borrower's ability to meet the payment schedule and also minimizes the risk of foreclosure. In furtherance of this goal, HUD requires lenders to provide notices to homebuyers regarding late payments, to provide a list of home ownership counseling agencies, to have a face-to-face meeting with the borrower before three monthly payments have been missed, to notify HUD if three monthly payments have been missed and to accept partial payments that are less than the full amount due on the delinquent account. However, the lender does not have to accept partial payments if: (a) the payment is less than half the amount due on the delinquent account; (b) the amount is less than an amount that was agreed to by the lender and the borrower; (c) the foreclosure has begun; or (d) 14 days have passed with no response from the borrower after the lender mailed notification that it will no longer accept partial payments and the borrower is four or more full monthly installments past due or a delinquency has occurred for six months. The partial payment rules described above do not need to be followed if the borrower "has demonstrated a general disregard for the obligations created by the mortgage contract."

There are two possible actions for foreclosure or cure of default: lender-initiated foreclosure and foreclosure by HUD. The lender may not initiate foreclosure unless three complete monthly payments are due and the lender has made the requisite attempts to cure the default. After foreclosure, the lender may either resell the property to an eligible buyer or assign title to the property to HUD. A lender may also opt out of foreclosure by submitting a request that the loan be assigned to HUD if HUD deems this to be in the best interest of HUD. If HUD accepts assignment of the property, HUD may then begin foreclosure proceedings in a court of competent jurisdiction.

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## APPENDIX E

## SCHEDULE OF BONDS OUTSTANDING UNDER THE 1994 GENERAL RESOLUTION

The following table illustrates the principal amounts of Housing Finance Program Bonds Outstanding under the 1994 General Resolution as of September 30, 2024:

| Issue | Date of Issue | Final Maturity | Amount of Issue | Amount Outstanding | Program Loans Outstanding |
|---|---|---|---|---|---|
| 2000 Series A | January 15, 2000 | January 1, 2031 | $ 60,000,000 | $ 0 | $ 44,177,662.93 |
| 2008 Series B | March 26, 2008 | July 1, 2038 | 15,850,000 | 12,735,000 | 9,168,225.03 |
| 2015 Series A | January 14, 2015 | January 1, 2038 | 53,920,000 | 455,000 | 10,976,780.04 |
| 2015 Series BC | June 23, 2015 | January 1, 2046 | 63,800,000 | 13,740,000 | 16,068,700.68 |
| 2015 Series DE | December 8, 2015 | July 1, 2046 | 75,000,000 | 17,920,000 | 20,115,159.71 |
| 2015 Series F | December 8, 2015 | January 1, 2047 | 25,000,000 | 25,000,000 | 22,424,801.68 |
| 2016 Series AB | May 26, 2016 | January 1, 2047 | 148,830,000 | 30,865,000 | 47,112,471.00 |
| 2017 Series A | May 10, 2017 | July 1, 2047 | 80,000,000 | 14,800,000 | 28,765,395.60 |
| 2017 Series BC | May 10, 2017 | July 1, 2047 | 25,000,000 | 13,940,000 | 11,690,738.76 |
| 2017 Series DE | September 12, 2017 | January 1, 2048 | 88,190,000 | 29,060,000 | 35,348,327.32 |
| 2017 Series FGH | December 21, 2017 | July 1, 2048 | 95,450,000 | 37,270,000 | 36,616,627.85 |
| 2018 Series A | June 14, 2018 | January 1, 2049 | 100,000,000 | 36,815,000 | 38,508,859.79 |
| 2018 Series BC | June 14, 2018 | January 1, 2049 | 25,000,000 | 9,615,000 | 8,461,039.35 |
| 2018 Series D | September 19, 2018 | January 1, 2049 | 125,000,000 | 44,920,000 | 46,665,589.63 |
| 2019 Series AB | February 13, 2019 | July 1, 2049 | 85,000,000 | 41,745,000 | 37,767,947.95 |
| 2019 Series C | June 25, 2019 | January 1, 2050 | 135,000,000 | 80,075,000 | 74,918,744.15 |
| 2019 Series DE | June 25, 2019 | January 1, 2050 | 25,000,000 | 20,845,000 | 19,161,744.13 |
| 2019 Series F | December 10, 2019 | July 1, 2050 | 80,000,000 | 51,635,000 | 48,066,115.59 |
| 2020 Series A | May 19, 2020 | January 1, 2051 | 100,000,000 | 75,110,000 | 68,913,076.89 |
| 2020 Series B | December 1, 2020 | July 1, 2051 | 125,000,000 | 99,850,000 | 95,579,050.20 |
| 2021 Series A | June 8, 2021 | January 1, 2052 | 120,000,000 | 102,970,000 | 98,507,997.29 |
| 2021 Series BC | November 23, 2021 | July 1, 2052 | 141,300,000 | 124,580,000 | 119,251,002.61 |
| 2022 Series A | April 28, 2022 | January 1, 2053 | 125,000,000 | 116,940,000 | 113,596,298.79 |
| 2022 Series BC | April 28, 2022 | July 1, 2052 | 60,000,000 | 52,745,000 | 41,981,812.78 |
| 2022 Series DE | June 14, 2022 | January 1, 2053 | 75,000,000 | 73,155,000 | 67,675,087.57 |
| 2022 Series F | August 23, 2022 | January 1, 2053 | 75,000,000 | 70,815,000 | 68,335,143.79 |
| 2023 Series A | February 16, 2023 | July 1, 2053 | 125,000,000 | 121,785,000 | 121,078,472.72 |
| 2023 Series BC | February 16, 2023 | July 1, 2053 | 40,000,000 | 38,755,000 | 35,468,370.92 |
| 2023 Series D | August 15, 2023 | January 1, 2054 | 125,000,000 | 124,000,000 | 119,751,518.14 |
| 2023 Series E | August 15, 2023 | January 1, 2054 | 75,000,000 | 74,260,000 | 69,287,239.65 |
| 2023 Series F | December 12, 2023 | January 1, 2054 | 75,000,000 | 75,000,000 | 70,573,800.86 |
| 2024 Series A | March 26, 2024 | July 1, 2054 | 149,000,000 | 149,000,000 | 138,677,070.61 |
| 2024 Series B | March 26, 2024 | July 1, 2054 | 40,000,000 | 40,000,000 | 20,191,714.60 |
| 2024 Series C | July 2, 2024 | January 1, 2055 | 200,000,000 | 200,000,000 | 82,684,273.02 |
| | **TOTAL:** | | $2,956,340,000 | $2,020,400,000.00 | $1,887,566,861.63 |

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## APPENDIX F

## CERTAIN INFORMATION CONCERNING THE MORTGAGE LOANS

The Agency's Program provides funds for the purchase by the Agency of newly originated Program Loans at a price and bearing interest at rates to be established on the basis of the interest cost of the Bonds and local mortgage market conditions. Historically, the Agency has purchased Program Loans on terms resulting in an effective rate sufficient to pay the principal of and interest on the related Series of Bonds, the costs of servicing the Program Loans and other Program Expenses. The Agency may make loan commitments and purchases in advance of issuing Bonds. As of October 28, 2024, the Agency had reserved, committed or funded approximately $58,009,110 in aggregate principal amount of mortgage loans being originated under its FirstHome Program in excess of currently available tax-exempt bond proceeds, which the Agency expects to finance with proceeds of the Offered Bonds. The Agency expects to purchase these loans on the applicable funding date.

The following information summarizes the status of the Program Loans under the 1994 General Resolution as of September 30, 2024 (except as noted otherwise):

| | |
|---|---|
| Principal Amount of Mortgage Loans Outstanding:[1] | $1,887,566,862 |
| **Mortgage Loan Outstanding by Insurance/Guarantee Type:** | |
| FHA Insured | 39.6% |
| VA Guaranteed | 4.4% |
| PMI Insurance[2] | 36.5% |
| RHS Guaranteed | 6.8% |
| Uninsured | 12.7% |
| **Total:** | 100.0% |

[1] Included in Principal Amount of 1994 General Resolution Mortgage Loans Outstanding are 17 loans with an outstanding principal balance of approximately $1,112,348 which bear interest at a rate of 0% per annum.

[2] The table set forth below describes the Mortgage Loans Insured with PMI by PMI provider:

| | |
|---|---|
| MGIC | $ 285,327,904 |
| Enact | $ 152,217,320 |
| Radian Guaranty | $ 146,880,845 |
| National MI | $ 37,278,100 |
| Arch MI | $ 34,555,561 |
| Essent Guaranty | $ 24,819,106 |
| United Guaranty | $ 5,531,963 |

The following table summarizes the delinquency and foreclosure status of the 1994 General Resolution Mortgage Loans as of September 30, 2024:

**Payments Past Due as a % of Number of Loans Outstanding**

| **# Loans Outstanding** | **60-89 Days** | **90+ Days** | **Foreclosures** | **Current Month Total** |
|---|---|---|---|---|
| 11,628 | 1.12 % | 0.95% | 0.42% | 2.49% |

| **Current REOs** | | **Other Claims Pending** | |
|---|---|---|---|
| *No. of Prop.* | *Loan Balance* | *No.* | *Amount* |
| 13 | $1,907,896 | 4 | $161,015 |

Real-Estate-Owned ("REO") is carried at the unpaid principal balance of the related Mortgage Loan. Interest continues to accrue at the note rate through the date of property disposition. Foreclosure and maintenance costs are carried as a receivable. Gains (losses) are netted out of mortgage interest income.

# APPENDIX G

# NORTH DAKOTA HOUSING FINANCE AGENCY
BISMARCK, NORTH DAKOTA

## FINANCIAL STATEMENTS
AS OF JUNE 30, 2024
WITH INDEPENDENT AUDITOR'S REPORT

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**NORTH DAKOTA HOUSING FINANCE AGENCY**
**BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024 AND 2023

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BradyMartz

## INDEPENDENT AUDITOR'S REPORT

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the business-type activities of the North Dakota Housing Finance Agency, a department of the State of North Dakota, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the North Dakota Housing Finance Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the North Dakota Housing Finance Agency, as of June 30, 2024 and 2023, and the respective changes in financial position, cash flows thereof and statement of appropriations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the financial statements of the North Dakota Housing Finance Agency are intended to present the net position, revenues, expenses and cash flows of only that portion of the financial statement of the State of North Dakota that is attributable to the transactions of the North Dakota Housing Finance Agency. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2024 and 2023, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Basis for Opinion*

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

### *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 North Dakota Housing Finance Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 North Dakota Housing Finance Agency'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 North Dakota Housing Finance Agency'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability, schedule of employer contributions – pension, schedule of employer's share of net OPEB liability, schedule of employer contributions – OPEB and notes to the required supplementary information 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, who 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Housing Finance Agency's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary information as listed in the table of contents on pages 61-74 is presented for purposes of additional analysis as required by the *Uniform Financial Report Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements of Net Position, Combining Statements of Revenues, Expenses and Changes in Fund Net Position, Combining Statements of Cash Flows, Housing and Urban Development Section 8 Financial Data Schedule, Adjusted Net Worth Calculation, Insurance Coverage Schedule, Capital Requirement Calculation, Liquid Asset Requirement Calculation and the Schedule of Expenditures of Federal Awards and related notes,  are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2024, on our consideration of the North Dakota Housing Finance Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 North Dakota Housing Finance Agency'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 North Dakota Housing Finance Agency's internal control over financial reporting and compliance.

Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.**
**BISMARCK, NORTH DAKOTA**

October 16, 2024

The discussion and analysis of the financial performance of the North Dakota Housing Finance Agency (Agency) that follows is meant to provide additional insight into the Agency's activities for the years ended June 30, 2024 and 2023. Please read it in conjunction with the Agency's financial statements and footnotes, which are presented within this report.

North Dakota Housing Bonds issued by North Dakota Housing Finance Agency are mortgage revenue bonds that are neither a general nor a moral obligation of the state but are a general obligation of the Agency.

**Financial Highlights**

In FY2024, mortgage loans receivable increased $316,386 to $1,892,508. This included $436,910 of new loans purchased, $703 of Loans sold to BND, $126,898 of repaid principal on mortgage loans and an increase in loan premiums of $7,090 and decrease in mortgage loan loss reserve of $13.

In FY2023, mortgage loans receivable increased $247,959 to $1,576,122. This included $366,844 of new loans purchased, $1,354 of Loans sold to FHLB, $122,948 of repaid principal on mortgage loans and an increase in loan premiums of $5,417 and increase in mortgage loan loss reserve of $3.

In FY2024, bonds payable increased $337,891 from the FY2023 bonds payable to $1,938,268. This included the issuance of $464,000 new bonds, $126,840 bonds being called or maturing and a net increase in bond premiums of $731. See Note 12 in the accompanying Notes to the Financial Statements for more information regarding long term debt.

In FY2023, bonds payable increased $120,770 from the FY2022 bonds payable to $1,600,377. This included the issuance of $240,000 new mortgage revenue bonds, $5,000 in multifamily bonds, $123,540 bonds being called or maturing and a net decrease in bond premiums of $690. See Note 12 in the accompanying Notes to the Financial Statements for more information regarding long term debt.

The Agency did not draw on either the BND or Federal Home Loan Bank lines of credit in FY2024 and FY2023, however both lines remained available to the Agency. The beginning and ending balances in FY2024 and FY2023 were $0 for both FHLB and BND.

The Agency's FY2024 net position increased $24,246 to $256,450 as a result of the year's program operations and financing activities.

The Agency's FY2023 net position increased $13,285 to $232,204 as a result of the year's program operations and financing activities.

FY2024 Income Before Transfers of $24,346 was higher than FY2023 by $11,053 as a result of increases in investment income due to the rising interest rate environment during the past fiscal year. This primarily affected the MBS investments in the Debt Service Reserve Accounts. Mortgage interest income and bond interest expense were both up from FY2024 in approximately equal amounts.

Operating revenues in FY2024 of $89,451 were up $24,080 as a result of higher mortgage and investment income than in the prior year. This was partially offset by a small loss on the sale of investments and a slight decrease in fee income. The Agency continues to fund mortgage loans at a fast pace. Although mortgage rates have started to drop slightly, the pricing of mortgage revenue bonds continues to be competitive. With the higher interest rates over the last few years, the Agency has and continues to see a decrease in loan payoffs making refinances or move up mortgage purchases less favorable.

Operating revenues in FY2023 of $65,371 were up $21,005 as a result of higher mortgage and investment income than in the prior year. This was partially offset by a loss on the sale of investments and a slight decrease in fee income. The Agency continues to fund mortgage loans at a fast pace given the rise in mortgage rates and the rates on mortgage revenue bonds over the last year continuing to be competitive in the mortgage market. Overall this has not had a large effect on the funding of mortgage loans, however the Agency has seen a decrease in loan payoffs due to this increase in mortgage rating making refinances less favorable.

Operating expenses for FY2024 of $70,503 were up $18,269 from the FY2023 Operating expenses as a result of higher bond interest expense, increase in Agency grants and higher bond admin expenses than what was incurred in the prior year. The pension expense decreased when compared to the prior year.

Operating expenses for FY2023 of $52,234 were up $10,317 from the FY2022 Operating expenses as a result of higher bond interest expense and pension expense. The SRP amortization expense and bond administrative expenses decreased when compared to the prior year.

## Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements. The financial statements of the Agency provide accounting information similar to that of many other business entities. The Statement of Net Position summarizes the assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses and Changes in Net Position summarizes the Agency's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Agency.

### Condensed Statements of Net Position
### June 30, 2024, 2023 and 2022
### (In Thousands)

| | 2024 | 2023 | 2022 | Change | Percentage |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Unrestricted current assets | $ 19,928 | $ 15,824 | $ 16,792 | $ 4,104 | 26 % |
| Restricted current assets | 321,596 | 259,589 | 349,503 | 62,007 | 24 |
| Total current assets | 341,524 | 275,413 | 366,295 | 66,111 | 24 |
| Unrestricted noncurrent assets | 8,792 | 7,915 | 7,264 | 877 | 11 |
| Restricted noncurrent assets | 1,905,525 | 1,600,851 | 1,365,724 | 304,674 | 19 |
| Total noncurrent assets | 1,914,317 | 1,608,766 | 1,372,988 | 305,551 | 19 |
| Total assets | $ 2,255,841 | $ 1,884,179 | $ 1,739,283 | $ 371,662 | 20 % |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Total deferred outflows of resources | $ 3,829 | $ 5,732 | $ 3,279 | $ (1,903) | (33) % |
| **LIABILITIES** | | | | | |
| Current liabilities | $ 121,509 | $ 106,464 | $ 82,509 | $ 15,045 | 14 % |
| Noncurrent liabilities | 1,857,055 | 1,532,278 | 1,432,574 | 324,777 | 21 |
| Total liabilities | $ 1,978,564 | $ 1,638,742 | $ 1,515,083 | $ 339,822 | 21 % |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Total deferred inflows of resources | $ 24,656 | $ 18,965 | $ 8,560 | $ 5,691 | 30 % |
| **NET POSITION** | | | | | |
| Net investment in capital assets | $ 92 | $ 112 | $ 117 | $ (20) | (18) % |
| Restricted for debt service | 235,456 | 217,892 | 201,443 | 17,564 | 8 |
| Unrestricted | 20,902 | 14,200 | 17,359 | 6,702 | 47 |
| Total net position | $ 256,450 | $ 232,204 | $ 218,919 | $ 24,246 | 10 % |

## Statements of Revenues, Expenses and Changes in Net Position
## Years Ended June 30, 2024, 2023, and 2022
## (In Thousands)

| | 2024 | 2023 | 2022 | Change | Percentage | |
|---|---|---|---|---|---|---|
| OPERATING REVENUES | | | | | | |
| Mortgage interest income | $ 63,706 | $ 49,722 | $ 39,298 | $ 13,984 | 28 | % |
| Investment income | 21,152 | 10,977 | 464 | 10,175 | 93 | |
| Gain (loss) on sale of investment | (9) | (176) | (320) | 167 | (95) | |
| Fee income | 4,602 | 4,848 | 4,924 | (246) | (5) | |
| Total revenues | 89,451 | 65,371 | 44,366 | 24,080 | 37 | % |
| OPERATING EXPENSES | | | | | | |
| Interest expense | 54,623 | 39,393 | 29,156 | 15,230 | 39 | % |
| Agency grants | 1,413 | 80 | 215 | 1,333 | 1,666 | |
| Administrative and operating expenses | 13,662 | 11,381 | 11,931 | 2,281 | 20 | |
| Pension expense | 512 | 1,092 | 384 | (580) | (53) | |
| OPEB expense | 47 | 49 | 15 | (2) | - | |
| Amortization | 213 | 207 | 208 | 6 | - | |
| Depreciation | 33 | 32 | 8 | 1 | 3 | |
| Total expenses | 70,503 | 52,234 | 41,917 | 18,269 | 35 | % |
| OPERATING INCOME | 18,948 | 13,137 | 2,449 | 5,811 | 44 | % |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Federal grants | 20,648 | 22,117 | 15,065 | (1,469) | - | % |
| Non-federal grants | 5,060 | 113 | 128 | 4,947 | - | |
| Investment income (loss) | 338 | 43 | (547) | 295 | 686 | |
| Federal grants | (20,648) | (22,117) | (15,065) | 1,469 | - | |
| | 5,398 | 156 | (419) | 5,242 | 3,360 | % |
| INCOME BEFORE TRANSFERS | 24,346 | 13,293 | 2,030 | 11,053 | 83 | % |
| TRANSFERS | | | | | | |
| Transfers to Industrial Commission | (100) | (8) | (22) | (92) | 1,150 | |
| CHANGE IN NET POSITION | 24,246 | 13,285 | 2,008 | 10,961 | 83 | % |
| TOTAL NET POSITION, BEGINNING OF YEAR | 232,204 | 218,919 | 216,911 | 13,285 | 6 | % |
| TOTAL NET POSITION, END OF YEAR | $ 256,450 | $ 232,204 | $ 218,919 | $ 24,246 | 10 | % |

Operating interest income is comprised of the sum of interest earnings on funds held in trust for the Home Mortgage Finance Program. These funds are invested in investment contracts as reported in Notes 2 and 3 to the financial statements.

FY2024 Operating investment interest income of $21,152 was up $10,175 from the prior year as a result of the higher interest rate environment. The Agency uses the Bond Proceeds as Non-purpose investments on a temporary basis to fund mortgage loans until permanent financing is available. The interest rates are substantially higher than the Agency would receive if investing in investment contracts. The interest earned on these Non-purpose investments is considered investment income rather than mortgage loan interest.

FY2023 Operating investment interest income of $10,977 was up $10,513 from the prior year as a result of the higher interest rate environment. The Agency uses the Bond Proceeds as Non-purpose investments on a temporary basis to fund mortgage loans until permanent financing is available. The interest rates are substantially higher than the Agency would receive if investing in investment contracts. The interest earned on these Non-purpose investments is considered investment income rather than mortgage loan interest.

Non-operating interest income represents earnings on the Agency investments, excluding the Homeownership funds. These funds are invested in mortgage-backed securities or the Bank of North Dakota money market and demand accounts. The FY2024 Non-Operating Interest Income was $338 compared to $43 in FY2023. This was a direct result of the fair market value increases or decreases on MBS investments. As investment rates increase, the current fair market value of the MBS investments owned by the Agency decrease. If investment rates decrease, the market value of the Agency's current MBS investments should increase. The Agency does not actively trade the MBS investments but intends to hold them until maturity.

