PRELIMINARY OFFICIAL STATEMENT DATED JULY 15, 2026

SERIES 2026-1 NEW ISSUE **(BOOK-ENTRY ONLY)**

In the opinion of Barnes & Thornburg LLP, Bond Counsel, interest on the Series 2026-1A Bonds is excludable from gross income for purposes of federal income tax, under existing laws as of the date of initial delivery of the Series 2026-1A Bonds and assuming continuing compliance with the requirements of federal tax law, except that interest on a Series 2026-1A Bond is not excludable while the Series 2026-1A Bond is held by a substantial user of the financed facilities or a related person. Interest on the Series 2026-1A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is of the opinion that interest on the Series 2026-1B Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that the interest on the Series 2026-1 Bonds is exempt from the personal income tax and the corporate net income tax imposed by the Commonwealth of Pennsylvania (the "Commonwealth"), under the laws of the Commonwealth as enacted and construed on the date of initial delivery of the Series 2026-1 Bonds. See "TAX MATTERS" herein.

PHFA
PENNSYLVANIA HOUSING FINANCE AGENCY

$110,280,000[*]
PENNSYLVANIA HOUSING FINANCE AGENCY
MULTIFAMILY HOUSING REVENUE BONDS
$27,925,000[*] SERIES 2026-1A (NON-AMT)
$82,355,000[*] SERIES 2026-1B (FEDERALLY TAXABLE)

Dated Date/Delivery Date:	August 19, 2026[*]
Series 2026-1 Bonds:	Multifamily Housing Revenue Bonds, Series 2026-1A (Non-AMT) (the "Series 2026-1A Bonds") and Series 2026-1B (Federally Taxable) (the "Series 2026-1B Bonds" and, together with the Series 2026-1A Bonds, the "Series 2026-1 Bonds") of the Pennsylvania Housing Finance Agency (the "Agency"). Proceeds of the Series 2026-1 Bonds will be used to finance mortgage loans for multifamily rental housing developments.
Book-Entry Only System:	The Series 2026-1 Bonds will be issued only as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, NY ("DTC"). Individual purchases must be made in book-entry form. (See "BOOK-ENTRY ONLY SYSTEM" herein).
Denominations:	The Series 2026-1 Bonds are being issued as fixed rate securities in denominations of $5,000 and integral multiples thereof.
Interest Payment Dates:	April 1 and October 1, commencing on April 1, 2027[*].
Interest Rates and Maturities:	Set forth on the inside cover herein.
Redemption Dates:	The Series 2026-1 Bonds are subject to redemption prior to maturity as described herein. See "REDEMPTION PROVISIONS" herein.
Security:	The Series 2026-1 Bonds are general obligations of the Agency secured under the Pennsylvania Housing Finance Agency Law (the "Act") and a Master Trust Indenture dated as of July 1, 2026, as supplemented by a First Supplemental Trust Indenture relating to the Series 2026-1 Bonds (collectively, the "Indenture"), by and between the Agency and U.S. Bank Trust Company, National Association (the "Trustee"). See "SECURITY FOR THE PARITY OBLIGATIONS — Trust Estate; Security for the Parity Obligations" in Part 2 of this Official Statement. The Agency has no taxing power. Neither the Commonwealth of Pennsylvania (the "Commonwealth") nor any political subdivision thereof is or shall be obligated to pay the principal or redemption price of or purchase price of or interest on the Series 2026-1 Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.
Trustee:	U.S. Bank Trust Company, National Association.
Bond Counsel:	Barnes & Thornburg LLP, of Philadelphia, PA.
Underwriter's Counsel:	Hawkins Delafield & Wood LLP, of New York, NY
Rating:	The Series 2026-1 Bonds are rated Aa2 by Moody's Ratings.

Jefferies

American Veterans Group, PBC **AmeriVet Securities** **Barclays** **BofA Securities**

J.P. Morgan **Morgan Stanley** **PNC Capital Markets LLC** **Ramirez & Co., Inc.**

Raymond James **RBC Capital Markets** **Wells Fargo Securities**

Dated:

[*] Subject to change

MATURITY SCHEDULE
Relating to
PENNSYLVANIA HOUSING FINANCE AGENCY
MULTIFAMILY HOUSING REVENUE BONDS
$27,925,000[*] SERIES 2026-1A (NON-AMT)

$4,380,000[*] Series 2026-1A Serial Bonds

Maturity[*]	Amount[*]	Coupon	Price	CUSIP[†]	Maturity[*]	Amount[*]	Coupon	Price	CUSIP[†]
October 1, 2029	$195,000	%	%		October 1, 2034	$235,000	%	%	
April 1, 2030	200,000				April 1, 2035	235,000			
October 1, 2030	200,000				October 1, 2035	245,000			
April 1, 2031	210,000				April 1, 2036	245,000			
October 1, 2031	210,000				October 1, 2036	250,000			
April 1, 2032	210,000				April 1, 2037	255,000			
October 1, 2032	220,000				October 1, 2037	260,000			
April 1, 2033	220,000				April 1, 2038	265,000			
October 1, 2033	225,000				October 1, 2038	275,000			
April 1, 2034	225,000								