**Outlook**

NDHFA continues to be successful in obtaining taxable and tax-exempt bond financing to purchase mortgage loans by implementing various bond structures including issuing fixed rate and variable rate bonds and entering Interest Rate SWAP agreements. The structure depends on current rates available in both the bond market and the mortgage loans. The Agency continues to monitor the markets to determine if GNMA eligible loans should be securitized into an MBS or if bond financing is the better option. In addition, NDHFA is exploring other financing options in addition to taxable bonds for the non-government insured ROOTS loans. GNMA only allows government insured loans to be securitized.

NDHFA continues to offer the ROOTS program allowing a larger number of families to enjoy the benefits of North Dakota Housing Finance Agency's programs and affordable rates. The ROOTS program has slowed down this year due to the Agency putting more focus on the First Home Program which continues to be robust. Currently, both programs continue to be utilized. Similar to the past few years, Prepayments made by borrowers have been coming in at a slower pace due to the current increase in mortgage rates. This appears to be a result of fewer mortgages being refinanced due to the smaller economic gain associated with refinancing to a lower rate.

The Agency's First Home program continues to purchase loans at a high level from the Agency's lender partners. The Agency's program offers down payment and closing cost assistance to eligible borrowers which helps a majority of borrowers qualify for purchasing a home. The continuation of the oil industry production in the western part of North Dakota has been relatively stable at the current time. The unpredictable oil field boom and bust cycle may have an effect but does not appear to present a major problem for the Agency at this time. Due to income limits with the Agency's programs, most oil industry workers do not qualify for our First Home programs, however they may qualify under the ROOTS program. The purchase of affordable housing remains robust in the more populous areas of the State.

The Agency has also been successful in issuing multi-family bonds for 4% Low Income Housing Tax Credit projects. This has enabled the developers to attract more equity to housing projects in the state addressing the needs of vulnerable populations.

In FY2023, the Agency took over the administration of the HUD Emergency Solutions Grant and the North Dakota Homeless Grant.

**Budgetary Information**

As discussed in Note 1 to the financial statements, the North Dakota Housing Finance Agency is funded under a biennial appropriation approved by the state legislature. The biennial appropriation does not provide any state General Fund dollars. Hence, total Agency appropriation is funded from Agency operations.

**Contacting the North Dakota Housing Finance Agency's Financial Management**

The information in this report is intended to provide the reader with an overview of the Agency's operations along with the Agency's accountability for those operations. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the North Dakota Housing Finance Agency, P.O. Box 1535, Bismarck, ND 58502-1535.

**NORTH DAKOTA HOUSING FINANCE AGENCY**
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023
(In Thousands)

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS - UNRESTRICTED | | |
| Cash and cash equivalents | $ 16,135 | $ 12,089 |
| Due from State Agencies | 331 | - |
| Receivables | | |
| Interest | | |
| Loans | 1 | 2 |
| Investments | 31 | 82 |
| Due from HUD | 438 | 844 |
| Other | 1,616 | 1,622 |
| Current portion of service release premium | 1,272 | 1,086 |
| Prepaid expenses | 104 | 99 |
| Total unrestricted current assets | 19,928 | 15,824 |
| CURRENT ASSETS - RESTRICTED | | |
| Cash and cash equivalents | 271,866 | 217,366 |
| Receivables | | |
| Current portion of loans receivable, net of allowance | 40,820 | 35,727 |
| Interest | | |
| Loans | 6,827 | 5,096 |
| Investments | 2,083 | 1,400 |
| Total restricted current assets | 321,596 | 259,589 |
| Total current assets | 341,524 | 275,413 |
| NONCURRENT ASSETS - UNRESTRICTED | | |
| Service release premium, net | 8,476 | 7,361 |
| Equipment, net | 96 | 121 |
| Lease assets, net | 220 | 433 |
| Total unrestricted noncurrent assets | 8,792 | 7,915 |
| NONCURRENT ASSETS - RESTRICTED | | |
| Loans receivable, net of current portion and allowance | 1,851,688 | 1,540,395 |
| Investments | 53,837 | 60,456 |
| Total restricted noncurrent assets | 1,905,525 | 1,600,851 |
| Total noncurrent assets | 1,914,317 | 1,608,766 |
| Total assets | 2,255,841 | 1,884,179 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred outflow - pension | 3,713 | 5,566 |
| Deferred outflow - OPEB | 116 | 166 |
| Total deferred outflows of resources | 3,829 | 5,732 |

See Notes to Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2024 AND 2023
(In Thousands)

| | 2024 | 2023 |
|---|---|---|
| **LIABILITIES** | | |
| CURRENT LIABILITIES | | |
| Due to HUD | $ 13 | $ 30 |
| Due to state agencies | 519 | 433 |
| Other | 2,017 | 2,621 |
| Current portion of compensated absences | 380 | 376 |
| Current portion of bonds payable, net of premium | 65,667 | 60,133 |
| Accrued interest | 32,765 | 24,047 |
| Funds held in trust | 20,148 | 18,824 |
| Total current liabilities | 121,509 | 106,464 |
| NONCURRENT LIABILITIES | | |
| Net pension liability | 4,972 | 7,455 |
| Net OPEB liability | 244 | 296 |
| Financial derivative instrument | (20,762) | (15,936) |
| Bonds payable, net of current portion and premium | 1,872,601 | 1,540,244 |
| Other | - | 219 |
| Total noncurrent liabilities | 1,857,055 | 1,532,278 |
| Total liabilities | 1,978,564 | 1,638,742 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred inflow - pension | 3,864 | 3,016 |
| Deferred inflow - OPEB | 30 | 13 |
| Financial derivative instrument | 20,762 | 15,936 |
| Total deferred inflows of resources | 24,656 | 18,965 |
| **NET POSITION** | | |
| Net investment in capital assets | 92 | 112 |
| Restricted for debt service | 235,456 | 217,892 |
| Unrestricted | 20,902 | 14,200 |
| Total net position | $ 256,450 | $ 232,204 |

See Notes to Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

| | 2024 | 2023 |
|---|---|---|
| OPERATING REVENUES | | |
| Mortgage interest income | $ 63,706 | $ 49,722 |
| Investment income | 21,152 | 10,977 |
| Gain (loss) on sale of investments | (9) | (176) |
| Fee income | 4,602 | 4,848 |
| Total revenues | 89,451 | 65,371 |
| OPERATING EXPENSES | | |
| Interest expense | 54,623 | 39,393 |
| Agency grants | 1,413 | 80 |
| Administrative and operating expenses | 13,662 | 11,381 |
| Pension expense | 512 | 1,092 |
| OPEB expense | 47 | 49 |
| Amortization | 213 | 207 |
| Depreciation | 33 | 32 |
| Total expenses | 70,503 | 52,234 |
| OPERATING INCOME | 18,948 | 13,137 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Federal grants | 20,648 | 22,117 |
| Non-federal grants | 5,060 | 113 |
| Investment income (loss) | 338 | 43 |
| Federal grants | (20,648) | (22,117) |
| Total nonoperating revenues (expenses) | 5,398 | 156 |
| INCOME BEFORE TRANSFERS | 24,346 | 13,293 |
| TRANSFERS | | |
| Transfer to Industrial Commission | (100) | (8) |
| CHANGE IN NET POSITION | 24,246 | 13,285 |
| TOTAL NET POSITION, BEGINNING OF YEAR | 232,204 | 218,919 |
| TOTAL NET POSITION, END OF YEAR | $ 256,450 | $ 232,204 |

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

| | 2024 | 2023 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Receipts from customers | $ 320,618 | $ 316,333 |
| Proceeds from sale of loans receivable | 703 | - |
| Interfund mortgages loan purchases and sales | (279,531) | (249,289) |
| Grant funds received in advance | - | (655) |
| Payment of grants | (1,023) | - |
| Payments to service providers | | |
| State agencies | (6,146) | (5,119) |
| Mortgage loan purchases | (270,105) | (242,357) |
| Other | (11,000) | (12,549) |
| Payments to employees | (5,378) | (4,708) |
| Net cash provided (used) by operating activities | (251,862) | (198,344) |
| NONCAPITAL FINANCING ACTIVITIES | | |
| Principal payments on bonds payable | (126,840) | (123,540) |
| Proceeds from bond issuance | 472,107 | 251,304 |
| Interest paid on loans and bonds | (45,897) | (33,300) |
| Proceeds from federal grants | 20,648 | 22,117 |
| Proceeds from non-federal grants | 5,060 | 113 |
| Payment of federal grants | (20,648) | (22,117) |
| Transfers to Industrial Commission | (100) | (8) |
| Net cash provided (used) by noncapital financing activities | 304,330 | 94,569 |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of equipment | (8) | (19) |
| Principal payments on lease payable | (218) | (198) |
| Interest paid on lease payable | (9) | (15) |
| Net cash used for capital and related financing activities | (235) | (232) |
| INVESTING ACTIVITIES | | |
| Purchase of investments | - | (3,334) |
| Proceeds from sale of investments | 5,843 | 10,171 |
| Interest received from investments | 470 | 291 |
| Net cash provided (used) by for investing activities | 6,313 | 7,128 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 58,546 | (96,879) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 229,455 | 326,334 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 288,001 | $ 229,455 |
| CASH AND CASH EQUIVALENTS - UNRESTRICTED | $ 16,135 | $ 12,089 |
| CASH AND CASH EQUIVALENTS - RESTRICTED | 271,866 | 217,366 |
| | $ 288,001 | $ 229,455 |

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

| | 2024 | 2023 |
|---|---|---|
| RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating income | $ 18,948 | $ 13,137 |
| Adjustments to reconcile operating income to net cash from operating activities: | | |
| Depreciation | 33 | 32 |
| Amortization | | |
| Original issue discounts and premiums | (7,375) | (6,993) |
| Service release premium | 1,658 | 1,589 |
| Leased asset | 213 | 207 |
| Fair value (increases) decreases of investments | 694 | 2,420 |
| Reclassification of interest income/expense to other activities | 53,939 | 38,614 |
| Effect on cash flows due to changes in: | | |
| Deferred outflow - pension | 1,853 | (2,353) |
| Deferred outflow - OPEB | 50 | (100) |
| Deferred inflows - pension | 848 | (1,794) |
| Deferred inflows - OPEB | 17 | (49) |
| Effect on cash flows due to changes in: | | |
| Due from HUD | 406 | (585) |
| Due from State Agencies | (331) | - |
| Other receivables | 6 | (574) |
| Service release premium | (2,959) | (2,593) |
| Prepaid expenses | (5) | (13) |
| Loan interest receivable | (1,730) | (570) |
| Loans receivable | (316,383) | (247,962) |
| Due to HUD | (17) | 10 |
| Due to State Agencies | 86 | 30 |
| Other liabilities | (606) | 1,347 |
| Compensated absences | 4 | (2) |
| Funds held in trust | 1,324 | 2,653 |
| Net pension liability | (2,535) | 5,205 |
| Net cash used by operating activities | $ (251,862) | $ (198,344) |
| Non-cash disclosures: | | |
| Increase (decrease) in fair value of investments | $ (775) | $ (2,725) |

See Notes to the Financial Statements

# NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENT OF APPROPRIATIONS
FOR THE BIENNIUM ENDED JUNE 30, 2024
(In Thousands)

The Agency's total appropriations of $72,427 consist of funding of $2,500 from general funds, $48,098 from federal funds and $21,829 from special funds. The Agency has a continuing appropriation for operating expenses authorized by Section 4 of HB 1014. As of June 30, 2024, the Agency has disbursed $1,031 of the $2,500 general fund transfer included in the grants, benefits, and claims appropriations below.

This statement includes only those expenditures for which there are appropriations. A reconciliation to the expenses on the statement of revenues, expenses and changes in fund net position follows (in thousands).

| | 2023-2025 Appropriations Original | 2023-2025 Appropriations As Adjusted | 2023-2025 Expenditures | Unexpended Appropriations |
|---|---|---|---|---|
| Administrative Expenses: | | | | |
| Salaries, wages and benefits | $ 11,113 | $ 12,598 | $ 5,709 | $ 6,889 |
| Operating expenses | 10,904 | 10,904 | 3,395 | 7,509 |
| Capital assets | 20 | 20 | 8 | 12 |
| Grants, benefits and claims | 48,805 | 48,805 | 22,061 | 26,744 |
| Contingency | 100 | 100 | - | 100 |
| Total | $ 70,942 | $ 72,427 | $ 31,173 | $ 41,254 |

| | 2024 |
|---|---|
| Total expenditures | $ 31,173 |
| Less: Grants, benefits and claims | (22,061) |
| Administrative and operating expenses relating to | |
| Rental, Homeownership Bonds and Agency expenses | 2,909 |
| Amortization of service release premium | 1,658 |
| Depreciation | 33 |
| Interest expense on leased asset | (9) |
| Capital assets | (8) |
| Total administrative and operation expenses and depreciation | $ 13,695 |

See Notes to the Financial Statements

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principal Activity

The North Dakota Housing Finance Agency (Agency) was created in 1980 by an initiated measure. The Agency is authorized, among other things, to make mortgage and construction loans to housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; to purchase qualified mortgage loans from mortgage lenders; and to apply for and receive assistance and subsidies under programs of the federal government.

The Agency is authorized to issue bonds and notes in order to exercise its authorized powers. Bonds and notes issued by the Agency under the 1994 and 2009 General Resolutions are not a debt or liability of the State of North Dakota and the state is not liable for repayment of such obligations. Bonds under the 1994 and 2009 General Resolutions are general obligations of the Agency.

### Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) statements, the Agency should include all component units over which the Agency exercises such aspects as (1) appointing a voting majority of an organization’s governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Agency.

Based on the criteria as set forth by the GASB, no other organizations were determined to be part of the reporting entity. The North Dakota Housing Finance Agency is included as part of the primary government of the State of North Dakota’s reporting entity.

### Budgetary Process

The Agency operates through a biennial appropriation provided by the State Legislature. The Agency prepares a biennial budget which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The Governor has line item veto powers over all legislation subject to legislative override. Once passed and signed, the appropriation becomes the Agency's financial plan for the next two years. The Agency has a continuous appropriation of any additional income from federal or other funds which may become available to the Agency. Changes to the appropriation not falling under the continuing appropriation are subject to approval by the State Emergency Commission.

The State’s budgeting system does not include revenues and thus, a Statement of Revenues and Expenses – Budget and Actual cannot be prepared as required by generally accepted accounting principles. In its place, a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the accrual basis of accounting and includes only those expenses for which an appropriation has been established.

**Accounting Standards**

The Agency follows the pronouncements of the Governmental Accounting Standards Board, which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities.

**Fund Accounting**

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The funds account for the flow of resources of carrying on specific activities in accordance with laws, regulations, or debt restrictions.

The Agency's funds are:

*Agency Operating Funds*

These funds account for (1) activities related to the development and administration of Agency financial programs, (2) HUD Section 8 Housing Assistance Payment programs, (3) Agency owned assets and (4) any activities of the Agency not applicable to the other funds.

*Homeownership Bond Funds*

These funds account for the proceeds from the sale of Homeownership Bonds, the debt service requirements of the bond indebtedness, and mortgage loans and assets acquired with bond proceeds to finance single family home ownership.

**Basis of Accounting and Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. When both restricted and unrestricted net position are available for use, generally it is the Agency's policy to use restricted net position first, and then unrestricted net position as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Significant Group Concentrations of Credit Risk**

All of the Agency's mortgage loans are secured by houses located within the State of North Dakota.

**Cash and Cash Equivalents**

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Investments**

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenses, and changes in net position.

Funds held by trustees or the Agency under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the Agency. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The restricted bond accounts have their moneys invested in various debt securities such as mortgage-backed securities and investment contracts.

**Interfund Receivables and Payables**

Advances between funds during the year resulting in interfund receivables and payables have been eliminated from the financial statements.

**Mortgage Loans Receivable**

Mortgage loans receivable are recorded at amounts advanced less principal payments and, in the Homeownership Bond Fund, net of purchase discounts. Interest income on loans is accrued at the specific rate on the unpaid principal balance.

**Service Release Premium**

The Agency purchases the rights to service mortgage loans from the originating financial institutions. The payments to the originating financial institutions are recorded as a service release premium. The premium is amortized over eleven years which is the average life of the mortgage loans including prepayments and refinancing of the loans.

### Equipment

Equipment and furnishings are stated at cost, net of accumulated depreciation. Equipment and furnishings with a cost of $5,000 or more per unit are capitalized and reported in the accompanying financial statements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to five years.

### Funds Held in Trust

These amounts consist of escrow, buy-down and partial payments made by mortgagors on loans serviced by the Agency.

### Accumulated Unpaid Vacation and Sick Pay

Annual leave and sick leave are a part of permanent employees' compensation as set forth in Section 54-06-14 of the North Dakota Century Code. Annual leave is earned based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. In general, accrued annual leave cannot exceed 30 days at each year-end, as set by the Agency. Employees are paid for unused annual leave upon termination or retirement.

Sick leave is earned based on tenure at the rate of one to a maximum of one and one-half working days per month of employment. There are no limitations on the amount of sick leave that an employee can accumulate. Employees who have ten continuous years of service are paid one-tenth of their accumulated sick leave upon leaving service under chapter 54-52 of the North Dakota Century Code. A liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as required by the Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*.

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. 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.

**Other Post Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Financial Derivative Instrument**

North Dakota Housing Finance Agency enters into interest rate swap agreements to modify interest rates on outstanding debt.

**Operating and Non-Operating Revenues**

Operating revenues consist of sales of goods and services, interest earned and proceeds from lending activities, quasi-external operating transactions with other funds, grant revenue for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions and other miscellaneous revenue. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the Agency would not otherwise undertake. Investment income in the Homeownership Bond Fund is recorded as operating income as these revenues are generated from the Agency's operations needed to carry out its statutory purpose.

All other revenues that do not meet the above criteria are classified as non-operating.

**Leases**

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Agency has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the Agency is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Agency uses its incremental borrowing rate based on the information available at the lease commencement date. The Agency has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The Agency accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The Agency continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Agency is reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Agency's lease agreements do not include any material residual value guarantees or restrictive covenants.

**Fair Value of Financial Statements**

Fair value measurements are used to record fair value adjustments to certain assets, deferred outflows of resources, liabilities and deferred inflows of resources to determine fair value disclosures.

*Fair Value Hierarchy*

Assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

*Determination of Fair Value*

Fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Agency's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. The following is a description of the methodologies used for instruments measured at fair value.

<u>Securities</u>
Securities consist primarily of Federal agencies and mortgage backed securities. Securities are recorded at fair value on a recurring basis. Fair value is based upon quoted prices, if available. If quoted market prices are not available, fair values are measured using observable market prices from independent pricing models, or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded in an active market; examples would include U.S. Treasuries. Level 2 securities as defined above would include mortgage-backed securities and municipal bonds.

(In Thousands)

Interest Rate Swap Agreements
Fair values for interest rate swap agreements are based upon the settlement value adjusted by estimated nonperformance risk.

## NOTE 2 DEPOSITS

### Custodial Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

The bank balances of deposits of the Agency at June 30, 2024 and 2023 was $37,548 and $32,136, respectively, consisting of interest-bearing and noninterest-bearing operating cash deposited at the Bank of North Dakota.

The deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10. The carrying amounts of the deposits of the Agency at the Bank of North Dakota at June 30, 2024 and 2023 was $36,268 and $30,900, respectively.

The carrying amounts of the Agency's cash and cash equivalents as reported on the balance sheet at June 30, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Unrestricted | | |
| Cash and cash equivalents | | |
| Deposits at Bank of North Dakota | $ 16,129 | $ 12,085 |
| Deposits at Federal Home Loan Bank | 6 | 4 |
| Total cash and cash equivalents | $ 16,135 | $ 12,089 |
| Restricted | | |
| Cash and cash equivalents | | |
| Deposits at Bank of North Dakota | $ 20,139 | $ 18,815 |
| Deposits at Federal Home Loan Bank | 11 | 9 |
| Deposits at Wilmington Trust | 2,739 | 2,022 |
| Cash and cash equivalents held in trust | 241,159 | 187,385 |
| Fixed rate investment agreements reported as cash equivalents | 7,818 | 9,135 |
| Total cash and cash equivalents | $ 271,866 | $ 217,366 |

(In Thousands)

## NOTE 3 INVESTMENTS

The Agency does not have an investment policy that specifically addresses the risks below. However, the respective bond resolutions permit only investments that will not adversely affect the rating quality of the outstanding bonds. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. The following shows the investments by investment type, amount and the duration at June 30, 2024:

| | Total Market Value | Less than 1 Year | 1 - 5 Years | 5 - 10 Years | More Than 10 Years |
|---|---|---|---|---|---|
| Total Debt Securities | $ 53,837 | $ - | $ - | $ - | $ 53,837 |

The following shows the investments by investment type, amount and the duration at June 30, 2023:

| | Total Market Value | Less than 1 Year | 1 - 5 Years | 5 - 10 Years | More Than 10 Years |
|---|---|---|---|---|---|
| Total Debt Securities | $ 60,456 | $ - | $ - | $ - | $ 60,456 |

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fixed rate investment agreements and the U.S. Treasury Bonds are not rated.

As of June 30, 2024, the Agency owned $6,235 and the 1994 General Resolution Bond Issues owned $47,602 of the $53,837 Mortgage Backed Securities. The $47,602 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately $7,171, (all of which are MBS owned by the Agency), at June 30, 2024 were pledged as requested by rating agencies in conjunction with the 1994 and 2009 General Resolutions and as collateral on bank loans.

As of June 30, 2023, the Agency owned $7,034 and the 1994 General Resolution Bond Issues owned $53,422 of the $60,456 Mortgage Backed Securities. The $53,422 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately $7,889, (all of which are MBS owned by the Agency), at June 30, 2023 were pledged as requested by rating agencies in conjunction with the 1994 and 2009 General Resolutions and as collateral on bank loans.

(In Thousands)

## NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below presents the balances of assets, deferred outflows of resources and deferred inflows of resources measured at fair value on a recurring basis at June 30, 2024.

| | Total | Quoted Prices in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
|---|---|---|---|---|
| ASSETS | | | | |
| Mortgage-backed securities | | | | |
| Agency | $ 53,837 | $ - | $ 53,837 | $ - |
| Total | $ 53,837 | $ - | $ 53,837 | $ - |
| Interest rate swap | $ 20,762 | $ - | $ 20,762 | $ - |

The table below presents the balances of assets, deferred outflows of resources and deferred inflows of resources measured at fair value on a recurring basis at June 30, 2023.

| | Total | Quoted Prices in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
|---|---|---|---|---|
| ASSETS | | | | |
| Mortgage-backed securities | | | | |
| Agency | $ 60,456 | $ - | $ 60,456 | $ - |
| Total | $ 60,456 | $ - | $ 60,456 | $ - |
| Interest rate swap | $ 15,936 | $ - | $ 15,936 | $ - |

(In Thousands)

## NOTE 5 LOANS RECEIVABLE

Loans receivable at June 30, 2024 and 2023 consist of the following:

| | 2024 | 2023 |
|---|---|---|
| Restricted: | | |
| Agency operating funds | $ 231 | $ 347 |
| Less: current portion | 27 | 33 |
| Total loan receivable, net of current portion | $ 204 | $ 314 |
| Restricted: | | |
| Homeownership bond funds | $ 1,892,277 | $ 1,575,775 |
| Less: current portion | 40,793 | 35,694 |
| Total loan receivable, net of current portion | $ 1,851,484 | $ 1,540,081 |

Mortgage loans are secured by first liens on real property.

Agency and Homeownership mortgage loans are insured by a private primary mortgage insurer, the Federal Housing Administration or guaranteed by the Veterans Administration, USDA-RD, or uninsured with a loan to value of 80% or less.

Interest rates on Agency and Homeownership mortgage loans vary from 0.00% to 9.13% for the year ended June 30, 2024 and 2023 with maturities of such loans ranging from less than one year to 40 years.

Included in Homeownership and Agency mortgage loans are loans totaling $644 which have been foreclosed on and are owned by the Agency (REO), $252 in real estate loans in judgment (REJ), and 53 loans totaling $8,177 that were in the foreclosure process at June 30, 2024. At June 30, 2023, Homeownership and Agency mortgage loans included loans totaling $916 which have been foreclosed on and are owned by the Agency (REO), $272 in real estate loans in judgement (REJ), and 48 loans totaling $6,142 that were in the foreclosure process. Since such loans are at least partially insured or guaranteed by outside parties, it is anticipated that the Agency will recover substantially all of the unpaid principal and interest on the loans through insurance payments or sale of foreclosed property.

At June 30, 2024, the Agency has $1,359 of HOME ARP loans and $18,257 of HOME loans recorded which are not expected to be collected and an allowance has been recorded for full loan balance. At June 30, 2023, the Agency has $4,695 of NSP loans and $14,687 of HOME loans recorded which are not expected to be collected and an allowance has been recorded for full loan balance.

(In Thousands)

## NOTE 6 INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The Agency operates various Department of Housing and Urban Development (HUD) Section 8 rent subsidy programs. Under these programs the Agency draws down, in advance, sufficient funds to cover estimated rent subsidies. An estimate of rents is used because occupancy of rental units is not known until rent payments become due. The use of rent estimates results in over-and-under drawdowns of HUD funds. These amounts cannot be offset and are shown at year-end as intergovernmental receivables and payables as follows:

| | 2024 | 2023 |
|---|---|---|
| Due from HUD | $ 438 | $ 844 |
| Due to HUD | $ 13 | $ 30 |

## NOTE 7 EQUIPMENT

A summary of changes in equipment and accumulated depreciation is as follows:

| | Equipment | Accumulated Depreciation | Net Equipment |
|---|---|---|---|
| Balance July 1, 2022 | $ 343 | $ 210 | $ 133 |
| Additions | 19 | 31 | |
| Deletions | - | - | |
| Balance July 1, 2023 | $ 362 | $ 241 | $ 121 |
| Additions | 8 | 33 | |
| Deletions | (6) | (6) | |
| Balance June 30, 2024 | $ 364 | $ 268 | $ 96 |

(In Thousands)

## NOTE 8 OTHER RECEIVABLES

A detail of other receivables as of June 30, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Unrestricted: | | |
| Receivable from servicer | $ - | $ 189 |
| Receivable from developers | 663 | 514 |
| Accounts receivable | 953 | 919 |
| | $ 1,616 | $ 1,622 |

## NOTE 9 OTHER LIABILITIES

A detail of other liabilities as of June 30, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Remarketing fees | $ 39 | $ 39 |
| Commitment fees | 87 | 86 |
| Lease payable | 224 | 442 |
| Accounts payable | 1,667 | 2,273 |
| | $ 2,017 | $ 2,840 |

(In Thousands)

## NOTE 10 RELATED PARTY TRANSACTIONS

The Agency had the following transactions with related parties as of June 30, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents - unrestricted | | |
| Bank of North Dakota | $ 16,129 | $ 12,085 |
| Cash and cash equivalents - restricted | | |
| Bank of North Dakota | $ 20,139 | $ 18,815 |
| Due from state agencies | | |
| Housing Incentive Fund | $ 77 | $ - |
| Office of Management and Budget | 254 | - |
| | $ 331 | $ - |
| Due to state agencies | | |
| Information Technology Department | $ 10 | $ 9 |
| Attorney General | 4 | 3 |
| Department of Transportation | 1 | 1 |
| Office of Management and Budget | 504 | 420 |
| | $ 519 | $ 433 |
| Transfers out | | |
| Industrial Commission | $ 100 | $ 8 |
| Administrative and operating expenses | | |
| Information Technology Department | | |
| Telephone and data processing | $ 23 | $ 21 |
| Data processing | 104 | 95 |
| Attorney General | | |
| Legal fees | 18 | 18 |
| Office of Management and Budget | | |
| Supplies and conferences | 2 | 2 |
| Printing | 27 | 26 |
| Indirect cost allocation | 15 | 26 |
| Payroll and benefits | 5,698 | 4,944 |
| Department of Transportation | | |
| Slate fleet rental | 6 | 10 |
| Department of Insurance | | |
| State fire and tornado fund premium | 1 | 1 |
| Human Resource Management Services | | |
| Training sessions | 1 | 1 |
| Rough Rider Industries | | |
| Supplies | - | 1 |
| ND Suplus Property | | |
| Laptops | 2 | - |
| Risk Management | | |
| RM fund contribution | 2 | 2 |
| WC premiums | 2 | 4 |
| | $ 5,901 | $ 5,151 |

(In Thousands)

## NOTE 11 LEASES

The Agency leases office space in Bismarck, North Dakota. The original term of the lease is for a period of 24 months, commencing on July 1, 2021 and terminating June 30, 2023 with an annual rent payment of $213,280. The Agency renewed the lease under the same terms and conditions for a period of 24 month terminating on June 30, 2025. The annual rent increased to $227,040 upon renewal.

Following is the total lease expense for the years ended June 30, 2024 and 2023.

| **Lease Expense** | Year Ending 6/30/24 | Year Ending 6/30/23 |
|---|---|---|
| Amortization expense by class of underlying asset | | |
| Building | $ 213 | $ 207 |
| Total amortization expense | 213 | 207 |
| Interest on lease liabilities | 9 | 15 |
| Variable lease expense | - | - |
| **Total** | $ 222 | $ 222 |

Following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2024.

| Lease Asset: | Beginning of Year | Additions | Modifi-cations & Remeasure-ments | Subtractions | End of Year | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| Building | $ 832 | $ - | $ - | $ - | $ 832 | |
| Less: Accumulated Amortization | | | | | | |
| Building | (399) | (213) | - | - | (612) | |
| Total Lease Assets, net | $ 433 | $ (213) | $ - | $ - | $ 220 | |
| Lease Liabilities | $ 442 | $ - | $ - | $ (218) | $ 224 | $ 224 |

(In Thousands)

Following is a schedule of activity in leased assets and leased liability for the year ended June 30, 2023:

| Lease Asset: | Beginning of Year | Additions | Modifi-cations & Remeasure-ments | Subtractions | End of Year | Amounts Due Within One Year |
|---|---|---|---|---|---|---|
| Building | $ 832 | $ - | $ - | $ - | $ 832 | |
| Less: Accumulated Amortization | | | | | | |
| Building | (208) | (191) | - | - | (399) | |
| Total Lease Assets, net | $ 624 | $ (191) | $ - | $ - | $ 433 | |
| Lease Liabilities | $ 640 | $ - | $ - | $ (198) | $ 442 | $ 217 |

Following is a schedule by years of future minimum rental payments required under the lease:

| Year Ending June 30, | Principal | Interest | Total Payments |
|---|---|---|---|
| 2025 | $ 224 | $ 3 | $ 227 |

## NOTE 12 LONG-TERM LIABILITIES

### Change in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2024 is as follows:

| | Balance 7/1/23 | Additions | Reductions | Balance 6/30/24 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Homeownership bond funds, par | $ 1,573,540 | $ 464,000 | $ 121,840 | $ 1,915,700 | $ 59,020 |
| Multi-family revenue bonds | 5,000 | - | 5,000 | - | - |
| Premium on bond funds | 21,837 | 8,106 | 7,375 | 22,568 | 6,647 |
| Compensated absences | 376 | 299 | 295 | 380 | 380 |
| | $ 1,600,753 | $ 472,405 | $ 134,510 | $ 1,938,648 | $ 66,047 |

(In Thousands)

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

| | Balance 7/1/22 | Additions | Reductions | Balance 6/30/23 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Homeownership bond funds, par | $ 1,457,080 | $ 240,000 | $ 123,540 | $ 1,573,540 | $ 53,770 |
| Multi-family revenue bonds | - | 5,000 | - | 5,000 | 5,000 |
| Premium on bond funds | 22,527 | 6,303 | 6,993 | 21,837 | 6,363 |
| Compensated absences | 378 | 271 | 273 | 376 | 376 |
| | $ 1,479,985 | $ 251,574 | $ 130,806 | $ 1,600,753 | $ 65,509 |

**Bonds Payable**

The bonds of the various Agency funds have been issued to provide financing to purchase mortgage loans and to finance rental housing projects. The bonds are direct obligations of the Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution.

**Maturities of Bonds Payable**

Maturities of principal and interest on all bonds are as follows:

| Years Ending June 30, | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 2025 | $ 59,020 | $ 68,406 | $ 127,426 |
| 2026 | 60,015 | 69,290 | 129,305 |
| 2027 | 63,705 | 67,888 | 131,593 |
| 2028 | 56,840 | 66,353 | 123,193 |
| 2029 | 53,425 | 64,926 | 118,351 |
| 2030 - 2034 | 268,505 | 301,990 | 570,495 |
| 2035 - 2039 | 321,040 | 256,199 | 577,239 |
| 2040 - 2044 | 338,105 | 196,066 | 534,171 |
| 2045 - 2049 | 402,910 | 122,456 | 525,366 |
| 2050 - 2054 | 286,755 | 38,323 | 325,078 |
| 2055 - 2059 | 5,380 | 163 | 5,543 |
| Premiums | 22,568 | (22,568) | - |
| | $ 1,938,268 | $ 1,229,492 | $ 3,167,760 |

(In Thousands)

**Schedules of Bonds Payable**

The following summarizes the Agency's bonds payable outstanding at June 30, 2024 and 2023. The term bonds of all bond series have mandatory sinking fund requirements. All of the bonds payable relate to the Agency's Homeownership Bond Fund.

| | Interest Rate | 2024 | 2023 |
|---|---|---|---|
| Series 2008 B | | | |
| Term Bond 7/1/38 | Variable | $ 12,735 | $ 12,735 |
| | | | |
| Series 2015A | | | |
| Serial Bonds 7/1/23 - 7/1/24 | 2.65 - 2.90 | 1,235 | 2,605 |
| Term Bond 1/1/38 (Premium) | 4.00 | 915 | 1,440 |
| Premium (Discount) | | - | 6 |
| | | | |
| Series 2015BC | | | |
| Term Bond 1/1/36 (Premium) | 4.00 | 810 | 3,025 |
| Term Bond 1/1/46 | Variable | 14,240 | 15,040 |
| Premium (Discount) | | - | 23 |
| | | | |
| Series 2015DE | | | |
| Term Bond 7/1/46 (Premium) | 4.00 | 2,215 | 4,830 |
| Term Bond 7/1/36 | Variable | 16,930 | 17,230 |
| Premium (Discount) | | 8 | 54 |
| | | | |
| Series 2015F | | | |
| Term Bond 1/1/47 | Variable | 25,000 | 25,000 |
| | | | |
| Series 2016AB | | | |
| Serial Bonds 7/1/22 - 1/1/27 | 1.80 - 2.55 | 16,495 | 21,765 |
| Term Bond 7/1/31 | 2.95 | 5,010 | 5,010 |
| Term Bond 1/1/35 | 3.20 | 3,280 | 3,280 |
| Term Bond 1/1/47 (Premium) | 4.00 | 9,850 | 13,455 |
| Premium (Discount) | | 133 | 315 |
| | | | |
| Series 2016CDE | | | |
| Serial Bonds 1/1/23 - 7/1/25 | 1.80 - 2.15 | 4,045 | 6,850 |
| Serial Bonds 7/1/25 - 7/1/28 | 2.15 - 2.60 | 13,750 | 13,750 |
| Term Bond 7/1/32 | 2.85 | 3,850 | 3,850 |
| Term Bond 1/1/36 | 3.15 | 3,365 | 3,365 |
| Term Bond 7/1/46 (Premium) | 3.50 | 13,605 | 16,810 |
| Premium (Discount) | | 224 | 436 |

(In Thousands)

| | Interest Rate | 2024 | 2023 |
|---|---|---|---|
| Series 2017A | | | |
| Serial Bonds 1/1/23 - 7/1/27 | 2.20 - 2.95 | $ 10,080 | $ 13,395 |
| Term Bond 7/1/47 (Premium) | 4.00 | 7,155 | 9,545 |
| Premium (Discount) | | 91 | 206 |
| | | | |
| Series 2017BC | | | |
| Term Bond 1/1/47 | Variable | 13,940 | 13,940 |
| | | | |
| Series 2017DE | | | |
| Serial Bonds 7/1/22 - 1/1/28 | 1.50 - 2.65 | 9,175 | 11,290 |
| Term Bonds 7/1/32 | 3.15 | 5,985 | 5,985 |
| Term Bonds 7/1/37 | 3.45 | 4,695 | 4,695 |
| Term Bonds 7/1/40 | 3.55 | 2,400 | 2,400 |
| Term Bonds 7/1/47 (Premium) | 4.00 | 9,135 | 12,440 |
| Premium (Discount) | | 201 | 396 |
| | | | |
| Series 2017FGH | | | |
| Serial Bonds 1/1/23 - 1/1/25 | 2.25 - 2.55 | 495 | 3,785 |
| Term Bonds 7/1/48 (Premium) | 4.00 | 10,460 | 14,535 |
| Term Bond 7/1/39 | Variable | 28,250 | 28,250 |
| Premium (Discount) | | 188 | 356 |
| | | | |
| Series 2018A | | | |
| Serial Bonds 7/1/22 - 7/1/29 | 2.35 - 3.20 | 11,260 | 13,595 |
| Term Bonds 7/1/33 | 3.55 | 5,160 | 5,160 |
| Term Bonds 7/1/38 | 3.75 | 5,320 | 5,320 |
| Term Bonds 1/1/42 | 3.85 | 4,360 | 4,360 |
| Term Bonds 7/1/49 (Premium) | 4.00 | 13,450 | 16,500 |
| Premium (Discount) | | 197 | 356 |
| | | | |
| Series 2018BC | | | |
| Serial Bonds 7/1/22 - 1/1/25 | 3.25 - 3.55 | 1,120 | 2,980 |
| Term Bond 1/1/49 | Variable | 9,355 | 9,355 |
| | | | |
| Series 2018D | | | |
| Serial Bonds 7/1/22 - 7/1/29 | 2.15 - 3.25 | 16,780 | 19,575 |
| Term Bond 7/1/33 | 3.55 | 4,130 | 4,130 |
| Term Bond 7/1/38 | 3.85 | 3,875 | 3,875 |
| Term Bond 7/1/42 | 3.95 | 3,560 | 3,560 |
| Term Bond 1/1/49 (premium) | 4.25 | 19,310 | 22,140 |
| Premium (discount) | | 339 | 596 |
| | | | |
| Series 2019AB | | | |
| Serial Bonds 1/1/23 - 1/1/28 | 2.20 - 2.85 | 6,810 | 8,620 |
| Term Bonds 7/1/42 | Variable | 25,000 | 25,000 |
| Term Bond 7/1/49 (premium) | 4.25 | 12,735 | 16,720 |
| Premium (discount) | | 301 | 501 |

(In Thousands)

| | Interest Rate | 2024 | 2023 |
|---|---|---|---|
| Series 2019C | | | |
| Serial Bonds 7/1/22 - 1/1/30 | 1.80 - 2.55 | $ 19,190 | $ 22,140 |
| Term Bonds 7/1/32 | 2.80 | 6,730 | 6,730 |
| Term Bonds 7/1/34 | 3.00 | 7,215 | 7,215 |
| Term Bonds 7/1/39 | 3.20 | 12,650 | 12,650 |
| Term Bonds 7/1/42 | 3.35 | 8,155 | 8,155 |
| Term Bonds 1/1/50 (premium) | 4.00 | 29,770 | 35,775 |
| Premium (discount) | | 1,407 | 1,917 |
| Series 2019DE | | | |
| Serial Bonds 7/1/22 - 7/1/29 | 2.65 - 3.45 | 3,080 | 3,575 |
| Term Bonds 7/1/33 | 3.70 | 2,705 | 2,705 |
| Term Bonds 7/1/39 | 4.00 | 3,050 | 3,050 |
| Term Bonds 1/1/50 | Variable | 12,265 | 12,265 |
| Series 2019F | | | |
| Serial Bonds 7/1/22 - 7/1/32 | 1.40 - 2.50 | 17,750 | 19,630 |
| Term Bonds 7/1/34 | 2.70 | 4,085 | 4,085 |
| Term Bonds 7/1/39 | 2.95 | 9,540 | 9,540 |
| Term Bonds 7/1/43 | 3.05 | 7,750 | 8,065 |
| Term Bonds 7/1/50 (premium) | 3.75 | 14,875 | 18,920 |
| Premium (discount) | | 530 | 821 |
| Series 2020A | | | |
| Serial Bonds 1/1/23 - 7/1/32 | 1.45 - 2.45 | 22,445 | 24,845 |
| Term Bonds 7/1/35 | 2.70 | 9,080 | 9,080 |
| Term Bonds 7/1/40 | 3.00 | 16,170 | 16,170 |
| Term Bonds 1/1/44 | 3.05 | 9,825 | 10,735 |
| Term Bonds 1/1/51 (premium) | 4.00 | 20,705 | 25,850 |
| Premium (discount) | | 833 | 1,221 |
| Series 2020B | | | |
| Serial Bonds 7/1/22 - 7/1/32 | 0.375 - 2.05 | 27,880 | 30,915 |
| Term Bonds 7/1/35 | 2.10 | 11,205 | 11,205 |
| Term Bonds 7/1/40 | 2.35 | 19,285 | 19,285 |
| Term Bonds 7/1/44 | 2.50 | 15,490 | 15,490 |
| Term Bonds 7/1/51 (premium) | 3.00 | 29,875 | 35,330 |
| Premium (discount) | | 1,360 | 1,961 |
| Series 2021A | | | |
| Serial Bonds 7/1/22 - 7/1/32 | 0.20 - 1.95 | 27,120 | 30,125 |
| Serial Bonds 1/1/33 - 7/1/33 (premium) | 2.00 | 3,490 | 3,490 |
| Term Bonds 7/1/36 | 2.05 | 10,980 | 10,980 |
| Term Bonds 7/1/41 | 2.25 | 20,280 | 20,280 |
| Term Bonds 7/1/44 | 2.35 | 13,310 | 13,310 |
| Term Bonds 1/1/52 (premium) | 3.00 | 31,885 | 36,170 |
| Premium (discount) | | 1,621 | 2,266 |