$23,545,000[*] Series 2026-1A Term Bonds

$1,755,000[*] ____% Series 2026-1A Term Bonds due October 1, 2041[*] – Price ______%; CUSIP[†] ________
$3,510,000[*] ____% Series 2026-1A Term Bonds due October 1, 2046[*] – Price ______%; CUSIP[†] ________
$18,280,000[*] ____% Series 2026-1A Term Bonds due October 1, 2051[*] – Price ______%; CUSIP[†] ________

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[*] Subject to change
[†] CUSIP is a registered trademark of American Bankers Association (“ABA”). CUSIP data herein is provided by CUSIP Global Services (“CGS”), which is managed on behalf of ABA by FactSet Research Systems Inc. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers are being assigned by an organization not affiliated with the Agency or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue, post-issuance procurement of credit enhancement or the use of secondary market financial products. Neither the Agency nor the Underwriters have agreed, or assumed any duty or obligation, to update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

MATURITY SCHEDULE
Relating to
PENNSYLVANIA HOUSING FINANCE AGENCY
MULTIFAMILY HOUSING REVENUE BONDS
$82,355,000* SERIES 2026-1B (FEDERALLY TAXABLE)

$18,415,000* Series 2026-1B Serial Bonds

Maturity*	Amount*	Coupon	Price	CUSIP†	Maturity*	Amount*	Coupon	Price	CUSIP†
April 1, 2027	$525,000	%	%		April 1, 2033	$765,000	%	%	
October 1, 2027	600,000				October 1, 2033	785,000			
April 1, 2028	620,000				April 1, 2034	805,000			
October 1, 2028	630,000				October 1, 2034	825,000			
April 1, 2029	650,000				April 1, 2035	840,000			
October 1, 2029	660,000				October 1, 2035	860,000			
April 1, 2030	675,000				April 1, 2036	880,000			
October 1, 2030	690,000				October 1, 2036	905,000			
April 1, 2031	705,000				April 1, 2037	915,000			
October 1, 2031	725,000				October 1, 2037	940,000			
April 1, 2032	740,000				April 1, 2038	970,000			
October 1, 2032	750,000				October 1, 2038	955,000			

$63,940,000* Series 2026-1B Term Bonds

$6,055,000* ____% Series 2026-1B Term Bonds due October 1, 2041* – Price ______%; CUSIP† ________
$12,405,000* ____% Series 2026-1B Term Bonds due October 1, 2046* – Price ______%; CUSIP† ________
$15,155,000* ____% Series 2026-1B Term Bonds due October 1, 2051* – Price ______%; CUSIP† ________
$16,885,000* ____% Series 2026-1B Term Bonds due October 1, 2056* – Price ______%; CUSIP† ________
$13,440,000* ____% Series 2026-1B Term Bonds due October 1, 2061* – Price ______%; CUSIP† ________

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* Subject to change

† CUSIP is a registered trademark of American Bankers Association ("ABA"). CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of ABA by FactSet Research Systems Inc. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers are being assigned by an organization not affiliated with the Agency or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue, post-issuance procurement of credit enhancement or the use of secondary market financial products. Neither the Agency nor the Underwriters have agreed, or assumed any duty or obligation, to update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

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OFFICIAL STATEMENT SUMMARY

This Summary is furnished to provide limited introductory information regarding the terms of the Series 2026-1 Bonds and is qualified by the more detailed descriptions appearing in Parts 1 and 2 of this Official Statement and the appendices thereto. The offering of the Series 2026-1 Bonds is made only by means of this entire Official Statement; and no person is authorized to make offers to sell or to solicit offers to buy the Series 2026-1 Bonds unless the entire Official Statement is delivered. See this Official Statement for all defined terms.

The Issuer ....The Pennsylvania Housing Finance Agency (the "Agency") is a body corporate and politic constituting a public corporation and government agency created by the Pennsylvania Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended (35 P.S. §1680.101 *et seq*.) (the "Act").

The Series 2026-1 Bonds ....$110,280,000* Multifamily Housing Revenue Bonds, consisting of $27,925,000* Series 2026-1A (Non-AMT) (the "Series 2026-1A Bonds") and $82,355,000* Series 2026-1B (Federally Taxable) (the "Series 2026-1B Bonds" and, together with the Series 2026-1A Bonds, the "Series 2026-1 Bonds").