(In Thousands)

| | Interest Rate | 2024 | 2023 |
|---|---|---|---|
| Series 2021 BC | | | |
| Serial Bonds 7/1/22 - 1/1/27 | 0.25 - 1.40 | $ 9,865 | $ 13,560 |
| Serial Bonds 1/1/27 - 7/1/33 | 1.10 - 2.20 | 28,460 | 28,460 |
| Term Bond 7/1/36 | 2.30 | 13,430 | 13,430 |
| Term Bonds 7/1/41 | 2.45 | 23,925 | 23,925 |
| Term Bonds 1/1/43 | 2.60 | 5,885 | 5,885 |
| Term Bonds 1/1/52 (premium) | 3.00 | 46,865 | 51,130 |
| Premium (discount) | | 2,436 | 3,154 |
| | | | |
| Series 2022A | | | |
| Serial Bonds 1/1/23 - 7/1/34 | 1.55 - 3.40 | 32,375 | 35,075 |
| Term Bonds 7/1/37 | 3.45 | 11,215 | 11,215 |
| Term Bonds 7/1/42 | 3.65 | 21,380 | 21,380 |
| Term Bonds 1/1/46 | 3.70 | 16,115 | 16,115 |
| Term Bonds 1/1/53 (premium) | 4.00 | 38,135 | 40,475 |
| Premium (discount) | | 1,209 | 1,610 |
| | | | |
| Series 2022BC | | | |
| Serial Bonds 1/1/23 - 7/1/29 | 2.39 - 3.60 | 25,260 | 28,940 |
| Term Bonds 1/1/50 | Variable | 30,000 | 30,000 |
| | | | |
| Series 2022DE | | | |
| Serial Bonds 7/1/23 - 7/1/33 | 2.86 - 4.70 | 14,265 | 15,485 |
| Term Bonds 7/1/37 | 4.92 | 8,105 | 8,105 |
| Term Bonds 7/1/42 | 5.05 | 12,765 | 12,765 |
| Term Bonds 1/1/47 | 5.15 | 13,645 | 13,645 |
| Term Bonds 1/1/53 | Variable | 25,000 | 25,000 |
| | | | |
| Series 2022F | | | |
| Serial Bonds 7/1/23 - 7/1/34 | 1.55 - 3.85 | 16,125 | 17,455 |
| Term Bonds 7/1/37 | 3.95 | 6,135 | 6,135 |
| Term Bonds 7/1/42 | 4.10 | 12,425 | 12,425 |
| Term Bonds 1/1/47 | 4.25 | 14,150 | 14,150 |
| Term Bonds 1/1/53 (Premium) | 5.00 | 23,790 | 24,835 |
| Premium (Discount) | | 1,223 | 1,603 |
| | | | |
| Series 2023A | | | |
| Serial Bonds 1/1/24 - 7/1/35 | 2.65 - 4.15 | 28,795 | 29,720 |
| Term Bonds 7/1/38 | 4.45 | 10,380 | 10,380 |
| Term Bonds 7/1/43 | 4.60 | 21,280 | 21,280 |
| Term Bonds 7/1/47 | 4.70 | 20,990 | 20,990 |
| Term Bonds 7/1/53 (Premium) | 5.75 | 42,280 | 42,630 |
| Premium (Discount) | | 2,846 | 3,623 |
| | | | |
| Series 2023BC | | | |
| Serial Bonds 1/1/24 - 7/1/34 | 4.260 - 5.359 | 7,865 | 8,140 |
| Term Bonds 7/1/2039 | 5.45 | 5,135 | 5,135 |
| Term Bonds 7/1/2047 | Variable | 13,330 | 13,330 |
| Term Bonds 7/1/2053 (Premium) | 6.00 | 13,170 | 13,395 |
| Premium (Discount) | | 327 | 416 |
| | | | |
| 2022 Multifamily Revenue Bonds 9/1/25 | 2.45 | - | 5,000 |

(In Thousands)

| | Interest Rate | 2024 | 2023 |
|---|---|---|---|
| Series 2023D | | | |
| Serial Bonds 7/1/24 - 7/1/35 | 3.250 - 4.000 | $ 27,900 | $ - |
| Term Bonds 7/1/38 | 4.2 | 10,005 | - |
| Term Bonds 7/1/43 | 4.5 | 20,620 | - |
| Term Bonds 7/1/48 | 4.55 | 25,175 | - |
| Term Bonds 1/1/54 (Premium) | 5.75 | 41,300 | - |
| Premium (Discount) | | 2,713 | - |
| Series 2023E | | | |
| Serial Bonds 7/1/24 - 7/1/33 | 5.266-5.371 | 12,240 | - |
| Term Bonds 7/1/38 | 5.421 | 9,535 | - |
| Term Bonds 7/1/43 | 5.537 | 12,800 | - |
| Term Bonds 7/1/48 | 5.587 | 16,175 | - |
| Term Bonds 1/1/54 (Premium) | 6.25 | 24,250 | - |
| Premium (Discount) | | 676 | - |
| Series 2023F | | | |
| Serial Bonds 1/1/25 - 7/1/35 | 3.600 - 4.400 | 15,475 | - |
| Term Bonds 7/1/38 | 4.65 | 5,915 | - |
| Term Bonds 7/1/43 | 4.9 | 12,300 | - |
| Term Bonds 7/1/48 | 5.1 | 16,310 | - |
| Term Bonds 1/1/50 | 5.125 | 5,650 | - |
| Term Bonds 1/1/54 (Premium) | 6.25 | 19,350 | - |
| Premium (Discount) | | 1,231 | - |
| Series 2024A | | | |
| Serial Bonds 1/1/25 - 7/1/36 | 3.100 -3.950 | 35,545 | - |
| Term Bonds 7/1/39 | 4.05 | 12,280 | - |
| Term Bonds 7/1/44 | 4.55 | 25,040 | - |
| Term Bonds 7/1/49 | 4.7 | 32,595 | - |
| Term Bonds 1/1/52 | 4.75 | 17,990 | - |
| Term Bonds 7/1/54 (Premium) | 6 | 25,550 | - |
| Premium (Discount) | | 2,267 | - |
| Series 2024B | | | |
| Term Bonds 7/1/34 | 5.25 | 6,325 | - |
| Term Bonds 7/1/39 | 5.543 | 5,010 | - |
| Term Bonds 7/1/44 | 5.781 | 6,785 | - |
| Term Bonds 7/1/49 | 5.861 | 9,285 | - |
| Term Bonds 1/1/52 | 5.931 | 5,545 | - |
| Term Bonds 7/1/54 (Premium) | 6.25 | 7,050 | - |
| Premium (Discount) | | 207 | - |
| | | $ 1,938,268 | $ 1,600,377 |

The Agency is allowed to earn a mortgage yield of 1.125% more than the yield on the corresponding tax-exempt bonds. The Agency monitors the yield related to the bonds and mortgages to ensure the Agency is in compliance with the yield requirements.

### Revenues Pledged

The Agency has homeownership bonds outstanding in the amount of $1,938,268 maturing at various times from July 1, 2024 through July 1, 2054. The bonds have been issued to provide financing to purchase mortgage loans. Annual principal and interest payments on the bonds are expected to require 98 percent of net revenues. Principal and interest paid net of premium amortization for the current year were $121,840 and $45,856, respectively for the year ended June 30, 2024. Principal and interest paid net of premium amortization for the year were $123,540 and $33,300, respectively for the year ended June 30, 2023.

Pursuant to the Series Resolutions adopted to date under the 1994 and 2009 General Resolutions, the revenues generated by the program loans (but not the program loans themselves) are pledged to secure the Bonds. The Agency is permitted by terms of the General Resolutions to issue bonds and to pledge revenues pursuant to the Series Resolution which exceed the amount required to meet the obligations of that series of bonds. In such event, it is likely that any such series of bonds would produce excess revenues which could be available to redeem the related series of bonds or any other series of bonds prior to the stated maturities thereof.

## NOTE 13 FINANCIAL DERIVATIVE INSTRUMENT

### Objective of the Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance[2], the agency entered into several cash flow hedges or swaps in connection with various variable-rate housing bond series[1]. All Agency cash flow hedges are pay-fixed. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate[6]. The Agency also has cash flow hedges that were entered into in connection with variable-rate housing bond series that no longer have bonds outstanding as those bonds have been called. The cash flow hedges that are not connected to a specific bond series hedge the risk related to the Agency's other variable-rate housing bonds that are un-hedged.

### Terms

The bonds and the related swap agreements have a stated issuance[2] and maturity date[3]. Some of the swaps have optional termination dates[15]. Under the swaps, the Agency pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) or the Secured Overnight Financing Rate (SOFR)[7] plus a fixed percentage[8] on the swap notional amount[4]. On the other hand, the bond's variable-rate[9] coupons are determined by the remarketing agent. If for any reason the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA (Bond Market Association) Index plus 0.25% or (ii) the Maximum Rate as defined within the applicable series resolution. The net change in fair value of the individual swaps is presented in the terms table below[14].

**Credit Risk**

As of June 30, 2024, the Agency had 11 swaps with a positive fair value totaling $20,762. As of June 30, 2023, the Agency had 11 swaps with a positive fair value totaling $15,936. Of the swaps with negative fair value, the agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR/SOFR and TBMA converge, changing the synthetic rate on the bonds. The swap counterparty has guaranteed all payments and is rated AAa/AA+/AAA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into Credit Support Agreements with the Royal Bank of Canada and Wells Fargo as a credit enhancement.

The Agency has entered into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparties. Under the terms of these arrangements netting provisions permit each party to net the transactions' fair values so that a single sum will be owed by, or owed to, the other party. At June 30, 2024 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of $5,962 and the swap providers owed the Agency a variable rate on the notional amounts of $9,927 making the net payment the Agency is owed from the swap providers $3,965. At June 30, 2023 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of $5,994 and the swap providers owed the Agency a variable rate on the notional amounts of $9,499 making the net payments the Agency owes the swap providers $3,505.

**Fair Value**

Due to the difference in the variable rate indices, the swaps had a net positive fair value[10] of $20,762 and $15,936 at June 30, 2024 and 2023, respectively. Accordingly, the financial derivative instrument is reported as a liability and the accumulated changes in fair value of the swaps were reported as a deferred inflow at June 30, 2024 and 2023. The coupon on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

**Basis Risk**

The swap exposes the Agency to basis risk should the relationship between LIBOR/SOFR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate[6] and the synthetic rate[12] as of June 30, 2024 and 2023. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

**Termination Risk**

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination event.” That is, the swap may be terminated if counterparty’s credit quality rating falls below “A3” as issued by Moody’s Investors Service or “A-“ as issued by Fitch Ratings or Standard & Poor’s. The swap may be terminated at any time by the agency or the counterparty with 30 days written notice up to limits specified in the swap agreement. If the swap or swaps were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for payment equal to the swap’s fair value, but in the event the fair value is positive, the counterparty would be liable to the Agency.

**Rollover Risk**

The Agency is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Agency will be re-exposed to the risks being hedged by the hedging derivative instrument. The Agency also is exposed to rollover risk on the swaps that mature and the Agency does not call the related variable rate debt.

(In Thousands)

The terms of the interest rate swaps at June 30, 2024 are as follows:

| | | | | | |
|---|---|---|---|---|---|
| 1 | Bond Series | 2015 C | 2015 E | 2015 F | 2017C |
| 2 | Issuance Date | 6/23/2015 | 5/1/2016 | 12/8/2015 | 5/10/2017 |
| 3 | Maturity Date | 1/1/2046 | 7/1/2036 | 1/1/2047 | 7/1/2047 |
| 4 | Notional Amount | 11,745 | 18,840 | 12,830 | 20,545 |
| 5 | Variable-rate Bonds | 11,745 | 18,840 | 12,830 | 20,545 |
| 6 | Fixed Rate | 2.486% | 2.257% | 2.320% | 2.783% |
| 7 | LIBOR Percentage | 66.20% | 66.40% | 100.00% | 100.00% |
| 8 | Additional Percentage | 0.10% | 0.22% | 0.00% | 0.00% |
| 9 | Bonds Variable-rate | 0.91000% | 0.91000% | 1.65000% | 2.73904% |
| 10 | Fair Value | 896 | 1,082 | 1,626 | 2,226 |
| 11 | Percentage of LIBOR | 3.70703% | 3.83792% | 5.44868% | 5.44868% |
| 12 | Synthetic Rate | -0.31103% | -0.67092% | -1.47868% | 0.07286% |
| 13 | Actual Synthetic Rate | 3.00534% | 1.87677% | 2.28415% | 2.73484% |
| 14 | Change in Fair Value | 194 | 64 | 46 | 233 |
| 15 | Optional Termination Date | N/A | N/A | 1/1/2025 | 7/1/2027 |

| | | | | | |
|---|---|---|---|---|---|
| 1 | Bond Series | 2017H | 2018C | 2019B | 2019E |
| 2 | Issuance Date | 12/21/2017 | 6/14/2018 | 2/13/2019 | 6/25/2019 |
| 3 | Maturity Date | 7/1/2039 | 1/1/2049 | 1/1/2043 | 1/1/2050 |
| 4 | Notional Amount | 28,250 | 9,355 | 25,000 | 12,265 |
| 5 | Variable-rate Bonds | 28,250 | 9,355 | 25,000 | 12,265 |
| 6 | Fixed Rate | 2.266% | 3.515% | 2.693% | 3.171% |
| 7 | LIBOR Percentage | 66.40% | 100.00% | 70.00% | 100.00% |
| 8 | Additional Percentage | 0.09% | 0.00% | 0.00% | 0.00% |
| 9 | Bonds Variable-rate | 0.90000% | 1.60000% | 1.11000% | 1.60000% |
| 10 | Fair Value | 2,153 | 832 | 1,636 | 2,236 |
| 11 | Percentage of LIBOR | 3.70792% | 5.44868% | 3.81408% | 5.44868% |
| 12 | Synthetic Rate | -0.54192% | -0.33368% | -0.01158% | -0.67768% |
| 13 | Actual Synthetic Rate | 2.17791% | 3.47119% | 2.95053% | 3.14039% |
| 14 | Change in Fair Value | 324 | 210 | 362 | 571 |
| 15 | Optional Termination Date | N/A | 7/1/2027 | N/A | 7/1/2028 |

| | | | | |
|---|---|---|---|---|
| 1 | Bond Series | 2022C | 2022E | 2023C |
| 2 | Issuance Date | 4/28/2022 | 6/14/2022 | 2/16/2023 |
| 3 | Maturity Date | 7/1/2052 | 1/1/2053 | 7/1/2047 |
| 4 | Notional Amount | 30,000 | 25,000 | 13,330 |
| 5 | Variable-rate Bonds | 30,000 | 25,000 | 13,330 |
| 6 | Fixed Rate | 2.644% | 3.808% | 4.493% |
| 7 | LIBOR Percentage | 100.00% | 100.00% | 100.00% |
| 8 | Additional Percentage | 0.05% | 0.05% | 0.15% |
| 9 | Bonds Variable-rate | 1.60000% | 1.60000% | 1.60000% |
| 10 | Fair Value | 4,328 | 3,016 | 731 |
| 11 | Percentage of LIBOR | 5.49868% | 5.49868% | 5.59868% |
| 12 | Synthetic Rate | -1.25468% | -0.09068% | 0.49432% |
| 13 | Actual Synthetic Rate | 2.56684% | 3.72103% | 4.26228% |
| 14 | Change in Fair Value | 816 | 1,439 | 567 |
| 15 | Optional Termination Date | 1/1/2032 | 1/1/2032 | 7/1/2028 |

(In Thousands)

The terms of the interest rate swaps at June 30, 2023 are as follows:

| 1 | Bond Series | 2015 C | 2015 E | 2015 F | 2017C |
|---|---|---|---|---|---|
| 2 | Issuance Date | 6/23/2015 | 5/1/2016 | 12/8/2015 | 5/10/2017 |
| 3 | Maturity Date | 1/1/2046 | 7/1/2036 | 1/1/2047 | 7/1/2047 |
| 4 | Notional Amount | 11,745 | 18,840 | 14,235 | 20,545 |
| 5 | Variable-rate Bonds | 11,745 | 18,840 | 14,235 | 20,454 |
| 6 | Fixed Rate | 2.486% | 2.257% | 2.320% | 2.783% |
| 7 | LIBOR Percentage | 66.20% | 66.40% | 100.00% | 100.00% |
| 8 | Additional Percentage | 0.10% | 0.22% | 0.00% | 0.00% |
| 9 | Bonds Variable-rate | 0.91000% | 0.91000% | 1.65000% | 2.73904% |
| 10 | Fair Value | 702 | 1,018 | 1,580 | 1,993 |
| 11 | Percentage of LIBOR | 3.52282% | 3.65317% | 5.17043% | 5.17403% |
| 12 | Synthetic Rate | -0.12682% | -0.48617% | -1.20043% | 0.35111% |
| 13 | Actual Synthetic Rate | 2.99569% | 1.97825% | 2.29907% | 2.75171% |
| 14 | Change in Fair Value | 377 | 759 | 848 | 1,470 |
| 15 | Optional Termination Date | N/A | N/A | 1/1/2025 | 7/1/2027 |

| 1 | Bond Series | 2017H | 2018C | 2019B | 2019E |
|---|---|---|---|---|---|
| 2 | Issuance Date | 12/21/2017 | 6/14/2018 | 2/13/2019 | 6/25/2019 |
| 3 | Maturity Date | 7/1/2039 | 1/1/2049 | 1/1/2043 | 1/1/2050 |
| 4 | Notional Amount | 28,250 | 9,355 | 25,000 | 12,265 |
| 5 | Variable-rate Bonds | 28,250 | 9,355 | 25,000 | 12,265 |
| 6 | Fixed Rate | 2.266% | 3.515% | 2.693% | 3.171% |
| 7 | LIBOR Percentage | 66.40% | 100.00% | 70.00% | 100.00% |
| 8 | Additional Percentage | 0.09% | 0.00% | 0.00% | 0.00% |
| 9 | Bonds Variable-rate | 0.90000% | 1.60000% | 1.11000% | 1.60000% |
| 10 | Fair Value | 1,829 | 622 | 1,274 | 1,665 |
| 11 | Percentage of LIBOR | 3.52317% | 5.17043% | 3.61930% | 5.17043% |
| 12 | Synthetic Rate | -0.35717% | -0.05543% | 0.18320% | -0.39943% |
| 13 | Actual Synthetic Rate | 2.20287% | 3.49229% | 3.01912% | 3.17019% |
| 14 | Change in Fair Value | 1,331 | 783 | 763 | 1,148 |
| 15 | Optional Termination Date | 7/1/2023 | 7/1/2027 | 1/1/2024 | 7/1/2028 |

| 1 | Bond Series | 2022C | 2022E | 2023C |
|---|---|---|---|---|
| 2 | Issuance Date | 4/28/2022 | 6/14/2022 | 2/16/2023 |
| 3 | Maturity Date | 7/1/2052 | 1/1/2053 | 7/1/2047 |
| 4 | Notional Amount | 30,000 | 25,000 | 13,330 |
| 5 | Variable-rate Bonds | 30,000 | 25,000 | 13,330 |
| 6 | Fixed Rate | 2.644% | 3.808% | 4.493% |
| 7 | LIBOR Percentage | 100.00% | 100.00% | 100.00% |
| 8 | Additional Percentage | 0.05% | 0.05% | 0.15% |
| 9 | Bonds Variable-rate | 1.60000% | 1.60000% | 1.60000% |
| 10 | Fair Value | 3,512 | 1,577 | 164 |
| 11 | Percentage of LIBOR | 5.22043% | 5.22043% | 5.32043% |
| 12 | Synthetic Rate | -0.97643% | 0.18757% | 0.77257% |
| 13 | Actual Synthetic Rate | 2.62381% | 3.77559% | 4.30243% |
| 14 | Change in Fair Value | 2,308 | 2,297 | 164 |
| 15 | Optional Termination Date | 1/1/2032 | 1/1/2032 | 7/1/2028 |

(In Thousands)

**Swap Payments and Associated Debt**

Using rates as of June 30, 2024, debt service requirements of the variable-rate debt and net swap payments are as follows. Interest calculations were based on rates as of June 30, 2024. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| Fiscal year | Variable-Rate Bond | | Interest Rate | |
|---|---|---|---|---|
| Ending June 30 | Principal | Interest | Swap, Net | Total |
| 2025 | $ 1,700 | $ 3,004 | $ (3,941) | $ 763 |
| 2026 | 3,175 | 2,929 | (3,848) | 2,256 |
| 2027 | 4,860 | 2,846 | (3,740) | 3,966 |
| 2028 | 4,575 | 2,766 | (3,633) | 3,708 |
| 2029 | 4,875 | 2,687 | (3,526) | 4,036 |
| 2030 - 2034 | 45,460 | 11,477 | (14,691) | 42,246 |
| 2035 - 2039 | 53,605 | 8,144 | (9,714) | 52,035 |
| 2040 - 2044 | 41,810 | 5,022 | (5,692) | 41,140 |
| 2045 - 2049 | 28,485 | 2,587 | (2,897) | 28,175 |
| 2050 - 2054 | 18,615 | 452 | (492) | 18,575 |
| | $ 207,160 | $ 41,914 | $ (52,174) | $ 196,900 |

**NOTE 14 LINE OF CREDIT - BANK OF NORTH DAKOTA**

The Agency has a line of credit with the Bank of North Dakota to fund mortgages. As of June 30, 2024, the line of credit has no outstanding balance, has a credit limit of $60,000 and expires on July 1, 2025. The line of credit bears interest at 6.93%.

The Agency has a line of credit with the Bank of North Dakota to fund mortgages. As of June 30, 2023, the line of credit has no outstanding balance, has a credit limit of $60,000 and expires on July 1, 2024. The line of credit bears interest at 6.91%.

The Agency did not make draws on this line of credit during the years ended June 30, 2024 and 2023.

**NOTE 15 LETTER OF CREDIT - FEDERAL HOME LOAN BANK OF DES MOINES**

The Agency maintains a collateral pledge agreement with the Federal Home Loan Bank (FHLB) covering secured advances whereby the Agency has agreed to retain residential real estate loans and marketable securities, free of all other pledges, liens and encumbrances. The pledged loans and securities are discounted by FHLB when determining their borrowing capacity. The aggregate borrowing capacity of eligible collateral was approximately $14,618 as of June 30, 2024. In addition, borrowings are collateralized by $23,386 of loans receivable and $17 of cash and investments. The aggregate borrowing capacity of eligible collateral was approximately $36,137 as of June 30, 2023. In addition, borrowings are collateralized by $54,902 of loans receivable and $13 of cash and investments.

## NOTE 16 PENSION PLAN

### North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

### Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on January 1, 2025.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

### Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

**Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2024 and 2023, the Agency reported a liability of $4,972 and $7,455 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of June 30, 2023 and 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the Agency's proportion was 0.257842 percent, which was a decrease of 0.001012 percent from its proportion measured as of June 30, 2022.

(In Thousands)

For the year ended June 30, 2024, the Agency recognized pension expense of $512. At June 30, 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 162 | $ (27) |
| Changes of assumptions | 2,742 | (3,774) |
| Net difference between projected and actual earnings on pension plan investments | 130 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 384 | (63) |
| Employer contributions subsequent to the measurement date | 295 | - |
| Total | $ 3,713 | $ (3,864) |

$295 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---|---|
| 2025 | $ 130 |
| 2026 | (426) |
| 2027 | 140 |
| 2028 | (290) |

(In Thousands)

**Actuarial Assumptions**

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% |
| Salary increases | 3.5% to 17.75% including inflation |
| Investment rate of return | 6.50%, net of investment expenses |
| Cost-of-living adjustments | None |

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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 Fund's target asset allocation is summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 31% | 6.25% |
| International Equity | 20% | 6.95% |
| Private Equity | 7% | 9.45% |
| Domestic Fixed | 23% | 2.51% |
| Global Real Assets | 19% | 4.33% |

**Discount Rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

(In Thousands)

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a 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 (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

**Sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate**

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate at June 30, 2024:

| | 1% Decrease 5.50% | Current Discount Rate 6.50% | 1% Increase 7.50% |
|---|---|---|---|
| Employer's proportionate share of the net pension liability | $ 6,855 | $ 4,972 | $ 3,410 |

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

## NOTE 17 OPEB PLAN

**North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to $5.00 for each of the employee’s, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2024 and 2023, the Agency reported a liability of $244 and $296 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability was measured as of June 30, 2023 and 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the Agency's proportion was 0.244396 percent, which is a decrease of 0.002104 percent from its proportion measured as of June 30, 2022.

(In Thousands)

For the year ended June 30, 2024, the Employer recognized OPEB expense of $47. At June 30, 2024, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 5 | $ (3) |
| Changes of assumptions | 52 | (20) |
| Net difference between projected and actual earnings on OPEB plan investments | 18 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10 | (7) |
| Employer contributions subsequent to the measurement date | 31 | - |
| Total | $ 116 | $ (30) |

$31 reported as deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| **Year ending June 30:** | |
|---|---|
| 2025 | $ 19 |
| 2026 | 17 |
| 2027 | 26 |
| 2028 | (7) |

(In Thousands)

**Actuarial assumptions**

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% |
| Salary increases | Not applicable |
| Investment rate of return | 5.75%, net of investment expenses |
| Cost-of-living adjustments | None |

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 is summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| S&P 500 Index | 33% | 5.50% |
| US Small Cap Equity | 6% | 7.65% |
| World Equity ex-US | 26% | 6.82% |
| US High Yield | 3% | 5.32% |
| Emerging Markets Debt | 4% | 6.25% |
| Core Fixed Income | 28% | 4.04% |

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(In Thousands)

**Sensitivity of the Agency's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

| | 1% Decrease 4.75% | Current Discount Rate 5.75% | 1% Increase 6.75% |
|---|---|---|---|
| Employer's proportionate share of the net OPEB liability | $ 321 | $ 244 | $ 180 |

## NOTE 18 COMMITMENTS AND CONTINGENCIES

Amounts received from federal grantor agencies are subject to audit and adjustment by the federal grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor will be recognized in the year determined.

In the normal course of business, the Agency makes various commitments that are not reflected in the accompanying financial statements. These commitments include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolutions.

The Agency's exposure to credit loss is represented by the contractual amount of these commitments. The Agency follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

| | 2024 | 2023 |
|---|---|---|
| Commitments to extend credit | $ 155,462 | $ 87,542 |
| Loan Acquisition Fund | $ 69,120 | $ 67,935 |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Agency, is based on management's credit evaluation of the customer.

The Bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reductions.

As of June 30, 2024 and 2023, the Agency had no outstanding guarantees on loans owned by financial institutions.

## NOTE 19 FUND NET POSITION

Based on certain bond covenants, all assets and fund net position of the Homeownership Bond fund are restricted for debt service.

The Agency operating fund has investment securities pledged under the 1994 and 2009 General Bond Resolutions. The financial statements identify this fund as unrestricted, however, all Agency net position is a reserved general obligation of the bond series. The general obligation (issuer) rating by Moody's Investor Service (a national financial rating service) is influenced by the relationship of Agency net position to several other financial statement factors and major investors monitor the amount of net position as additional collateral for the publicly traded bond investments.

## NOTE 20 RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of $406 per person and $1,625 per occurrence. The Agency is also covered through a casualty obligatory excess of loss reinsurance contract that RMF has with an outside party that provides additional coverage amount of $250 per person and $2,000 per occurrence.

The Agency also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Agency pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period. The State Bonding Fund currently provides the Agency with blanket fidelity bond coverage in the amount of $2,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. In addition to the State Bonding Fund, the Agency has a separate $500 insurance policy with Great American Insurance Group.

(In Thousands)

The Agency, as a contributor to RMF, participates in the North Dakota Workforce Safety & Insurance (NDWSI), an Enterprise Fund of the State of North Dakota. The NDWSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

## NOTE 21 SEGMENT INFORMATION

The Agency maintains two Enterprise Funds which provide loans to finance construction of residential housing and single family homeownership.

Statement of Net Position segment information as of and for the year ended June 30, 2024, was as follows:

| | Agency Operating Funds | Homeownership Bond Funds | Eliminations | Total Enterprise |
|---|---|---|---|---|
| Statement of Net Position | | | | |
| Current assets - other | $ 43,460 | $ 303,394 | $ (5,330) | $ 341,524 |
| Capital assets - net | 96 | - | - | 96 |
| Noncurrent assets - other | 8,900 | 1,905,321 | - | 1,914,221 |
| Total assets | 52,456 | 2,208,715 | (5,330) | 2,255,841 |
| Deferred outflow of resources | 3,829 | - | - | 3,829 |
| Current liabilities - other | 26,181 | 100,658 | (5,330) | 121,509 |
| Noncurrent liabilities - other | 5,216 | 1,851,839 | - | 1,857,055 |
| Total liabilities | 31,397 | 1,952,497 | (5,330) | 1,978,564 |
| Deferred inflow of resources | 3,894 | 20,762 | - | 24,656 |
| Invested in capital assets | 92 | - | - | 92 |
| Net position - unrestricted | 20,902 | - | - | 20,902 |
| Net position - restricted | - | 235,456 | - | 235,456 |
| Total net position | $ 20,994 | $ 235,456 | $ - | $ 256,450 |

(In Thousands)

Statement of Net Position segment information as of and for the year ended June 30, 2023, was as follows:

| | Agency Operating Funds | Homeownership Bond Funds | Eliminations | Total Enterprise |
|---|---|---|---|---|
| Statement of Net Position | | | | |
| Current assets - other | $ 41,066 | $ 238,914 | $ (4,567) | $ 275,413 |
| Capital assets - net | 121 | - | - | 121 |
| Noncurrent assets - other | 8,108 | 1,600,537 | - | 1,608,645 |
| Total assets | 49,295 | 1,839,451 | (4,567) | 1,884,179 |
| Deferred outflow of resources | 5,732 | - | - | 5,732 |
| Current liabilities - other | 24,716 | 86,315 | (4,567) | 106,464 |
| Noncurrent liabilities - other | 12,970 | 1,519,308 | - | 1,532,278 |
| Total liabilities | 37,686 | 1,605,623 | (4,567) | 1,638,742 |
| Deferred inflow of resources | 3,029 | 15,936 | - | 18,965 |
| Invested in capital assets | 112 | - | - | 112 |
| Net position - unrestricted | 14,200 | - | - | 14,200 |
| Net position - restricted | - | 217,892 | - | 217,892 |
| Total net position | $ 14,312 | $ 217,892 | $ - | $ 232,204 |

Statement of Revenues, Expenses and Change in Fund Net Position and Statement of Cash Flows segment information as of and for the year ended June 30, 2024, was as follows:

| | Agency Operating Funds | Homeownership Bond Funds | Eliminations | Total Enterprise |
|---|---|---|---|---|
| Statement of Revenues, Expenses and Change in Fund Net Position | | | | |
| Operating revenues | | | | |
| Mortgage interest income | $ 14 | $ 63,692 | $ - | $ 63,706 |
| Investment income | - | 21,152 | - | 21,152 |
| Gain on sale of investments | - | (9) | - | (9) |
| Fee income | 12,466 | - | (7,864) | 4,602 |
| Depreciation | (33) | - | - | (33) |
| Other operating expenses | (11,144) | (67,190) | 7,864 | (70,470) |
| Operating income | 1,303 | 17,645 | - | 18,948 |
| Nonoperating revenues (expenses) | | | | |
| Federal grants | 20,648 | - | - | 20,648 |
| Non-federal grants | 5,060 | - | - | 5,060 |
| Investment income | 338 | - | - | 338 |
| Federal grants | (20,648) | - | - | (20,648) |
| Transfers | (100) | - | - | (100) |
| Change in net position | 6,601 | 17,645 | - | 24,246 |
| Total net position, beginning of year | 14,312 | 217,892 | - | 232,204 |
| Equity transfer in (out) | 81 | (81) | - | - |
| Total net position, end of year | $ 20,994 | $ 235,456 | $ - | $ 256,450 |
| Statement of Cash Flows | | | | |
| Net cash used by operating activities | $ 191 | $ (252,053) | $ - | $ (251,862) |
| Net cash used for noncapital financing activities | (81) | 304,411 | - | 304,330 |
| Net cash used for capital and related financing activities | (235) | - | - | (235) |
| Net cash from (used by) investing activities | 470 | 5,843 | - | 6,313 |
| Change in cash and cash equivalents | 345 | 58,201 | - | 58,546 |
| Cash and cash equivalents, beginning of year | 35,999 | 193,456 | - | 229,455 |
| Cash and cash equivalents, end of year | $ 36,344 | $ 251,657 | $ - | $ 288,001 |

(In Thousands)

Statement of Revenues, Expenses and Change in Fund Net Position and Statement of Cash Flows segment information as of and for the year ended June 30, 2023, was as follows:

| | Agency Operating Funds | Homeownership Bond Funds | Eliminations | Total Enterprise |
|---|---|---|---|---|
| Statement of Revenues, Expenses and | | | | |
| Change in Fund Net Position | | | | |
| Operating revenues | | | | |
| Mortgage interest income | $ 19 | $ 49,703 | $ - | $ 49,722 |
| Investment income | - | 10,977 | - | 10,977 |
| Gain on sale of investments | (129) | (47) | - | (176) |
| Fee income | 11,421 | - | (6,573) | 4,848 |
| Depreciation | (32) | - | - | (32) |
| Other operating expenses | (10,036) | (48,739) | 6,573 | (52,202) |
| Operating income | 1,243 | 11,894 | - | 13,137 |
| Nonoperating revenues (expenses) | | | | |
| Federal grants | 22,117 | - | - | 22,117 |
| Non-federal grants | 113 | - | - | 113 |
| Investment income | 43 | - | - | 43 |
| Federal grants | (22,117) | - | - | (22,117) |
| Transfers | (8) | - | - | (8) |
| Change in net position | 1,391 | 11,894 | - | 13,285 |
| Total net position, beginning of year | 17,476 | 201,443 | - | 218,919 |
| Equity transfer in (out) | (4,555) | 4,555 | - | - |
| Total net position, end of year | $ 14,312 | $ 217,892 | $ - | $ 232,204 |
| Statement of Cash Flows | | | | |
| Net cash by operating activities | $ 2,305 | $ (200,649) | $ - | $ (198,344) |
| Net cash used for noncapital financing activities | 2,046 | 92,523 | - | 94,569 |
| Net cash used for capital and related financing activities | (232) | - | - | (232) |
| Net cash from (used by) investing activities | 1,208 | 5,920 | - | 7,128 |
| Change in cash and cash equivalents | 5,327 | (102,206) | - | (96,879) |
| Cash and cash equivalents, beginning of year | 30,672 | 295,662 | - | 326,334 |
| Cash and cash equivalents, end of year | $ 35,999 | $ 193,456 | $ - | $ 229,455 |

## NOTE 22 ISSUED BUT NON-EFFECTIVE PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences,* updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

Management has not yet determined what effect these statements will have on the Agency's financial statements.

## NOTE 23 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Agency's year end. Subsequent events have been evaluated through October 16, 2024, the date these financial statements were available to be issued.

(In Thousands)

## North Dakota Public Employees Retirement System
## Schedule of Employer's Share of Net Pension Liability
## Last 10 Fiscal Years*

| | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability (asset) | Employer's covered-employee payroll | Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|
| 2024 | 0.25784% | $ 4,972 | $ 3,281 | 151.54% | 65.31% |
| 2023 | 0.25885% | 7,455 | 2,973 | 250.76% | 54.47% |
| 2022 | 0.23202% | 2,418 | 2,604 | 92.87% | 78.26% |
| 2021 | 0.21535% | 6,775 | 2,426 | 279.27% | 48.91% |
| 2020 | 0.23548% | 2,760 | 2,443 | 112.98% | 71.66% |
| 2019 | 0.23697% | 4,000 | 2,510 | 159.36% | 62.80% |
| 2018 | 0.24299% | 3,906 | 2,481 | 157.44% | 61.98% |
| 2017 | 0.23284% | 2,269 | 2,346 | 96.72% | 70.46% |
| 2016 | 0.24345% | 1,655 | 2,169 | 76.30% | 77.15% |
| 2015 | 0.25277% | 1,604 | 2,129 | 75.34% | 77.70% |

## North Dakota Public Employees Retirement System
## Schedule of Employer Contributions - Pension
## Last 10 Fiscal Years*

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|---|---|---|---|---|---|
| 2024 | $ 295 | $ (295) | $ - | $ 3,714 | 7.95% |
| 2023 | 242 | (242) | - | 3,281 | 7.38% |
| 2022 | 218 | (218) | - | 2,973 | 7.33% |
| 2021 | 188 | (188) | - | 2,604 | 7.22% |
| 2020 | 173 | (173) | - | 2,426 | 7.13% |
| 2019 | 174 | (174) | - | 2,443 | 7.12% |
| 2018 | 179 | (179) | - | 2,510 | 7.13% |
| 2017 | 180 | (180) | - | 2,474 | 7.28% |
| 2016 | 170 | (170) | - | 2,314 | 7.35% |
| 2015 | 165 | (165) | - | 2,229 | 7.40% |

*Complete data for these schedules is not available prior to 2015.

(In Thousands)

### North Dakota Public Employees Retirement System
### Schedule of Employer's Share of Net OPEB Liability
### Last 10 Fiscal Years*

| | Employer's proportion of the net OPEB liability (asset) | Employer's proportionate share of the net OPEB liability (asset) | Employer's covered-employee payroll | Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|---|---|---|---|---|---|
| 2024 | 0.244396% | $ 244 | $ 2,457 | 9.95% | 62.74% |
| 2023 | 0.246500% | 296 | 2,576 | 11.49% | 56.28% |
| 2022 | 0.229916% | 128 | 2,520 | 5.07% | 76.63% |
| 2021 | 0.211870% | 178 | 2,415 | 7.37% | 63.38% |
| 2020 | 0.235151% | 189 | 2,618 | 7.22% | 63.13% |
| 2019 | 0.241393% | 190 | 2,661 | 7.15% | 61.89% |
| 2018 | 0.241038% | 191 | 2,608 | 7.31% | 58.78% |

### North Dakota Public Employees Retirement System
### Schedule of Employer Contributions - OPEB
### Last 10 Fiscal Years*

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|---|---|---|---|---|---|
| 2024 | $ 31 | $ (31) | $ - | $ 2,727 | 1.14% |
| 2023 | 30 | (30) | - | 2,643 | 1.14% |
| 2022 | 29 | (29) | - | 2,576 | 1.14% |
| 2021 | 29 | (29) | - | 2,520 | 1.15% |
| 2020 | 29 | (29) | - | 2,580 | 1.12% |
| 2019 | 30 | (30) | - | 2,618 | 1.15% |
| 2018 | 30 | (30) | - | 2,661 | 1.13% |

*Complete data for these schedules is not available prior to 2018.

## NOTE 1 CHANGE OF BENEFIT TERMS AND ASSUMPTIONS

### NDPERS Pension Plan

*Change of Benefit Terms*

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

*Changes of Assumptions.*

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

### NDPERS OPEB

*Changes of Benefit Terms*

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2022.

*Changes of Assumptions.*

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

**NORTH DAKOTA HOUSING FINANCE AGENCY**
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023
(In Thousands)

| | Agency Operating Funds | Homeownership Bond Funds 1994 General Resolution | Homeownership Bond Funds 2009 General Resolution | Homeownership Bond Funds | Total | Elimination | Total 2024 | Total 2023 |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| CURRENT ASSETS - UNRESTRICTED | | | | | | | | |
| Cash and cash equivalents | $ 16,135 | $ - | $ - | $ - | $ 16,135 | $ - | $ 16,135 | $ 12,089 |
| Due from State Agencies | 331 | - | - | - | 331 | - | 331 | - |
| Receivables | | | | | | | | |
| Interest | | | | | | | | |
| Loans | 1 | - | - | - | 1 | - | 1 | 2 |
| Investments | 31 | - | - | - | 31 | - | 31 | 82 |
| Due from HUD | 438 | - | - | - | 438 | - | 438 | 844 |
| Other | 4,942 | - | - | - | 4,942 | (3,326) | 1,616 | 1,622 |
| Current portion of service release premium | 1,272 | - | - | - | 1,272 | - | 1,272 | 1,086 |
| Prepaid expenses | 74 | 30 | - | 30 | 104 | - | 104 | 99 |
| Total unrestricted current assets | 23,224 | 30 | - | 30 | 23,254 | (3,326) | 19,928 | 15,824 |
| CURRENT ASSETS - RESTRICTED | | | | | | | | |
| Cash and cash equivalents | 20,209 | 245,628 | 6,029 | 251,657 | 271,866 | - | 271,866 | 217,366 |
| Receivables | | | | | | | | |
| Current portion of loans receivable, net of allowance | 27 | 38,752 | 2,041 | 40,793 | 40,820 | - | 40,820 | 35,727 |
| Interest | | | | | | | | |
| Loans | - | 6,640 | 187 | 6,827 | 6,827 | - | 6,827 | 5,096 |
| Investments | - | 2,046 | 37 | 2,083 | 2,083 | - | 2,083 | 1,400 |
| Other | - | 1,990 | 14 | 2,004 | 2,004 | (2,004) | - | - |
| Total restricted current assets | 20,236 | 295,056 | 8,308 | 303,364 | 323,600 | (2,004) | 321,596 | 259,589 |
| Total current assets | 43,460 | 295,086 | 8,308 | 303,394 | 346,854 | (5,330) | 341,524 | 275,413 |
| NONCURRENT ASSETS - UNRESTRICTED | | | | | | | | |
| Service release premium, net | 8,476 | - | - | - | 8,476 | - | 8,476 | 7,361 |
| Equipment, net | 96 | - | - | - | 96 | - | 96 | 121 |
| Leased asset, net | 220 | - | - | - | 220 | - | 220 | 433 |
| Total unrestricted noncurrent assets | 8,792 | - | - | - | 8,792 | - | 8,792 | 7,915 |
| NONCURRENT ASSETS - RESTRICTED | | | | | | | | |
| Loans receivable, net of current portion, net of allowance | 204 | 1,799,731 | 51,753 | 1,851,484 | 1,851,688 | - | 1,851,688 | 1,540,395 |
| Investments | - | 51,116 | 2,721 | 53,837 | 53,837 | - | 53,837 | 60,456 |
| Total restricted noncurrent assets | 204 | 1,850,847 | 54,474 | 1,905,321 | 1,905,525 | - | 1,905,525 | 1,600,851 |
| Total noncurrent assets | 8,996 | 1,850,847 | 54,474 | 1,905,321 | 1,914,317 | - | 1,914,317 | 1,608,766 |
| Total assets | 52,456 | 2,145,933 | 62,782 | 2,208,715 | 2,261,171 | (5,330) | 2,255,841 | 1,884,179 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | | | |
| Deferred outflow - pension | 3,713 | - | - | - | 3,713 | - | 3,713 | 5,566 |
| Deferred outflow - OPEB | 116 | - | - | - | 116 | - | 116 | 166 |
| Total deferred outflows of resources | 3,829 | - | - | - | 3,829 | - | 3,829 | 5,732 |