Use of Proceeds ....Proceeds of the Series 2026-1A Bonds will be used to make the Series 2026-1A Mortgage Loans for the Series 2026-1A Developments (each as defined herein). Proceeds of the Series 2026-1B Bonds will be used to finance (as described herein) the Series 2026-1B Mortgage Loans for the Series 2026-1B Developments (each as defined herein). See "THE SERIES 2026-1 Bonds – Estimated Sources and Uses of Funds" in Part 1.

First Series of Bonds.........................The Series 2026-1A Bonds and the Series 2026-1B Bonds are the first two series of bonds issued under the Indenture. The Series 2026-1A Bonds, the Series 2026-1B Bonds and any additional Parity Obligations issued under the Indenture are referred to collectively as the "Bonds" or "Parity Obligations" herein.

Maturity ....The Series 2026-1 Bonds mature on the dates in the principal amounts set forth on the inside cover pages of this Official Statement.

Interest ....Interest on the Series 2026-1 Bonds accrues from their date of delivery, is payable on April 1 and October 1 of each year, commencing on April 1, 2027*, until maturity, or earlier redemption, if applicable. Interest on the Series 2026-1 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Redemption ....As described in "REDEMPTION PROVISIONS" in Part 1 of this Official Statement, the Series 2026-1 Bonds are subject to redemption prior to maturity, from optional redemption, sinking fund redemption, and special optional redemption.

Security and Sources of Payment ...The Series 2026-1 Bonds are general obligations of the Agency and are Parity Obligations under the Indenture, which (together with the Agency's Multifamily Housing Revenue Bonds hereafter issued as Parity Obligations under the Indenture) have a first priority pledge of, lien on, and security interest in, the Trust Estate, which includes the Series 2026-1 Mortgage Loans and the Revenues therefrom, the proceeds of the Series 2026-1 Bonds and funds on deposit in the Proceeds Fund, the Capital Reserve Fund and the Revenue Fund, together with other amounts pledged under the Indenture. See "SECURITY FOR THE PARITY OBLIGATIONS – Trust Estate; Security for the Parity Obligations" in Part 2 of this Official Statement.

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

Equally and Ratably Secured ....The Series 2026-1 Bonds are equally and ratably secured with any Parity Obligations hereafter issued under the Indenture.

Capital Reserve Fund ....The Agency has established a Capital Reserve Fund under the Master Indenture and will deposit therein funds to satisfy the "Capital Reserve Requirement" for the Series 2026-1 Bonds of three percent (3%) of the Outstanding principal amount of the Series 2026-1 Bonds. See "SECURITY FOR THE PARITY OBLIGATIONS – Capital Reserve Fund" in Part 2 of this Official Statement.

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* Subject to change

Rating ....Moody's Ratings has assigned the rating of "Aa2" to the Series 2026-1 Bonds. See "RATING" in Part 1 of this Official Statement.

Investment Considerations ....Many factors affecting the Agency and its mortgage loans that could impact the security and sources of payment for the Series 2026-1 Bonds should be considered by investors in making any investment decision. For a description of certain such factors, see "CERTAIN INVESTMENT CONSIDERATIONS" in Part 1 of this Official Statement.

Series 2026-1 Bonds
Tax Matters ....In the opinion of Bond Counsel, interest on the Series 2026-1A Bonds is excludable from gross income for purposes of federal income tax, under existing laws as of the date of initial delivery of the Series 2026-1A Bonds and assuming continuing compliance with the requirements of federal tax law, except that interest on a Series 2026-1A Bond is not excludable while the Series 2026-1A Bond is held by a substantial user of the financed facilities or a related person. Interest on the Series 2026-1A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is of the opinion that interest on the Series 2026-1B Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that the interest on the Series 2026-1 Bonds is exempt from the personal income tax and the corporate net income tax imposed by the Commonwealth of Pennsylvania (the "Commonwealth"), under the laws of the Commonwealth as enacted and construed on the date of initial delivery of the Series 2026-1 Bonds. See "TAX MATTERS" herein.

Disclosure Undertaking ....The Agency will enter into a written continuing disclosure undertaking for the benefit of holders and owners of the Series 2026-1 Bonds. See "ONGOING SECONDARY MARKET DISCLOSURE – Continuing Disclosure Undertaking" in Part 1 and "FINANCIAL STATEMENTS OF THE AGENCY – Disclosure Undertaking" in Part 2 of this Official Statement.

Book-Entry Only System ....The Series 2026-1 Bonds initially will be issued to, and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), under the book-entry only system. DTC will act as securities depository of the Series 2026-1 Bonds. Purchasers of such Series 2026-1 Bonds will not receive physical delivery of bond certificates, except in the event that use of the book-entry system for the Series 2026-1 Bonds is discontinued. See "BOOK-ENTRY ONLY SYSTEM" in Part 2 of this Official Statement.