**NORTH DAKOTA HOUSING FINANCE AGENCY**
COMBINING STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2024 AND 2023
(In Thousands)

| | Agency Operating Funds | Homeownership Bond Funds 1994 General Resolution | Homeownership Bond Funds 2009 General Resolution | Homeownership Bond Funds | Total | Elimination | Total 2024 | Total 2023 |
|---|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Due to HUD | $ 13 | $ - | $ - | $ - | $ 13 | $ - | $ 13 | $ 30 |
| Due to State Agencies | 519 | - | - | - | 519 | - | 519 | 433 |
| Other | 5,121 | 2,199 | 27 | 2,226 | 7,347 | (5,330) | 2,017 | 2,621 |
| Current portion of compensated absences | 380 | - | - | - | 380 | - | 380 | 376 |
| Current portion of bonds payable, net of premium | - | 62,620 | 3,047 | 65,667 | 65,667 | - | 65,667 | 60,133 |
| Accrued interest | - | 32,209 | 556 | 32,765 | 32,765 | - | 32,765 | 24,047 |
| Funds held in trust | 20,148 | - | - | - | 20,148 | - | 20,148 | 18,824 |
| Total current liabilities | 26,181 | 97,028 | 3,630 | 100,658 | 126,839 | (5,330) | 121,509 | 106,464 |
| NONCURRENT LIABILITIES | | | | | | | | |
| Net pension liability | 4,972 | - | - | - | 4,972 | - | 4,972 | 7,455 |
| Net OPEB liability | 244 | - | - | - | 244 | - | 244 | 296 |
| Financial derivative instrument | - | (20,762) | - | (20,762) | (20,762) | - | (20,762) | (15,936) |
| Bonds payable, net of current portion and premium | - | 1,836,809 | 35,792 | 1,872,601 | 1,872,601 | - | 1,872,601 | 1,540,244 |
| Other | - | - | - | - | - | - | - | 219 |
| Total noncurrent liabilities | 5,216 | 1,816,047 | 35,792 | 1,851,839 | 1,857,055 | - | 1,857,055 | 1,532,278 |
| Total liabilities | 31,397 | 1,913,075 | 39,422 | 1,952,497 | 1,983,894 | (5,330) | 1,978,564 | 1,638,742 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | | |
| Deferred inflow - pension | 3,864 | - | - | - | 3,864 | - | 3,864 | 3,016 |
| Deferred inflow - OPEB | 30 | - | - | - | 30 | - | 30 | 13 |
| Financial derivative instrument | - | 20,762 | - | 20,762 | 20,762 | - | 20,762 | 15,936 |
| Total deferred inflows of resources | 3,894 | 20,762 | - | 20,762 | 24,656 | - | 24,656 | 18,965 |
| **NET POSITION** | | | | | | | | |
| Invested in capital assets | 92 | - | - | - | 92 | - | 92 | 112 |
| Restricted for debt service | - | 212,096 | 23,360 | 235,456 | 235,456 | - | 235,456 | 217,892 |
| Unrestricted | 20,902 | - | - | - | 20,902 | - | 20,902 | 14,200 |
| Total net position | $ 20,994 | $ 212,096 | $ 23,360 | $ 235,456 | $ 256,450 | $ - | $ 256,450 | $ 232,204 |

# NORTH DAKOTA HOUSING FINANCE AGENCY
## COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
## FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
## (In Thousands)

| | Agency Operating Funds | Homeownership Bond Funds 1994 General Resolution | Homeownership Bond Funds 2009 General Resolution | Homeownership Bond Funds | Total | Elimination | Total 2024 | Total 2023 |
|---|---|---|---|---|---|---|---|---|
| OPERATING REVENUES | | | | | | | | |
| Mortgage interest income | $ 14 | $ 61,725 | $ 1,967 | $ 63,692 | $ 63,706 | $ - | $ 63,706 | $ 49,722 |
| Investment income | - | 20,821 | 331 | 21,152 | 21,152 | - | 21,152 | 10,977 |
| Gain (loss) on sale of investments | - | (9) | - | (9) | (9) | - | (9) | (176) |
| Fee income | 12,466 | - | - | - | 12,466 | (7,864) | 4,602 | 4,848 |
| Total revenues | 12,480 | 82,537 | 2,298 | 84,835 | 97,315 | (7,864) | 89,451 | 65,371 |
| OPERATING EXPENSES | | | | | | | | |
| Interest expense | 9 | 53,665 | 949 | 54,614 | 54,623 | - | 54,623 | 39,393 |
| Agency grants | 1,413 | - | - | - | 1,413 | - | 1,413 | 80 |
| Administrative and operating expenses | 8,950 | 12,326 | 250 | 12,576 | 21,526 | (7,864) | 13,662 | 11,381 |
| Pension expense | 512 | - | - | - | 512 | - | 512 | 1,092 |
| OPEB expense | 47 | - | - | - | 47 | - | 47 | 49 |
| Amortization | 213 | - | - | - | 213 | - | 213 | 207 |
| Depreciation | 33 | - | - | - | 33 | - | 33 | 32 |
| Total expenses | 11,177 | 65,991 | 1,199 | 67,190 | 78,367 | (7,864) | 70,503 | 52,234 |
| OPERATING INCOME | 1,303 | 16,546 | 1,099 | 17,645 | 18,948 | - | 18,948 | 13,137 |
| NONOPERATING REVENUE (EXPENSES) | | | | | | | | |
| Federal grants | 20,648 | - | - | - | 20,648 | - | 20,648 | 22,117 |
| Non-federal grants | 5,060 | - | - | - | 5,060 | - | 5,060 | 113 |
| Investment income (loss) | 338 | - | - | - | 338 | - | 338 | 43 |
| Federal grants | (20,648) | - | - | - | (20,648) | - | (20,648) | (22,117) |
| Total nonoperating revenues (expenses) | 5,398 | - | - | - | 5,398 | - | 5,398 | 156 |
| CHANGE IN ASSETS BEFORE TRANSFERS | 6,701 | 16,546 | 1,099 | 17,645 | 24,346 | - | 24,346 | 13,293 |
| TRANSFERS | | | | | | | | |
| Transfer to Industrial Commission | (100) | - | - | - | (100) | - | (100) | (8) |
| CHANGE IN NET POSITION | 6,601 | 16,546 | 1,099 | 17,645 | 24,246 | - | 24,246 | 13,285 |
| TOTAL NET POSITION, BEGINNING OF YEAR | 14,312 | 195,631 | 22,261 | 217,892 | 232,204 | - | 232,204 | 218,919 |
| TRANSFER IN (OUT) | 81 | (81) | - | (81) | - | - | - | - |
| TOTAL NET POSITION, END OF YEAR | $ 20,994 | $ 212,096 | $ 23,360 | $ 235,456 | $ 256,450 | $ - | $ 256,450 | $ 232,204 |

# NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

| | Agency Operating Funds | Homeownership Bond Funds 1994 General Resolution | 2009 General Resolution | Homeownership Bond Funds | Total | Elimination | Total 2024 | 2023 |
|---|---|---|---|---|---|---|---|---|
| OPERATING ACTIVITIES | | | | | | | | |
| Receipts from customers | $ 10,255 | $ 309,212 | $ 8,252 | $ 317,464 | $ 327,719 | $ (7,101) | $ 320,618 | $ 316,333 |
| Proceeds from sale of loans receivable | - | 703 | - | 703 | 703 | - | 703 | - |
| Interfund mortgages loan purchases and sales | - | (279,531) | - | (279,531) | (279,531) | - | (279,531) | (249,289) |
| Grant funds received in advance | - | - | - | - | - | - | - | (655) |
| Payment of grants | (1,023) | - | - | - | (1,023) | - | (1,023) | - |
| Payments to service providers | | | | | | | | |
| State agencies | (6,146) | - | - | - | (6,146) | - | (6,146) | (5,119) |
| Mortgage loan purchases | - | (270,105) | - | (270,105) | (270,105) | - | (270,105) | (242,357) |
| Other | 2,483 | (19,244) | (1,340) | (20,584) | (18,101) | 7,101 | (11,000) | (12,549) |
| Payments to employees | (5,378) | - | - | - | (5,378) | - | (5,378) | (4,708) |
| Net cash provided by (used for) operating activities | 191 | (258,965) | 6,912 | (252,053) | (251,862) | - | (251,862) | (198,344) |
| NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Principal payments on bonds payable | (5,000) | (115,830) | (6,010) | (121,840) | (126,840) | - | (126,840) | (123,540) |
| Proceeds from bond issuance | - | 472,107 | - | 472,107 | 472,107 | - | 472,107 | 251,304 |
| Interest paid on loans and bonds | (41) | (44,825) | (1,031) | (45,856) | (45,897) | - | (45,897) | (33,300) |
| Proceeds from non-federal grants | 5,060 | - | - | - | 5,060 | - | 5,060 | 113 |
| Proceeds from federal grants | 20,648 | - | - | - | 20,648 | - | 20,648 | 22,117 |
| Payment of federal grants | (20,648) | - | - | - | (20,648) | - | (20,648) | (22,117) |
| Transfers to Industrial Commission | (100) | - | - | - | (100) | - | (100) | (8) |
| Net cash provided by (used for) noncapital financing activities | (81) | 311,452 | (7,041) | 304,411 | 304,330 | - | 304,330 | 94,569 |

# NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

| | Agency Operating Funds | Homeownership Bond Funds 1994 General Resolution | Homeownership Bond Funds 2009 General Resolution | Homeownership Bond Funds | Total | Elimination | Total 2024 | Total 2023 |
|---|---|---|---|---|---|---|---|---|
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Purchase of equipment | $ (8) | $ - | $ - | $ - | $ (8) | $ - | $ (8) | $ (19) |
| Principal payments on lease payable | (218) | - | - | - | (218) | - | (218) | (198) |
| Interest paid on lease payable | (9) | - | - | - | (9) | - | (9) | (15) |
| Net cash used for capital and related financing activities | (235) | - | - | - | (235) | - | (235) | (232) |
| INVESTING ACTIVITIES | | | | | | | | |
| Purchase of investments | - | - | - | - | - | - | - | (3,334) |
| Proceeds from sale of investments | - | 5,524 | 319 | 5,843 | 5,843 | - | 5,843 | 10,171 |
| Interest received from investments | 470 | - | - | - | 470 | - | 470 | 291 |
| Net cash provided by (used for) investing activities | 470 | 5,524 | 319 | 5,843 | 6,313 | - | 6,313 | 7,128 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 345 | 58,011 | 190 | 58,201 | 58,546 | - | 58,546 | (96,879) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 35,999 | 187,617 | 5,839 | 193,456 | 229,455 | - | 229,455 | 326,334 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 36,344 | $ 245,628 | $ 6,029 | $ 251,657 | $ 288,001 | $ - | $ 288,001 | $ 229,455 |
| Cash and Cash Equivalents - Unrestricted | $ 16,135 | $ - | $ - | $ - | $ 16,135 | $ - | $ 16,135 | $ 12,089 |
| Cash and Cash Equivalents - Restricted | 20,209 | 245,628 | 6,029 | 251,657 | 271,866 | - | 271,866 | 217,366 |
| | $ 36,344 | $ 245,628 | $ 6,029 | $ 251,657 | $ 288,001 | $ - | $ 288,001 | $ 229,455 |

## NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

| | Agency Operating Funds | Homeownership Bond Funds 1994 General Resolution | 2009 General Resolution | Homeownership Bond Funds | Total | Elimination | Total 2024 | 2023 |
|---|---|---|---|---|---|---|---|---|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | | | | | | |
| Operating income (loss) | $ 1,303 | $ 16,546 | $ 1,099 | $ 17,645 | $ 18,948 | $ - | $ 18,948 | $ 13,137 |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | | | | | |
| Depreciation | 33 | - | - | - | 33 | - | 33 | 32 |
| Amortization | | | | | | | | |
| Original issue discounts and premiums | - | (7,163) | (212) | (7,375) | (7,375) | - | (7,375) | (6,993) |
| Service release premiums | 1,658 | - | - | - | 1,658 | - | 1,658 | 1,589 |
| Leased assets | 213 | - | - | - | 213 | - | 213 | 207 |
| (Increase) decrease in fair value of investments | - | 660 | 34 | 694 | 694 | - | 694 | 2,420 |
| Reclassification of interest expense to other activities | 9 | 52,986 | 944 | 53,930 | 53,939 | - | 53,939 | 38,614 |
| Effect on cash flows due to changes in: | | | | | | | | |
| Deferred outflow - pension | 1,853 | - | - | - | 1,853 | - | 1,853 | (2,353) |
| Deferred outflow - OPEB | 50 | - | - | - | 50 | - | 50 | (100) |
| Deferred inflows - pension | 848 | - | - | - | 848 | - | 848 | (1,794) |
| Deferred inflows - OPEB | 17 | - | - | - | 17 | - | 17 | (49) |
| Effect on cash flows due to changes in: | | | | | | | | |
| Due from HUD | 406 | - | - | - | 406 | - | 406 | (585) |
| Due from State Agencies | (331) | - | - | - | (331) | - | (331) | - |
| Service release premium | (2,959) | - | - | - | (2,959) | - | (2,959) | (2,593) |
| Other receivables | (1,992) | 1,041 | 194 | 1,235 | (757) | 763 | 6 | (574) |
| Prepaid expenses | (4) | (1) | - | (1) | (5) | - | (5) | (13) |
| Loan interest receivable | 1 | (1,728) | (3) | (1,731) | (1,730) | - | (1,730) | (570) |
| Loans receivable | 117 | (322,229) | 5,729 | (316,500) | (316,383) | - | (316,383) | (247,962) |
| Due to HUD | (17) | - | - | - | (17) | - | (17) | 10 |
| Due to State Agencies | 86 | - | - | - | 86 | - | 86 | 30 |
| Other liabilities | 107 | 923 | (873) | 50 | 157 | (763) | (606) | 1,347 |
| Compensated absences | 4 | - | - | - | 4 | - | 4 | (2) |
| Funds held in trust | 1,324 | - | - | - | 1,324 | - | 1,324 | 2,653 |
| Net pension liability | (2,535) | - | - | - | (2,535) | - | (2,535) | 5,205 |
| Net cash provided by (used for) operating activities | $ 191 | $ (258,965) | $ 6,912 | $ (252,053) | $ (251,862) | $ - | $ (251,862) | $ (198,344) |
| Non-cash disclosures: | | | | | | | | |
| Increase (decrease) in fair value of investments | $ (81) | $ (660) | $ (34) | $ (694) | $ (775) | $ - | $ (775) | $ (2,725) |

**NORTH DAKOTA HOUSING FINANCE AGENCY**
HOUSING AND URBAN DEVELOPMENT -
SECTION 8 FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024

| Line Item # | Description | Rent Supplements - Rental Housing for Lower Income Families | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitate ND901MR0001 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0003 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0004 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0005 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0006 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0008 |
|---|---|---|---|---|---|---|---|---|
| | **Assets** | | | | | | | |
| 111 | Cash - Unrestricted | 894,214 | 102,888 | - | 30,615 | 42,898 | 145,112 | 32,648 |
| 113 | Cash - Other Restricted | 16 | - | - | - | - | - | - |
| 115 | Cash - Restricted for payment of current liability | - | 2,019 | - | - | - | 7,056 | 4,070 |
| **100** | **Total Cash** | **894,230** | **104,907** | **-** | **30,615** | **42,898** | **152,168** | **36,718** |
| 122 | Accounts Receivable - HUD Other Projects | 183,459 | - | - | 4,113 | 3,794 | - | - |
| 125 | Accounts Receivable - Miscellaneous | - | - | - | - | - | - | - |
| 126.1 | Allowance for Doubtful Accounts - Dwelling Rents | - | - | - | - | - | - | - |
| 126.2 | Allowance for Doubtful Accounts - Other | - | - | - | - | - | - | - |
| **120** | **Total Receivables, net of allowances for** | **183,459** | **-** | **-** | **4,113** | **3,794** | **-** | **-** |
| 142 | Prepaid Expenses and Other Assets | 12,629 | - | - | - | - | - | - |
| **150** | **Total Current Assets** | **1,090,318** | **104,907** | **-** | **34,728** | **46,692** | **152,168** | **36,718** |
| **160** | **Total Fixed Assets, Net of Accumulated Depreciation** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **180** | **Total Non-Current Assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **190/290** | **Total Assets** | **1,090,318** | **104,907** | **-** | **34,728** | **46,692** | **152,168** | **36,718** |
| | **Liabilities and Equity** | | | | | | | |
| 311 | Bank Overdraft | - | - | - | - | - | - | - |
| 312 | Accounts Payable <= 90 Days | 86,143 | 1,702 | - | 910 | 1,189 | 1,749 | 770 |
| 331 | Accounts Payable - HUD PHA Programs | 16 | 2,019 | - | - | - | 7,056 | 4,070 |
| **310** | **Total Current Liabilities** | **86,159** | **3,721** | **-** | **910** | **1,189** | **8,805** | **4,840** |
| **350** | **Total Noncurrent Liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **300** | **Total Liabilities** | **86,159** | **3,721** | **-** | **910** | **1,189** | **8,805** | **4,840** |
| 508 | Total Contributed Capital | - | - | - | - | - | - | - |
| 508.4 | Net Investment in Capital Assets | - | - | - | - | - | - | - |
| 509.2 | Fund Balance Reserved | - | - | - | - | - | - | - |
| 511.4 | Restricted Net Position | 16 | 2,019 | - | - | - | 7,056 | 4,070 |
| 512.4 | Unrestricted Net Position | 1,004,143 | 99,167 | - | 33,818 | 45,503 | 136,307 | 27,808 |
| **513** | **Total Equity/Net Assets** | **1,004,159** | **101,186** | **-** | **33,818** | **45,503** | **143,363** | **31,878** |
| **600** | **Total Liabilities and Equity/Net Assets** | **1,090,318** | **104,907** | **-** | **34,728** | **46,692** | **152,168** | **36,718** |

# NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING AND URBAN DEVELOPMENT -
SECTION 8 FINANCIAL DATA SCHEDULE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

| Line Item # | Description | Rent Supplements - Rental Housing for Lower Income Families | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitate ND901MR0001 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0003 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0004 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0005 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0006 | Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0008 |
|---|---|---|---|---|---|---|---|---|
| | **Revenue** | | | | | | | |
| 70500 | Total Tenant Revenue | - | - | - | - | - | - | - |
| 70600 | HUD PHA Operating Grants | 13,946,974 | 118,343 | - | 71,230 | 100,492 | 94,159 | 51,473 |
| 71100 | Investment Income - Unrestricted | - | - | - | - | - | - | - |
| 72000 | Investment Income - Restricted | 1,849 | 12 | - | 6 | 8 | 12 | 5 |
| **700** | **Total Revenue** | **13,948,823** | **118,355** | **-** | **71,236** | **100,500** | **94,171** | **51,478** |
| | **Expenses** | | | | | | | |
| 91100 | Administrative Salaries | 389,625 | 9,511 | - | 5,081 | 6,645 | 9,772 | 4,300 |
| 91200 | Auditing Fees | 7,113 | 146 | - | 78 | 102 | 150 | 66 |
| 91500 | Employee Benefit Contribution - Administrative | 191,067 | 4,722 | - | 2,523 | 3,299 | 4,852 | 2,135 |
| 91600 | Office Expense | 51,761 | 1,074 | - | 574 | 750 | 1,103 | 485 |
| 91800 | Travel | 10,569 | 65 | - | 35 | 45 | 67 | 29 |
| 91900 | Other | 144,159 | 3,540 | - | 1,891 | 2,473 | 3,637 | 1,601 |
| **96900/91000** | **Total Operating Expenses** | **794,294** | **19,058** | **-** | **10,182** | **13,314** | **19,581** | **8,616** |
| **97000** | **Excess Operating Revenue over Operating Expenses** | **13,154,529** | **99,297** | **-** | **61,054** | **87,186** | **74,590** | **42,862** |
| 97300 | Housing Assistance Payments | 13,170,069 | 92,764 | - | 57,525 | 82,571 | 67,804 | 39,892 |
| **90000** | **Total Expenses** | **13,964,363** | **111,822** | **-** | **67,707** | **95,885** | **87,385** | **48,508** |
| 10100 | Total Other Financing Sources (Uses) | - | - | - | - | - | - | - |
| **10000** | **Excess (Deficiency) of Operating Revenue Over (Under) Expenses** | **(15,540)** | **6,533** | **-** | **3,529** | **4,615** | **6,786** | **2,970** |
| | **Memo Account Information** | | | | | | | |
| 11020 | Debt Principal Payments - Enterprise Funds | - | - | - | - | - | - | - |
| 11030 | Beginning Equity | 1,019,699 | 94,653 | 42,745 | 30,289 | 40,888 | 136,577 | 28,910 |
| 11040 | Prior Period Adjustments, Equity Transfers and Correction of Errors | - | - | (42,745) | - | - | - | (2) |
| 11130 | Maximum Annual Contributions Commitment (per ACC) | 8,293,795 | 69,024 | - | 74,341 | 129,623 | 99,104 | 79,603 |
| 11140 | Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months | - | - | - | - | - | - | - |
| 11150 | Contingency Reserve, ACC Program Reserve | 7,298,414 | 114,904 | - | 39,564 | 38,318 | 82,668 | 21,972 |
| **11160** | **Total Annual Contributions Available** | **15,592,209** | **183,928** | **-** | **113,905** | **167,941** | **181,772** | **101,575** |
| 11190/11200 | Unit Months Available | 30,563 | 292 | - | 156 | 204 | 300 | 132 |
| 11210 | Number of Unit Months Leased | 30,563 | 198 | - | 109 | 176 | 212 | 122 |

**NORTH DAKOTA HOUSING FINANCE AGENCY**
ADJUSTED NET WORTH CALCULATION
FOR THE YEAR ENDED JUNE 30, 2024
(In Thousands)

| | | |
|---|---|---|
| A. Adjusted net worth calculation | | |
| Stockholder's equity per statement of financial condition at end of reporting period | | $ 256,450 |
| Less: | | |
| Itemized unacceptable assets | | |
| 1. Due from state agencies | $ (331) | |
| 2. | $ - | |
| 3. | $ - | |
| Total unacceptable assets | | $ (331) |
| Adjusted net worth | | $ 256,119 |
| B. Required net worth calculation | | |
| Unpaid principal balance of securities outstanding (Note: number of pools = 40) | | $ 143,375 |
| Plus: | | |
| Outstanding balance of commitment authority issued and requested | | $ - |
| Total outstanding portfolio and authority | | $ 143,375 |
| Required net worth | | $ 3,002 |
| C. Excess (deficit) net worth (Adjusted net worth - required net worth) | | $ 253,117 |