No dealer, broker, salesperson or other person has been authorized by the Pennsylvania Housing Finance Agency or the Underwriters, to give any information or to make any representations, other than as contained in this Official Statement (consisting of Part 1 and Part 2 and all appendices thereto), and if given or made such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2026-1 Bonds (as defined herein) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Pennsylvania Housing Finance Agency and by other sources. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any placement made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Pennsylvania Housing Finance Agency since the date hereof (or the date of any specific information provided).

The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety.

Part 1 and Part 2 of this Official Statement, including their respective appendices, are to be read together, and together Part 1 and Part 2 and their respective appendices constitute this Official Statement.

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PART 2

OFFICIAL STATEMENT PART 1

PENNSYLVANIA HOUSING FINANCE AGENCY
Multifamily Housing Revenue Bonds

This Official Statement Part 1 (sometimes referred to herein as "Part 1") provides information as of its date (except where otherwise expressly stated) concerning the Pennsylvania Housing Finance Agency's Series 2026-1 Bonds (as defined herein). Part 1 contains only a part of the information to be provided by the Agency in connection with the issuance and sale of the Series 2026-1 Bonds. Additional information concerning certain sources of payment and security for the Series 2026-1 Bonds, the Agency and its mortgage loan program is contained in the Official Statement Part 2 (including the Appendices thereto) (sometimes referred to herein as "Part 2") and is subject in all respects to the information contained herein.

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PENNSYLVANIA HOUSING FINANCE AGENCY

211 North Front Street
Harrisburg, PA 17101
(717) 780-3800

Members of the Agency

OFFICIAL STATEMENT

PART 1

Relating to
$110,280,000*
PENNSYLVANIA HOUSING FINANCE AGENCY
Multifamily Housing Revenue Bonds
$27,925,000* SERIES 2026-1A (NON-AMT)
$82,355,000* SERIES 2026-1B (FEDERALLY TAXABLE)

INTRODUCTORY STATEMENT

This Official Statement consists of Part 1 and Part 2 (including the Appendices thereto). The purpose of this Part 1, which includes the cover page, inside cover pages hereof, Official Statement Summary and the Appendix to this Part 1, is to set forth certain information concerning the Pennsylvania Housing Finance Agency (the "Agency" or "PHFA"), a body corporate and politic constituting a public corporation and government agency created by the Pennsylvania Housing Finance Agency Law (35 P.S. §1680.101 et seq.), as amended (the "Act"), the Agency's Rental Housing Program, the Agency's Multifamily Housing Revenue Bonds and, more particularly, its $27,925,000* Series 2026-1A (Non-AMT) (the "Series 2026-1A Bonds") and $82,355,000* Series 2026-1B (Federally Taxable) (the "Series 2026-1B Bonds"). The Series 2026-1A Bonds and the Series 2026-1B Bonds are collectively referred to as the "Series 2026-1 Bonds" herein.

Part 1 of this Official Statement includes specific information about the Series 2026-1 Bonds. The form of opinion of Bond Counsel is attached as Appendix A to Part 1. Part 2 of this Official Statement sets forth additional information concerning the Agency, the Act, the Rental Housing Program, other Agency affordable housing programs, and the Bonds issued under the Indenture (as defined below). Appendices to Part 2 include definitions (Appendix A); information about the Section 8 Program (as defined herein) (Appendix B); information about the Existing Developments (as defined herein) (Appendix C); information about Agency programs and outstanding obligations (Appendix D); and audited and unaudited financial statements (Appendix E and Appendix F, respectively). All capitalized terms used in this Official Statement

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* Subject to change

and not otherwise defined herein shall have the meanings ascribed thereto in Appendix A to Part 2 of this Official Statement and in the Indenture, as applicable.

The Series 2026-1 Bonds are being issued pursuant to the Act, certain resolutions duly adopted by the Board of the Agency (the "Board") on April 16, 2026 and May 14, 2026 (collectively, the "Resolutions"), and a Master Trust Indenture, dated as of July 1, 2026 (the "Master Indenture"), by and between the Agency and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), as supplemented by a First Supplemental Trust Indenture, dated as of July 1, 2026, by and between the Agency and the Trustee (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture").

The Series 2026-1 Bonds are general obligations of the Agency secured under the Act and the Indenture.

Proceeds of the Series 2026-1A Bonds will be used to make two (2)* mortgage loans (the "Series 2026-1A Mortgage Loans") for the acquisition and rehabilitation of two (2)* multifamily rental housing developments (the "Series 2026-1A Developments").

Proceeds of the Series 2026-1B Bonds will be used to finance (through the release of such proceeds to the Agency free and clear of the lien of the Indenture, in connection with the Agency's pledging under the Indenture) sixty-six (66)* existing mortgage loans previously made by the Agency (the "Series 2026-1B Mortgage Loans" or the "Existing Mortgage Loans" and, together with the Series 2026-1A Mortgage Loans, the "Series 2026-1 Mortgage Loans") for the construction or acquisition and rehabilitation of sixty-five (65)* multifamily rental housing developments (the "Series 2026-1B Developments" or the "Existing Developments").

Pursuant to the Master Indenture, the Agency is authorized to issue bonds, notes, debentures, interim certificates or other evidence of financial indebtedness of the Agency authorized to be issued under the Act ("Obligations") issued as Parity Obligations, Non-Parity Obligations, or any combination thereof. Parity Obligations have a first priority pledge of lien on and security interest in the Trust Estate. Parity Obligations, regardless of the time or times of their issue or maturity shall be of equal rank without preference priority or distinction of any Parity Obligation over any other except as expressly provided. See "SECURITY FOR THE PARITY OBLIGATIONS — Trust Estate; Security for the Parity Obligations; Provision for General Obligations." Non-Parity Obligations are payable from Revenues either separate and distinct from or subordinate to the payments made with respect to the Parity Obligations and are secured by a lien on and a pledge of Revenues separate and distinct from or junior and inferior to the lien on and pledge of the Revenues for the payment of Parity Obligations, all as set forth herein. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Non-Parity Obligations" in Part 2.

The Series 2026-1A Bonds and the Series 2026-1B Bonds are the first two series of Multifamily Housing Revenue Bonds issued under the Indenture and are designated as Parity Obligations, which have a first priority pledge of, lien on, and security interest in, the Trust Estate, which includes the Series 2026-1 Mortgage Loans and the Revenues therefrom, the proceeds of the Series 2026-1 Bonds and funds on deposit in the Proceeds Fund, the Capital Reserve Fund and the Revenue Fund, together with other amounts pledged under the Indenture. (The Series 2026-1A Bonds, the Series 2026-1B Bonds and additional Parity Obligations hereafter issued under the Indenture are sometimes referred to herein as the "Bonds".)

Under the Master Indenture, the Agency may issue Obligations to finance any corporate purpose for which Obligations may be issued under the Act or other applicable law, including, but not limited to, the financing or purchasing of Loans (loans evidenced by a promissory note to the Agency, and as further

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* Subject to change

defined in Appendix A to Part 2) to borrowers (referred to herein as "Borrowers" or "Mortgagors") to finance Projects (undertakings to plan, develop, acquire, construct or rehabilitate one or more dwelling units located in the Commonwealth which meet the requirements of the Act, and as further defined in Appendix A to Part 2) (also sometimes referred to herein as "Developments"). Loans may, but are not required to be, secured by a Mortgage (as defined in Appendix A to Part 2), and any such Mortgage may, but is not required to, create a first lien on the Borrower's interest in its Development. Loans may be, but are not required to be, secured by Credit Enhancement (as defined in Appendix A to Part 2). (The Loans that will be pledged under the Indenture upon the issuance of the Series 2026-1 Bonds, the Series 2026-1 Mortgage Loans, are secured by Mortgages creating first liens on the applicable Developments but are not secured by Credit Enhancement. See "CERTAIN INVESTMENT CONSIDERATIONS—Certain Factors Affecting Loans Pledged to the Parity Obligations" in this Part 1.) The Master Indenture does not require that the Agency pledge its interests in the Loans or other assets financed with the proceeds of additional Parity Obligations, or the revenues derived therefrom, to secure the Parity Obligations. No such additional Parity Obligations may be issued under the Master Indenture, however, unless certain conditions set forth in the Master Indenture are met, including delivery of a Cash Flow Statement or Cash Flow Certificate (see "SECURITY FOR THE PARITY OBLIGATIONS—Cash Flow Statements and Cash Flow Certificates" in Part 2) and written confirmation from the Rating Agency (as defined in Appendix A to Part 2) that such issuance will not adversely affect the then existing ratings of any Series of Parity Obligations Outstanding. The Agency may withdraw Loans and surplus revenues from the pledge and lien of the Indenture upon the filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate.

The Series 2026-1 Bonds also constitute general obligations of the Agency payable out of any of its revenues, moneys or assets legally available therefor, subject to agreements heretofore or hereafter made with owners of other obligations of the Agency pledging particular revenues, moneys or assets for the payment thereof. Although the Series 2026-1 Bonds are general obligations of the Agency, the Agency has pledged a substantial portion of its moneys, assets and revenues held in funds and accounts outside the Indenture to the payment of its other bonds, notes and contractual obligations and for other program activities as described herein under "CERTAIN INVESTMENT CONSIDERATIONS—Certain Other Agency General Obligations and Assets Pledged Thereto" in this Part 1, under "CERTAIN GENERAL AGENCY PROGRAM INFORMATION AND OUTSTANDING OBLIGATIONS" in Appendix D to Part 2 of this Official Statement and in the financial statements attached to Part 2 of this Official Statement as Appendix E and Appendix F.