**NORTH DAKOTA HOUSING FINANCE AGENCY**
INSURANCE COVERAGE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024
(In Thousands)

| | | |
|---|---|---|
| A. | Identification of affiliated Ginnie Mae issuers | |
| | Affiliated Ginnie Mae issuers<br>(Issuer name and Ginnie Mae issuer identification code) | None |
| | Affiliated issuers on same insurance policies<br>(Issuer name and Ginnie Mae issuer identification number) | None |
| B. | Required insurance calculation | |
| | Servicing portfolio | |
| | Ginnie Mae | $ 143,375 |
| | Conventional (other) | 1,818,413 |
| | Total servicing portfolio | $ 1,961,788 |
| | Required fidelity bond coverage | 2,487 |
| | Required mortgage servicing errors and omissions coverage | 2,487 |
| C. | Verification of insurance coverage | |
| | Fidelity bond coverage at end of reporting period | 2,500 |
| | Mortgage servicing errors and omissions coverage at end of reporting period | 3,625 |
| D. | Excess (deficit) insurance coverage | |
| | Fidelity bond coverage | 13 |
| | Required servicing errors and omissions coverage | 1,138 |
| E. | Ginnie Mae loss payable endorsement | |
| | Fidelity bond coverage | Yes |
| | Mortgage servicing errors and omissions coverage | Yes |

**NORTH DAKOTA HOUSING FINANCE AGENCY**
CAPITAL REQUIREMENT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2024
(In Thousands)

A. Capital requirement for depository institutions

| | | |
|---|---|---|
| Tier 1 capital | $ - | |
| Total capital | $ - | |
| Risk-based assets | $ - | |
| Total assets | $ - | |
| Tier 1 capital / total assets | | - % |
| Tier 1 capital / risk-based assets | | - % |
| Total capital / risk-based assets | | - % |
| | | Meets |
| 5% of tier 1 capital / total assets | $ - | N/A |
| 6% of tier 1 capital / risk-based assets | $ - | N/A |
| 10% of total capital / risk-based assets | $ - | N/A |

B. Capital requirement for nondepository institutions

| | | |
|---|---|---|
| Total adjusted net worth | $ 256,119 | |
| Total assets | $ 2,255,841 | |
| | | Meets |
| Total adjusted net worth / total assets | 11.35% | Yes |

**NORTH DAKOTA HOUSING FINANCE AGENCY**
LIQUID ASSET REQUIREMENT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2024
(In Thousands)

A. Liquid asset calculation

| | | |
|---|---|---|
| Required net worth (from adjusted net worth calculation, page 69) | | $ 3,002 |
| Acceptable liquid assets | | |
| 1. Cash and cash equivalents | $ 16,135 | |
| Total liquid assets | | $ 16,135 |

B. Required liquid asset

| | | Meets Requirement? |
|---|---|---|
| Excess (deficit) liquid (Total liquid assets / required net worth) | 537% | Yes |

# NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

| Federal Grantor/Federal Agency /Pass through Agency/Program | Federal AL Number | Passed Through to Subrecipients | Expenditures |
|---|---|---|---|
| Department of Housing and Urban Development | | | |
| Federal Housing Commission Division | | | |
| Direct programs | | | |
| Previous year balance of loans on which there are continuing compliance requirements | 14.117 | | $ 757,701,751 |
| FHA loan principal disbursed during the fiscal year | | | 144,355,370 |
| Total | | | 902,057,121 |
| Ginnie Mae - Mortgage Insurance - Homes | | | |
| Previous year balance of loans on which there are continuing compliance requirements | 14.UNK | | 134,388,644 |
| Rent Supplements - Rental Housing for Lower Income Families | 14.149 | | 13,964,363 |
| Housing Counseling Assistance Program | 14.169 | $ 41,269 | 41,269 |
| Housing Trust Fund | 14.275 | | 1,743,763 |
| Community Planning and Development Division | | | |
| Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation/Section 8 Project-Based Cluster | 14.856 | | 411,307 |
| Community Development Block Grants | 14.228 | | 5,085 |
| Emergency Solutions Grants Program | 14.231 | 458,192 | 494,679 |
| Continuum of Care - Planning | 14.267 | | 61,413 |
| HOME Investment Partnership Program | 14.239 | 9,605 | 3,764,316 |
| HOME ARP | 14.239 | | 1,390,933 |
| Total Department of Housing and Urban Development | | 509,066 | 1,058,322,893 |
| Department of Veterans Affairs | | | |
| Veterans Benefits Administration Division | | | |
| Veterans Housing - Guaranteed and Insured Loans | | | |
| Previous year balance of loans on which there are continuing compliance requirements | 64.114 | | 85,743,410 |
| VA loan principal disbursed during the fiscal year | 64.114 | | 39,225,679 |
| Total | | | 124,969,089 |
| Ginnie Mae - Veterans Housing Guaranteed and Insured Loans | | | |
| Previous year balance of loans on which there are continuing compliance requirements | 64.UNK | | 10,921,461 |
| Total Department of Veteran Affairs | | | 135,890,550 |
| TOTAL | | $ 509,066 | $1,194,213,443 |

Total AL #14.239 = $5,155,249

**NORTH DAKOTA HOUSING FINANCE AGENCY**
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

## NOTE 2 INDIRECT COST RATE

North Dakota Housing Finance Agency has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

## NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of North Dakota Housing Finance Agency under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of North Dakota Housing Finance Agency, it is not intended to and does not present the financial position, change in net position, or cash flows of North Dakota Housing Finance Agency.

## NOTE 4 LOAN GUARANTEES AND INSURANCE

The following is the balance of federal loan guarantees and insurance outstanding for the loan programs which appear on the schedule of expenditures of federal awards as of June 30, 2024.

| | | 2024 |
|---|---|---|
| Mortgage Insurance - Homes | 14.117 | 839,496,529 |
| Ginnie Mae -Mortgage Insurance - Homes | 14.UNK | 118,299,900 |
| Veterans Housing - Guaranteed and Insured Loans | 64.114 | 115,510,185 |
| GinnieMae - Veterans Housing Guaranteed and Insured Loans | 64.UNK | 9,709,369 |
| | | $ 1,083,015,983 |

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# INDEPENDENT AUDITORS' 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*

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited, in accordance with the 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 business-type activities of the North Dakota Housing Finance Agency, a department of the State of North Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the North Dakota Housing Finance Agency's basic financial statements, and have issued our report thereon dated October 16, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Dakota Housing Finance Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Housing Finance Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of North Dakota Housing Finance Agency'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dakota Housing Finance Agency'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*.

## 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota Housing Finance Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.**
**BISMARCK, NORTH DAKOTA**

October 16, 2024

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# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited North Dakota Housing Finance Agency's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of North Dakota Housing Finance Agency's major federal programs for the year ended June 30, 2024. North Dakota Housing Finance Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Agency's major programs and the related direct and material compliance requirements are as follows:

| Name of Major Program | Direct and Material Compliance Requirements |
|---|---|
| Federal Housing Commission Division Mortgage Insurance – Homes: AL 14.117 | Special Tests and Provisions: Quality Control Plan, Delinquent Loans, Insurance Claims and Escrow Accounts |
| Ginnie Mae Issuers of Mortgage – Backed Securities: AL 14.UNK and & 64.UNK | Special Tests: Federal Financial Reports, Eligibility to Issue Mortgage-Backed Securities, Review of Custodial Documents, Issuer's Administration of Pooled Mortgage, Review of Monthly Accounting Reports and Quarterly Submissions, Securities and Trading Practices. |
| Housing Trust Fund AL 14.275 | Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Eligibility, Matching, Levels of Effort, Earmarking, Program Income, Special Tests and Provisions – Maximum Per-Unit Subsidy and Underwriting and Subsidy Layering Requirements, Special Tests and Provisions – Drawdowns of HTF Funds |

In our opinion, North Dakota Housing Finance Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North Dakota Housing Finance Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of North Dakota Housing Finance Agency's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North Dakota Housing Finance Agency's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North Dakota Housing Finance Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North Dakota Housing Finance Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 North Dakota Housing Finance Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of North Dakota Housing Finance Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Housing Finance Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**BRADY, MARTZ & ASSOCIATES, P.C.**
**BISMARCK, NORTH DAKOTA**

October 16, 2024

**NORTH DAKOTA HOUSING FINANCE AGENCY**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

**Section I - Summary of Auditor's Results**

| | | | | |
|---|---|---|---|---|
| Financial Statements | | | | |
| Type of auditor's report issued: | Unmodified | | | |
| Internal control over financial reporting: | | | | |
| Material weakness(es) identified? | | yes | x | no |
| Significant deficiency(ies) identified? | | yes | x | none reported |
| Noncompliance material to financial statements noted? | | yes | x | no |
| Federal Awards | | | | |
| Internal control over major programs: | | | | |
| Material weakness(es) identified? | | yes | x | no |
| Significant deficiency(ies) identified? | | yes | x | none reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified | | | |
| Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)? | | yes | x | no |

| AL Number(s) | Name of Federal Program or Cluster |
|---|---|
| 14.117 | Mortgage Insurance – Homes |
| 14.UNK / 64.UNK | Ginnie Mae – Mortgage Insurance – Homes |
| | Ginnie Mae - Veterans Housing Guaranteed and Insured Loans |
| 14.275 | Housing Trust Fund |

| | | | | |
|---|---|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $983,958 | | | |
| Auditee qualified as a low-risk auditee? | x | yes | | no |

**Section II - Financial Statement Findings**

There are no findings which are required to be reported under this section.

**Section III - Federal Award Findings and Questioned Costs**

There are no findings which are required to be reported under this section.

**SUMMARY OF NORTH DAKOTA**
**HOUSING FINANCE AGENCY AUDIT**
**FOR FISCAL YEAR ENDED JUNE 30, 2024**
**PREPARED BY BRADY, MARTZ & ASSOCIATES, P.C.**
**October 16, 2024**

**Purpose of the audit:** To determine the financial statements are free from material misstatement.

**Type of Opinion:** Unmodified

**Summary of findings/recommendations:** No findings/recommendations

**Explanations of significant audit adjustments and corrected or uncorrected misstatements:**

1. The following material misstatements were identified as a result of the audit procedures performed, which were corrected by management:
    a. None

2. The following uncorrected misstatements were identified as a result of the audit procedures performed, which were determined by management to be immaterial both individually and in the aggregate:
    a. None

**Disagreements with management or difficulties encountered in performing the audit:** None

**Other items to highlight in the report:** None

**Cost of the audit:**
Current audit $55,375
Prior audit $53,710

October 16, 2024

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited the financial statements of the business-type activities of North Dakota Housing Finance Agency, a department of the State of North Dakota, for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dakota Housing Finance Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during 2024. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> *Fair value of investments* – Management's estimate of investments is based on the exchange value of investments between two willing parties. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

*Fair value of financial derivative instruments* – Management's estimate of the fair value of financial derivative instruments is based on the zero-coupon method and the discounted cash flow method. We evaluated the key factors and assumptions used to develop the fair value of the instruments in determining that they are reasonable in relation to the financial statements taken as a whole.

*Net pension liability* – Management's estimate of its actuarially calculated pension liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increase, and form of annuity payment upon retirement. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

*Net OPEB liability* – Management's estimate of its actuarially calculated OPEB liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, and life expectancy. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements noted.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 16, 2024.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, schedule of employer's share of net pension liability, schedule of employer contributions – pension, employer's share of net OPEB liability, schedule of employer contributions – OPEB and notes to the required supplementary information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statement of net position, combining statement of revenues, expenses and changes in fund net position, combining statement of cash flows, Housing and Urban Development – Section 8 Financial Data Schedule, adjusted net worth calculation, insurance coverage schedule, capital requirement calculation, liquid asset requirement calculation, schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board and management of the North Dakota Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.**
**BISMARCK, NORTH DAKOTA**

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## APPENDIX H

## PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

**$195,000,000***
**State of North Dakota**
**North Dakota Housing Finance Agency**
**Housing Finance Program Bonds**
**Home Mortgage Finance Program**
**2024 Series D (Non-AMT) (Social Bonds)**

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by the NORTH DAKOTA HOUSING FINANCE AGENCY (the "Agency") and Wilmington Trust, National Association, Minneapolis, Minnesota, as trustee under the Resolution (as hereinafter defined) (the "Trustee") in connection with the above-captioned bonds. On December 17, 2024,* the North Dakota Housing Finance Agency (the "Agency"), on behalf of the State, will issue the above-captioned State of North Dakota, North Dakota Housing Finance Agency, Housing Finance Program Bonds, Home Mortgage Finance Program, 2024 Series D (Non-AMT) (Social Bonds) (the "Bonds") in the aggregate principal amount of $195,000,000*. The Bonds were issued pursuant to Chapter 54-17 of the North Dakota Century Code, as amended (the "Act"), the Commission's Housing Finance Program General Bond Resolution of 1994 duly adopted by the Commission on July 21, 1994 (the "1994 General Resolution"), the 2024 Annual Series Resolution adopted by the Commission on December 18, 2023, as supplemented by the 2024 Supplemental Annual Series Resolution adopted by the Commission on October 29, 2024, (the "Annual Series Resolution") and a 2024 Series D Bond Certificate dated December 17, 2024* (the "2024 Series D Bond Certificate" and, with the 1994 General Resolution and Annual Series Resolution, the "Resolutions").

**Section 1. Purpose of this Disclosure Agreement**. This Disclosure Agreement is executed and delivered by the Agency as of the date set forth below, for the benefit of the holders and owners (the "Bondholders") of the Bonds and in order to assist the Underwriter in complying with the requirements of the Rule (as defined below). The Agency represents that it will be the only obligated person (as defined in the Rule) with respect to the Bonds and that no other person is expected to become an obligated person with respect to the Bonds.

**Section 2. Definitions**. The terms set forth below shall have the following meanings in this Disclosure Agreement, unless the context clearly otherwise requires.

"*Agency Disclosure Representative*" shall mean the agent of the Agency designated in writing to the Trustee from time to time.

"*Annual Financial Information*" means the financial information and operating data described in Exhibit I.

"*Annual Financial Information Disclosure*" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

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* Preliminary; subject to change.

"*Audited Financial Statements*" means the audited consolidated financial statements of the Agency, prepared pursuant to the standards and as described in Exhibit I.

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

"*EMMA®*" means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

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

*"Financial Obligation"* means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of either (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"*Listed Event*" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

"*Listed Events Disclosure*" means dissemination of a notice of a Listed Event as set forth in Section 5.

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

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

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

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

"*State*" means the State of North Dakota.

"*Undertaking*" means the obligations of the Agency pursuant to Sections 4 and 5.

**Section 3. CUSIP Numbers/Final Official Statement**. The Official Statement relating to the Bonds is dated _________, 2024 (the "Final Official Statement"). The CUSIP numbers are attached hereto as Exhibit III.

**Section 4. Annual Financial Information Disclosure**. Subject to Section 9 of this Disclosure Agreement, commencing with the fiscal year ending June 30, 2025, the Agency hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 180 days of the completion of the Agency's fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 180 days of the completion of the Agency's fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

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

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

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

**Section 5. Listed Events Disclosure**. Subject to Section 9 of this Disclosure Agreement, the Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds need not be given under this Disclosure Agreement any earlier than the notice (if any) of such redemption is given to the owners of the Bonds pursuant to the Resolution.

**Section 6. Duty to Update EMMA®/MSRB**. The Agency shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA® each time it is required to file information with the MSRB.

**Section 7. Consequences of Failure of the Agency to Provide Information**. The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

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

Notwithstanding the foregoing, no Holders shall have the right to challenge the content or adequacy of the information provided hereto by mandamus, specific performance or other equitable proceedings unless the Holders representing at least 25% aggregate principal amount of outstanding Bonds shall join in such proceedings.

Notwithstanding any other provision in this Undertaking, none of the State, the Agency, or any officer, director, employee, or agent thereof shall be liable for any claims for monetary damages or attorneys' fees whatsoever for any breach of this Undertaking.

**Section 8. Amendments; Waiver**. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if:

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

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

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

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

**Section 9. Termination of Undertaking**. The Undertaking of the Agency shall be terminated hereunder when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

**Section 10. Agency Disclosure Representative**. The Agency may, from time to time, appoint or engage an Agency Disclosure Representative to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agency Disclosure Representative, with or without appointing a successor Agency Disclosure Representative.

**Section 11. Additional Information**. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall not have any obligation under this Disclosure Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

**Section 12. Beneficiaries**. This Disclosure Agreement has been executed in order to assist the Underwriter in complying with the Rule; however, this Disclosure Agreement shall inure solely to the benefit of the Agency, the Agency Disclosure Representative, if any, the Trustee and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

**Section 13. Recordkeeping**. The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

**Section 14. Governing Law**. This Disclosure Agreement shall be governed by the laws of the State.

**Section 15. Duties, Immunities and Liabilities of Trustee**. Article XI of the 1994 General Bond Resolution is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the 1994 General Bond Resolution.

**Section 16. Counterparts**. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

NORTH DAKOTA HOUSING FINANCE AGENCY

By ________________________________________
David A. Flohr
Executive Director

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By ________________________________________
Authorized Officer

## EXHIBIT I

## ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

"*Annual Financial Information*" means financial information and operating data exclusive of Audited Financial Statements as set forth in the paragraph below:

> Audited financial statements of the Agency for its prior fiscal year and related statements of revenues and expenses, changes in net assets and statement of cash flows, and information about the Agency and the Mortgage Loans substantially similar to that in Appendix E and F in the Official Statement. If, on the date the Agency is required to provide the Annual Financial Information, the Agency has not received a report of independent auditors, the Agency shall provide the MSRB and the Trustee with its unaudited financial statements prepared in substantially the format of its audited financial statements and, when available, deliver audited financial statements for such prior fiscal year.

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

Annual Financial Information will be provided to the MSRB within 180 days after the last day of the Agency's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

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

If any change is made to the Annual Financial Information as permitted by Section 4 of the Disclosure Agreement, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

## EXHIBIT II

## EVENTS WITH RESPECT TO THE BONDS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Agency*
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties

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* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Agency 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 Agency, 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 Agency.

**EXHIBIT III**

**CUSIP NUMBERS**

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# APPENDIX I

## FORM OF BOND COUNSEL OPINION
## UPON THE ISSUANCE OF THE OFFERED BONDS

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________, 2024

The Industrial Commission of North Dakota,
acting as the North Dakota Housing Finance Agency
Bismarck, ND 58505

RBC Capital Markets, LLC
Fidelity Capital Markets
J.P. Morgan Securities LLC
Wells Fargo Bank, N.A.

$195,000,000*
State of North Dakota
North Dakota Housing Finance Agency
Housing Finance Program Bonds
Home Mortgage Finance Program
2024 Series D (Non-AMT) (Social Bonds)

We have acted as bond counsel to the Industrial Commission of North Dakota acting as the North Dakota Housing Finance Agency (the "Agency") in connection with the issuance by the Agency of the above-captioned State of North Dakota, North Dakota Housing Finance Agency, Housing Finance Program Bonds, Home Mortgage Finance Program, 2024 Series D (the "Bonds") in the aggregate principal amount of $195,000,000.* In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to North Dakota Century Code, Chapter 54-17 (the "Act"), the Commission's Housing Finance Program General Bond Resolution of 1994 duly adopted by the Commission on July 21, 1994, as amended and supplemented (the "1994 General Resolution"), the 2024 Annual Series Resolution adopted by the Commission on December 18, 2023, as supplemented by the 2024 Supplemental Annual Series Resolution adopted by the Commission on October 29, 2024, (the "Annual Series Resolution"), the 2024 Series D Bond Certificate dated December 17, 2024* (the "2024 Series D Bond Certificate", and together with the 1994 General Resolution and the Annual Series Resolution, the "Resolutions"). Under the Resolutions, the Agency has pledged certain revenues (the "Revenues") for the payment of principal of, premium (if any) and interest on the Bonds when due.

In connection with the issuance of the Bonds, we have examined (a) the Act, (b) an executed counterpart of each of the Resolutions, (c) the form of the Bonds, (d) the applicable provisions of the Constitution, laws and rules and regulations of the State of North Dakota and of the United States of America, (e) the transcript of proceedings relating to the issuance and sale of the Bonds and the opinions, certifications and statements of facts and expectations contained in such transcript and (f) such other documents and materials as we deemed relevant to the opinion expressed herein.

* Preliminary; subject to change.

Regarding questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Resolutions, and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Agency validly exists under State law with the power to adopt the Resolutions, perform the agreements on its part contained therein, and issue the Bonds.

2. The Resolutions have been duly adopted by the Agency, and constitute valid and binding obligations of the Agency enforceable against the Agency. The Resolutions create a valid lien on the Revenues and other funds pledged by the Resolutions for the security for the Bonds on a parity with other bonds (if any) issued or to be issued under the Resolutions.

3. The Bonds have been duly authorized and executed by the Agency, and are valid and binding limited obligations of the Agency, payable solely from the Revenues and other funds provided therefor in the Resolutions. The Bonds are not a debt of the State of North Dakota or any political subdivision thereof. Neither the faith and credit nor the taxing power of the State of North Dakota or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

4. Under the existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income of the holders thereof for federal income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax applicable to individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion set forth in this paragraph is subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Agency has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. Interest on the Bonds is excludable from gross income for State of North Dakota income tax purposes.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular status or other items of income or deduction. We express no opinion regarding such consequences. The purchaser of the Bonds should consult its tax advisors as to the consequences of purchasing, holding or selling the Bonds.

The obligations of the parties, and the enforceability thereof, with respect to the documents described above are subject to the provisions of the bankruptcy laws of the United States of America and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. Certain of the obligations, and the enforcement thereof, contained in the documents described above are also subject to general principles of equity, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents.

Certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. No opinion is expressed as to the Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Respectfully submitted,

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## APPENDIX J

## INFORMATION RELATING TO THE LIQUIDITY PROVIDERS FOR THE AGENCY'S BONDS

The following table sets forth certain information* relating to the liquidity providers for the Agency's Bonds bearing variable rates of interest, as of September 30, 2024:

| **Single Family Mortgage Bonds** | **Liquidity Provider** | **Original Bond Principal** | **Outstanding Bond Principal** | **Expiration Date** |
|---|---|---|---|---|
| 2008B | Royal Bank of Canada | $15,850,000.00 | $12,735,000.00 | March 29, 2029 |
| 2015C | TD Bank, N.A. | 17,700,000.00 | 13,740,000.00 | July 10, 2026 |
| 2015E | TD Bank, N.A. | 25,000,000.00 | 16,930,000.00 | July 10, 2026 |
| 2015F | TD Bank, N.A. | 25,000,000.00 | 25,000,000.00 | July 12, 2028 |
| 2017C | FHLB Des Moines | 13,940,000.00 | 13,940,000.00 | May 10, 2029 |
| 2017H | Royal Bank of Canada | 28,250,000.00 | 28,250,000.00 | December 2, 2026 |
| 2018C | Royal Bank of Canada | 9,355,000.00 | 9,355,000.00 | May 26, 2028 |
| 2019B | FHLB Des Moines | 25,000,000.00 | 25,000,000.00 | June 27, 2029 |
| 2019E | Royal Bank of Canada | 12,265,000.00 | 12,265,000.00 | December 2, 2026 |
| 2022C | Royal Bank of Canada | 30,000,000.00 | 30,000,000.00 | April 28, 2027 |
| 2022E | Royal Bank of Canada | 25,000,000.00 | 25,000,000.00 | June 14, 2027 |
| 2023C | Royal Bank of Canada | 13,330,000.00 | 13,330,000.00 | February 16, 2028 |

* For more specific information regarding individual liquidity facilities and their providers, see the specific offering document related to the Series of Bonds for which liquidity is being provided.

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## APPENDIX K

## CERTAIN INFORMATION RELATING TO THE AGENCY'S INTEREST RATE SWAP AGREEMENTS

The following table sets forth certain information relating to the Agency's interest rate swap agreements, as of September 30, 2024:

**Interest Rate Swap Agreements***

| Associated Bonds | Original Notional Amount | Outstanding Notional Amount | Outstanding Bond Principal | Counterparty |
|---|---|---|---|---|
| 2008B/2015F/2017C | $45,545,000 | $32,715,000 | $51,675,000 | Royal Bank of Canada |
| 2015C | 17,700,000 | 11,745,000 | 13,740,000 | Royal Bank of Canada |
| 2015E | 25,000,000 | 18,840,000 | 16,930,000 | Wells Fargo Bank, N.A. |
| 2017H | 28,250,000 | 28,250,000 | 28,250,000 | Royal Bank of Canada |
| 2018C | 9,355,000 | 9,355,000 | 9,355,000 | Royal Bank of Canada |
| 2019B | 25,000,000 | 25,000,000 | 25,000,000 | Royal Bank of Canada |
| 2019E | 12,265,000 | 12,265,000 | 12,265,000 | Royal Bank of Canada |
| 2022C | 30,000,000 | 30,000,000 | 30,000,000 | Royal Bank of Canada |
| 2022E | 25,000,000 | 25,000,000 | 25,000,000 | Royal Bank of Canada |
| 2023C | 13,330,000 | 13,330,000 | 13,330,000 | Royal Bank of Canada |

*More detailed information with respect to the Agency's derivative transactions is available in the footnotes to the Agency's financials attached hereto in Appendix G.

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## APPENDIX L

## USE OF PROCEEDS REPORT*

| The 2024 Series D Bond Proceeds Summary | | |
|---|---|---|
| Total Proceeds Deposited In Proceeds Account | Proceeds Spent to Acquire Mortgage Loans | Proceeds Remaining |
| $______ | $______ | $______ |

| **Mortgage Loans Acquired<br>By Borrower Income as a % of Area Median Income (“AMI”)†** | | | |
|---|---|---|---|
| **% of AMI:** | **$ of Loans** | **# of Loans** | **% of Proceeds** |
| <50% | | | |
| 50% - 59% | | | |
| 60% - 69% | | | |
| 70% - 79% | | | |
| 80% - 89% | | | |
| 90% - 99% | | | |
| 100% - ___% | | | |

| **Down Payment Assistance (“DPA”) Provided<br>In Conjunction with Mortgage Loans** | |
|---|---|
| | **$ / # / %** |
| Total DPA Provided ($) | |
| Total DPA Provided (#) | |
| % of Borrowers Receiving DPA (%) | |
| Average DPA Provided per Borrower ($) | |
| Average DPA Provided (% of Purchase Price) | |

* As described in the Official Statement under the heading “DESIGNATION OF THE OFFERED BONDS AS SOCIAL BONDS – Social Bond Designation,” once all the proceeds of the Offered Bonds have been spent from the 2024 Series D Subaccount of the Proceeds Account, the Agency will provide this information on EMMA® with respect to all of the Program Loans financed with proceeds of the Offered Bonds.

† Reported income is based on borrower income at time of loan origination.

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# APPENDIX M

## KESTREL'S SECOND PARTY OPINION

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# Second Party Opinion

| | |
|---|---|
| **Issuer:** | **State of North Dakota, North Dakota Housing Finance Agency** |
| **Issue Description:** | Housing Finance Program Bonds<br>Home Mortgage Finance Program<br>2024 Series D (Non-AMT) (Social Bonds) |
| **Project:** | FirstHome Program |
| **Social Standard:** | ICMA Social Bond Principles |
| **Social Categories:** | Affordable Housing<br>Access to Essential Services<br>Socioeconomic Advancement and Empowerment |
| **Target Population:** | Low- and moderate-income households |
| **Keywords:** | Homeownership; affordable housing; wealth inequality; underserved minority households; North Dakota; Native Americans |
| **Par:** | $195,000,000* |
| **Evaluation Date:** | November 4, 2024 |

*Preliminary, subject to change

## SOCIAL BONDS DESIGNATION

Kestrel, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the Housing Finance Program Bonds Home Mortgage Finance Program 2024 Series D (Non-AMT) (Social Bonds) ("Offered Bonds") to evaluate conformance with the Social Bond Principles (June 2023) established by the International Capital Market Association. Our team for this engagement included analysts with backgrounds in sustainability.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight, and conformance of the Offered Bonds with the Social Bond Principles. In our opinion, the Offered Bonds are impactful, conform with the four core components of the Social Bond Principles, and qualify for Social Bonds designation.

## ABOUT THE ISSUER

The North Dakota Housing Finance Agency ("Agency") was created in ~~1980~~ as an instrumentality and political subdivision of the State of North Dakota. As the state's housing finance agency, the Agency has significant positive impact across the state by fulfilling affordable home financing and affordable housing development needs.

The Agency's primary goal is to make housing affordable for all North Dakotans. To achieve this goal, the Agency provides affordable home financing programs, including specialized mortgage programs for first-time homeowners, single parents, veterans, and disabled or elderly head-of-household or household members. In 2023, 1,351 households utilized the Agency's single-family housing program for low- to moderate-income buyers, the FirstHome Program, and 62% of those households received some form of downpayment or closing cost assistance.[1]

In addition to homeownership programming, the Agency facilitates development of affordable housing for low- to moderate-income households through partnerships with housing developers and by offering loan products for developers and community land trusts. The Agency manages multiple lending and grant-making programs that create even more housing access, including:

- **Rehab Accessibility Program,** which provides funds to renovate properties occupied by lower income North Dakotans with physical disabilities.
- **Helping Housing Across North Dakota (Helping HAND),** which provides funds to rehabilitate single-family housing for lower income households in partnership with local nonprofit organizations.
- **Opening Doors,** which secures housing for Medicaid-eligible households with poor credit, a history of evictions, or a criminal record who may otherwise have limited access to stable housing.
- **Housing Market Survey Grants,** which help pay for the analysis of current and future housing needs in small communities.
- **Community Land Trust Pilot Program,** which provides a low-cost line of credit for local Community Land Trusts to create more affordable single-family housing on in-fill lots and in higher density neighborhoods.
- **Construction Loan Guarantee Program,** which provides construction loan guarantees for contractors who build or rehabilitate affordable single-family housing in rural communities.
- **HUD Emergency Solutions Grant and North Dakota Homeless Grant,** which provide financial assistance to organizations that provide permanent housing and support to individuals experiencing or at-risk of homelessness.

The Agency also manages compliance and administration of (i) state programs such as the Housing Incentive Fund, which, as of 2023, may be used to finance single-family housing development; and (ii) federal programs, such as the Low Income Housing Tax Credit program, the Moderate Rehabilitation Program, HOME-ARP funds, the National Housing Trust Fund, and Homelessness Continuum of Care. The Agency was recognized as a Tier 1 Federal Housing Administration loan servicer by HUD's National Servicing Center for FY2023. The agency has achieved this ranking for six consecutive years, in recognition of its reporting standards and foreclosure prevention practices.

[1] "2023 Annual Report," North Dakota Housing Finance Agency, accessed October 28, 2024, https://www.ndhfa.org/wp-content/uploads/2024/02/2023AnnualReport.pdf.

## ALIGNMENT TO SOCIAL STANDARDS[2]

### Use of Proceeds

The Offered Bonds will be used to finance mortgage loans for low- and moderate-income homebuyers ("Program Loans") that meet certain eligibility criteria. The Offered Bonds align with three Social Project categories identified in the Social Bond Principles: *Affordable Housing*, *Access to Essential Services*, and *Socioeconomic Advancement and Empowerment*.

The Social Bond Principles

Program Loans to be financed with the Offered Bonds are part of the Agency's FirstHome Program, which aims to reduce barriers to homeownership for first-time homebuyers with low or moderate incomes. Borrowers can receive free or discounted homebuyer education and work directly with Mortgage Lenders to receive loans through the FirstHome Program. Loans are originated through approved Mortgage Lenders and subsequently acquired by the Agency. Improving access to financing for eligible borrowers increases access to an essential service and reduces inequities in homeownership. Up to five percent of proceeds may be used to fund Program Loans under the HomeAccess Program which assists low- to moderate-income homebuyers who are single parents, veterans, seniors, or persons with disabilities. In 2023, the Agency financed 197 HomeAccess loans, which included 60% of mortgages to single parents.[3]

Homeownership in North Dakota and Native American Homeownership Needs

Homeownership is a vehicle for building wealth, financial stability, and economic opportunity that can transcend generations. Instead of paying rent to a third party, homeowners build equity. Owning a home results in more predictable housing costs over time and can increase financial stability. Home ownership can also reduce disruptions associated with rent instability and changes to a rental property that are out of a family's control. Housing wealth (equity) is also a key component of retirement resources for many families because lower housing costs after the mortgage is paid off makes it possible to subsist on the lower income associated with retirement.

Equitable access to safe and affordable homeownership is critical in North Dakota. According to the most recent North Dakota Statewide Housing Needs Assessment, the number of lower income households is expected to increase.[4] Access to affordable housing is especially important for the state's largest minority group: Native Americans. There are five federally recognized tribal nations in North Dakota that make up 5.4% of the state's population. Native Americans, however, disproportionately account for 30% of the state's homeless population.[5] Addressing housing needs for Native Americans in North Dakota is essential as this population faces high rates of poverty and limited access to financing. Due to the unique circumstances of trust land regulations, fractionated land ownership, and limited opportunities for housing development, Native Americans are underserved by traditional mortgage lending. While homeownership rates are generally higher in North Dakota than the national average, racial disparities in homeownership exist between white households and Native American households: approximately 70% of white households

[2] Social Bonds are any type of debt instrument where the proceeds will be exclusively applied to finance or refinance eligible Social Projects which are aligned with the four core components of ICMA Social Bond Principles.
[3] "2023 Annual Report," North Dakota Housing Finance Agency.
[4] "2022 North Dakota Statewide Housing Needs Assessment," North Dakota State University Center for Social Research and the Department of Agribusiness and Applied Economics for North Dakota Housing Finance Agency, October 2022, https://www.ndhfa.org/wp-content/uploads/2022/10/PopulationandHousingForecast.pdf.
[5] "The Current State of Housing in North Dakota," North Dakota Housing Finance Agency, 2020, https://www.ndhfa.org/wp-content/uploads/2020/11/CurrentStateofHousing.pdf.

own their home, while both on and off tribal lands, only 40% of American Indians, Alaska Natives, Native Hawaiians, other Pacific Islanders, Asians, and multiracial people own their homes.[6] State housing finance agencies such as the Agency are a primary avenue for addressing these challenges and promoting homeownership among Native American populations.[7] The Agency partners with the United States Department of Housing and Urban Development and the United States Department of Agriculture to host meetings in predominantly Native American communities to address housing needs with tribal leaders.[8]

Downpayment and Closing Cost Assistance & Homebuyer Education

Many families and individuals are unable to purchase a home due to the major expense of a downpayment and closing costs. To alleviate this barrier, the Agency couples downpayment and/or closing cost assistance with nearly all Program Loans (Table 1). The Offered Bonds will finance downpayment and/or closing cost assistance, which is offered through two primary programs: the Downpayment and Closing Cost Assistance ("DCA") Program for borrowers with incomes below 80% of Area Median Income ("AMI"), and the Start Program for low- to moderate-income buyers.

All recipients of downpayment and closing cost assistance through the DCA Program are required to complete a homebuyer education course, either in person or online, through the eHome America Homebuyer Education program or a local community program approved by the Agency. Ongoing counseling after a home purchase is also available. Since the Agency services 90% of loans in the single-family programs, support and counseling is largely provided through the Agency.

**Table 1. Downpayment and closing cost assistance provided through the FirstHome Program in conjunction with loans for single-family homeownership (1/1/2024-10/15/2024)**

| | |
|---|---|
| **Total downpayment and closing cost assistance provided ($)** | $8,424,768 |
| **Total downpayment and closing cost assistance provided (#)** | 1,164 |
| **Percent of borrowers receiving downpayment and closing cost assistance** | 88% |
| **Average downpayment and closing cost assistance provided per borrower** | $7,238 |
| **Average downpayment and closing cost assistance provided (% of purchase price)** | 3.04% |

Target Population

The Program Loans financed through the Offered Bonds benefit low- and moderate-income individuals and families in North Dakota who are pursuing homeownership. The maximum eligible income, depending upon family size, is (i) between 100% and 115% of the Area Median Income ("AMI") for borrowers purchasing homes outside of Targeted Areas (as defined below) and (ii) 140% or less of the AMI for borrowers purchasing homes in Targeted Areas. It is expected that new Program Loans to be financed with the Offered Bonds will have a similar income distribution to previously financed groups of loans in the single-family program (Table 2). The new Program Loans are also expected to benefit minority populations

[6] "Forecasting State and National Trends in Household Formation and Homeownership: North Dakota," Urban Institute, accessed October 28, 2024, https://www.urban.org/policy-centers/housing-finance-policy-center/projects/forecasting-state-and-national-trends-household-formation-and-homeownership/north-dakota.

[7] Brian Pierson, "2020 Indian Housing Development Handbook," National American Indian Housing Council, 2020, https://naihc.net/project/indian-housing-development-handbook/.

[8] The Agency must comply with fair housing laws and does not have specific lending goals for Native American borrowers.

who are historically underrepresented as homeowners, borrowers with disabilities, borrowers who care for individuals with disabilities, as well as households in lower income areas and areas of economic distress.

Targeted Areas
The Agency purchases eligible Program Loans for households in Targeted Areas. A Targeted Area is federally defined as a census tract in which 70% of families have incomes less than 80% of the statewide median family income. The designation of a Targeted Area may change over time and is based on several factors including housing demand, demand for financing, area income levels, and/or unemployment rates. As of 2024, North Dakota has seven qualified census tracts which are located in Cass County and Sioux County.

**Table 2. Income bands of previously financed loans in the Agency's single-family programs eligible for tax-exempt bond financing (1/1/2022-10/15/2024)[9]**

| | 2022 | | 2023 | | 2024 | |
|---|---|---|---|---|---|---|
| **AMI Band** | **$ of Loans ($MM)** | **% of Proceeds** | **$ of Loans ($MM)** | **% of Proceeds** | **$ of Loans ($MM)** | **% of Proceeds** |
| <50% | $53.50 | 19.25% | $35.65 | 13.07% | $30.57 | 10.44% |
| 50% - 59% | $53.12 | 19.11% | $40.56 | 14.87% | $39.27 | 13.41% |
| 60% - 69% | $48.15 | 17.32% | $46.43 | 17.02% | $54.40 | 18.58% |
| 70% - 79% | $45.75 | 16.46% | $49.69 | 18.21% | $54.42 | 18.58% |
| 80% - 89% | $41.59 | 14.96% | $41.61 | 15.25% | $52.34 | 17.87% |
| 90% - 99% | $26.16 | 9.41% | $35.49 | 13.01% | $42.94 | 14.66% |
| 100%+ | $9.70 | 3.49% | $23.41 | 8.58% | $18.89 | 6.45% |
| **Total** | **$277.97** | **100%** | **$272.84** | **100%** | **$292.83** | **100%** |

### Process for Project Evaluation and Selection

The Agency's mission, in part, is to increase access to affordable homeownership for all North Dakotans, and this is reflected in bond-financed activities. Proceeds will provide mortgages to households that otherwise may not have access to affordable homeownership. All loans financed with proceeds of the Offered Bonds will be FirstHome Program Loans. To be eligible for FirstHome Program Loans, borrowers must meet strict criteria outlined by the Agency's Program Loan Procedures and the Internal Revenue Code. Requirements include:

- Borrower must be a first-time homebuyer, a qualified veteran or purchase in a Targeted Area
- Borrower's income must meet income limits (low- or moderate-income)
- Purchased home must be in a one- to four-family unit and not exceed purchase price limits established by the Agency
- Purchased home must be a primary residence

[9] Totals may not add up to 100% due to rounding.

The Agency reviews and confirms that all loans meet eligibility criteria and comply with fair housing laws. The Agency provides training, support, procedures, and guidance for lenders to accurately identify borrowers that meet the FirstHome Program eligibility criteria. Throughout the process, multiple eligibility criteria are confirmed, including employment verification, income levels, home location and other factors. Once a loan is closed, the lender sends purchase details to the Agency, and the Agency completes a final review before purchasing the loan.

### Management of Proceeds

Proceeds from the Offered Bonds will be deposited into the 2024 Series D Subaccount of the Proceeds Account and will be used to pay costs of issuance. Proceeds in the 2024 Series D Subaccount of the Proceeds Account will be used to purchase Program Loans for eligible borrowers. The Agency's Finance Division and Homeownership Division are responsible for overseeing and tracking proceeds. Proceeds are expected to be fully spent within about twelve months of issuance.

Prior to the purchase of Program Loans, Offered Bond proceeds may temporarily be invested in permitted investments including US Treasury securities, mortgage-backed securities, or the Bank of North Dakota money market and demand accounts.

### Reporting

The Agency will voluntarily prepare a one-time updated version of Appendix L of the Official Statement after bond proceeds in the 2024 Series D Subaccount of the Proceeds Account have been spent to purchase Program Loans. The Agency will post this report on the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") system. In addition to the one-time report, as long as the Offered Bonds are outstanding, the Agency will submit annual continuing financial disclosures on EMMA, as described in the Official Statement.

## ALIGNMENT WITH UN SDGS

The Offered Bonds support and advance the vision of the United Nations Sustainable Development Goals ("UN SDGs"), including:

**No Poverty (Target 1.4)**
Increased access to affordable mortgage financing which supports interruption of the poverty cycle

**Decent Work and Economic Growth (Target 8.10)**
Increased access to financial services that enable low- and moderate-income populations to own property

**Reduced Inequalities (Target 10.2)**
Increased social equity through downpayment assistance and homebuyer education programs that lower barriers to homeownership for disadvantaged groups

**Sustainable Cities and Communities (Target 11.1)**
Improved access to affordable housing opportunities

Full text of the Targets is available on the United Nations website: un.org/sustainabledevelopment

## CONCLUSION

Based on our independent external review, the Offered Bonds are impactful, conform, in all material respects, with the Social Bond Principles (June 2023) and are in complete alignment with three eligible project categories: *Affordable Housing*, *Access to Essential Services*, and *Socioeconomic Advancement and Empowerment*.



**About**

Kestrel Sustainability Intelligence™ for municipal markets helps set the market standard for sustainable finance. We do this through verification and our comprehensive Sustainability Analysis and Scores.

Kestrel is a leading provider of external reviews for green, social and sustainability bond transactions. We evaluate corporate and municipal bonds in all sectors worldwide for conformance with international green and social bond standards.

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**Disclaimer**

This Opinion aims to explain how and why the discussed financing meets the ICMA Social Bond Principles based on the information that was provided by the Agency or made publicly available by the Agency and relied upon by Kestrel only during the time of this engagement (October - November 2024), and only for purposes of providing this Opinion.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Opinion, Kestrel is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Social Bonds. It was beyond Kestrel's scope of work to review for regulatory compliance, and no surveys or site visits were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Opinion delivered by Kestrel is for informational purposes only, is current as of the Evaluation Date, and does not address financial performance of the Social Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the Agency, nor its ability to pay principal and interest when due. This Opinion does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions.

This Opinion may not be altered without the written consent of Kestrel. Kestrel reserves the right to revoke or withdraw this Opinion at any time. Kestrel certifies that there is no affiliation, involvement, financial or non-financial interest in the Agency or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

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