The Agency has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal or redemption price of or interest on the Series 2026-1 Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

The Depository Trust Company ("DTC") will act as securities depository of the Series 2026-1 Bonds. The Series 2026-1 Bonds will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Individual purchases of the Series 2026-1 Bonds will be made in book-entry form. So long as Cede & Co. is the registered owner of the Series 2026-1 Bonds, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined in Part 2) of the Series 2026-1 Bonds. Principal of, premium, if any, and interest on the Series 2026-1 Bonds are payable by the Trustee to Cede & Co., as nominee for DTC, which will, in turn, remit such principal, premium and interest to the DTC Participants (as defined in Part 2) for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY ONLY SYSTEM" in Part 2 of this Official Statement.

The Series 2026-1 Bonds are subject to redemption prior to maturity as described under "REDEMPTION PROVISIONS" in Part 1 hereof.

There follow in this Official Statement, Parts 1 and 2 (including the Appendices thereto), descriptions of the Agency, the Agency's programs, and the sources of payment for the Bonds, together with summaries of the terms of the Series 2026-1 Bonds and the Indenture. All references herein to the Act, the Indenture and the Resolutions are qualified in all respects by reference to such documents in their entireties, copies of which are available from the Agency. All references to the Series 2026-1 Bonds are qualified in all respects by reference to the complete definitive forms thereof and the information with respect thereto contained in the Indenture, the Resolutions, and Part 1 and Part 2 of this Official Statement (including the Appendices hereto). Interested investors may contact the Trustee for complete copies of documents summarized in this Official Statement.

SECURITY FOR THE BONDS

Information regarding security for the Bonds (*i.e.,* the Series 2026-1 Bonds and any additional Parity Obligations if and when issued) is set forth in Part 2 of this Official Statement under "SECURITY FOR THE PARITY OBLIGATIONS."

THE SERIES 2026-1 BONDS

Estimated Sources and Uses of Funds

As to the **Series 2026-1A Bonds**:

Sources:	
Principal Amount of Series 2026-1A Bonds	$
Agency Contribution	
Total Sources of Funds	
Uses:	
Deposit to Proceeds Fund:	**$**
Series 2026-1A Mortgage Loans	
Deposit to Capital Reserve Fund	
Costs of Issuance	
Underwriters' Fee	
Total Uses of Funds	

As to the **Series 2026-1B Bonds**:

Sources:	
Principal Amount of Series 2026-1B Bonds	$
Agency Contribution	
Total Sources of Funds	
Uses:	
Deposit to Proceeds Fund:	
Release to Agency upon Pledge	
of Series 2026-1B Mortgage Loans[(1)]	$
Deposit to Capital Reserve Fund	
Costs of Issuance	
Underwriters' Fee	
Total Uses of Funds	

[(1)] The Series 2026-1B Mortgage Loans pledged will have an aggregate principal balance ($106,232,188 as of May 31, 2026 or any later origination date, as noted in Appendix C to Part 2) greater than such amount of proceeds to be released to the Agency.

Capital Reserve Fund

The "Capital Reserve Requirement" for the Series 2026-1 Bonds will be, as of any date of calculation, an amount equal to three percent (3%) of the Outstanding principal amount of the Series 2026-1 Bonds. On the date of issuance of the Series 2026-1 Bonds, the Agency will deposit monies from its general fund into the Capital Reserve Fund in order to satisfy the Capital Reserve Requirement for the Series 2026-1 Bonds.

Series 2026-1A Mortgage Loans and the Series 2026-1A Developments*

It is anticipated that all of the proceeds of the Series 2026-1A Bonds will be used to make the Series 2026-1A Mortgage Loans for the acquisition and rehabilitation of the Series 2026-1A Developments described in the chart below:

Development Name	PHFA No.	Location (City)	Total Units	LIHTC Units	Anticipated Loan Amount	Interest Rate(1)	Anticipated Rehabilitation Period (Months)(2)	Amortization Period (Months)(3)	Loan Term (Months) (3)(4)	Percent Occupied (6/24/26)
Saucon Manor	N-0359	Hellertown	51	51	$9,100,000	___%	24	480	270	98%
Hampton House	N-0360	Northampton	101	101	$18,825,000	___%	24	480	270	98%

(1) Interest Rate will include an Agency servicing fee of 0.25% per annum that will not be pledged under the Indenture.
(2) The Agency expects rehabilitation to be completed by the end of the indicated period, measured from the date of the Agency's first Loan advance (the "Initial Loan Closing"), and will require such completion, achievement of stabilized occupancy, and satisfaction of certain other conditions and documentary requirements (the "Permanent Loan Closing") by a date six (6) months later, which date the Borrower may extend by a further six (6) months if needed upon payment of a fee to the Agency.
(3) Each Series 2026-1A Mortgage Loan initially will require monthly interest-only payments (at the indicated Interest Rate), calculated on the balance advanced from time to time to the Borrower. Commencing on the 1st day of the second month following the Permanent Loan Closing, level monthly combined payments of interest (at the indicated Interest Rate) and principal will be required in amounts calculated to amortize the Loan's principal balance to zero by the end of the indicated Amortization Period but the Loan's principal balance will be due at its maturity date at the end of the indicated Loan Term (in each case measured from the 1st of the month preceding such first principal payment due date). Because the Loan Term is shorter than the Amortization Period, the Loan's principal balance will not have fully amortized by its maturity date and the unamortized balance will be due in full on the maturity date.
(4) Each Series 2026-1A Mortgage Loan will provide that amounts advanced to the Borrower under the Loan may be prepaid, but only in full (not in part) and only with (i) the Agency's prior written approval and (ii) payment of a prepayment fee equal to a declining percentage of outstanding principal balance: 10% if prepaid within the first year after its Initial Loan Closing, decreasing by 1% per year for the second through tenth years, to zero after the tenth year. (Prepayment fees to the Agency are not pledged under the Indenture.) See "THE RENTAL HOUSING PROGRAM—Prepayments of Principal" in Part 2.

The Saucon Manor Development and the Hampton House Development each consist of a single existing (7- and 6-story, respectively) building with elevators intended for senior occupancy (62 years of age or older). The fee owner of the Saucon Manor Development is OAHS Saucon Manor LLC, a Pennsylvania limited liability company ("Saucon Borrower"), whose sole member is OAHS Saucon MM LLC, a Delaware limited liability company ("Saucon Seller"). The fee owner of the Hampton House Development is OAHS Hampton House LLC, a Pennsylvania limited liability company ("Hampton Borrower"), whose sole member is OAHS Hampton MM LLC, a Delaware limited liability company ("Hampton Seller"). The Saucon Seller will transfer 100% of its membership interests in the Saucon Borrower to OAHS Saucon Manor TC LP, a Delaware limited partnership ("Saucon Buyer"), and the Hampton Seller will transfer 100% of its membership interests in Hampton Borrower to OAHS Hampton House TC LP, a Delaware limited partnership ("Hampton Buyer"). Upon completion of the membership acquisition by Saucon Buyer and Hampton Buyer, respectively, the Saucon Borrower and Hampton Borrower (each, the "Borrower" with respect to the related Series 2026-1A Mortgage Loan) will undertake the rehabilitation of the Saucon Manor Development and Hampton House Development, respectively. The sole member of the general partner of each of Saucon Buyer and Hampton Buyer will be Orbach Affordable Housing Solutions LLC, a multifamily housing developer and manager.

In addition to each Series 2026-1A Mortgage Loan, other sources of financing for the acquisition and rehabilitation of each Series 2026-1A Development will include, in each case, a note (not secured by a mortgage) from the sole member of the Borrower to the seller from which such sole member of the Borrower is purchasing its membership interest in the Borrower, to be given as payment for a portion of the purchase price thereof; an Agency Subordinate Loan (as defined in "THE RENTAL HOUSING PROGRAM" in Part 2) provided under the Pennsylvania Housing Trust Fund/PHARE program described in Appendix D to Part 2 (which will not be pledged under the Indenture); equity to be contributed by members of the Borrower, including by an investor member in connection with the expected availability of tax credits to the Development's owners under the LIHTC Program (as defined in in "THE RENTAL

* Subject to change

HOUSING PROGRAM" in Part 2); and a bridge loan (not secured by a mortgage) to the Borrower from a bank related to such investor member to provide the Borrower interim financing prior to (and to be repaid from) such member's equity contributions.

Each Series 2026-1A Development will be subject to a Tax Regulatory Agreement, a LIHTC Indenture of Restrictive Covenants (imposing occupancy and rent restrictions for the number of LIHTC Units in the Development noted in the chart above), and a PHFA Regulatory Agreement, all as defined and described under the heading "THE RENTAL HOUSING PROGRAM—Income Limits and Rent Restrictions under the Code and the Rental Housing Program" in Part 2.

The Series 2026-1A Developments have Housing Assistance Payments Contracts providing for housing assistance payments under the Section 8 Program for all units, except for one unit, in each Development. For a description of the Section 8 Program, see Appendix B to Part 2.

Series 2026-1B Mortgage Loans and the Series 2026-1B Developments*

It is anticipated that all of the proceeds of the Series 2026-1B Bonds will be used to finance (through the release of such proceeds to the Agency free and clear of the lien of the Indenture, in connection with the Agency's pledging under the Indenture) the sixty-six (66) Series 2026-1B Mortgage Loans (also sometimes referred to herein as the "Existing Mortgage Loans"), having an aggregate principal balance of $106,232,188 (as of May 31, 2026 or any later origination date, as noted in Appendix C to Part 2), previously made by the Agency for the construction or acquisition and rehabilitation of the sixty-five (65) Series 2026-1B Developments (also sometimes referred to herein as the "Existing Developments") described in Appendix C to Part 2 hereof and in "RENTAL HOUSING PROGRAM" in Part 2 hereof.

Each Existing Development is subject to a LIHTC Indenture of Restrictive Covenants (imposing occupancy and rent restrictions for the number of LIHTC Units in the Development noted in the chart in Appendix C to Part 2, except for three such Developments as noted in such chart) and a PHFA Regulatory Agreement, each as defined and described under the heading "THE RENTAL HOUSING PROGRAM—Income Limits and Rent Restrictions under the Code and the Rental Housing Program" in Part 2.

A number of the Existing Developments (as noted in Appendix C to Part 2) have Housing Assistance Payments Contracts providing for housing assistance payments under the Section 8 Program for all or a portion of the LIHTC Units (or former such units) in such Developments. For a description of the Section 8 Program, see Appendix B to Part 2.

General Description of the Series 2026-1 Bonds

Delivery of the Series 2026-1 Bonds is expected to occur on or about August 19, 2026.*

The Series 2026-1 Bonds may be issued only as fully registered bonds without coupons in minimum denominations of $5,000 principal amount and integral multiples thereof. The Series 2026-1 Bonds will mature on the dates and in the amounts set forth on the inside cover pages hereof and are redeemable prior to maturity as described under "REDEMPTION PROVISIONS" below. The Series 2026-1 Bonds will bear interest from their date of delivery, at the rates per annum set forth on the inside cover pages of this Official Statement, payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2027* (each an "Interest Payment Date") and on any redemption date, as applicable. Calculations of interest on the Series 2026-1 Bonds will be based on a 360-day year consisting of twelve 30-day months.

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* Subject to change

The Series 2026-1 Bonds will be available in book-entry only form as described in Part 2 of this Official Statement. Purchasers of the Series 2026-1 Bonds will not receive certificates representing their interests in such Bonds.

The principal and Redemption Price of the Series 2026-1 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest due on the Series 2026-1 Bonds of a Series on each Interest Payment Date will be paid by check or draft mailed on such Interest Payment Date by the Trustee to the registered owner at the close of business on the applicable Record Date or by wire to the registered owner of $1,000,000 or more in aggregate principal amount of the Series 2026-1 Bonds of such Series. So long as any Series 2026-1 Bonds are held by DTC, the registered owner will be Cede & Co. and payments on such Bonds will be made pursuant to DTC's book-entry system to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" in Part 2 of this Official Statement. The Record Date for the Series 2026-1 Bonds will be the fifteenth day of the calendar month immediately preceding each Interest Payment Date.

REDEMPTION PROVISIONS

The Series 2026-1 Bonds are subject to redemption prior to maturity through optional redemption, special optional redemption and sinking fund redemption as described below. All redemptions and the availability of moneys therefor are subject to the provisions of the Indenture.

Optional Redemption

The Series 2026-1 Bonds are subject to redemption, in whole at any time or in part from time to time, from any source of funds, on any date on and after April 1, 2034*, at the option of the Agency, upon notice as provided in the Indenture, at a redemption price equal to 100% of the principal amount of the Series 2026-1 Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

Sinking Fund Redemptions

The Series 2026-1A Bonds maturing October 1, 2041*, are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amounts specified in the following table on the corresponding dates. The particular Series 2026-1 Bonds to be redeemed will be selected as described in "Selection of Series 2026-1 Bonds to be Redeemed" below.

Date*	Amount*	Date*	Amount*
April 1, 2039	$275,000	October 1, 2040	$295,000
October 1, 2039	285,000	April 1, 2041	300,000
April 1, 2040	290,000	October 1, 2041†	310,000

The Series 2026-1A Bonds maturing October 1, 2046*, are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amounts specified in the following table on the corresponding dates. The particular Series 2026-1 Bonds to be redeemed will be selected as described in "Selection of Series 2026-1 Bonds to be Redeemed" below.

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* Subject to change
† Stated maturity

Date*	Amount*	Date*	Amount*
April 1, 2042	$315,000	October 1, 2044	$355,000
October 1, 2042	320,000	April 1, 2045	365,000
April 1, 2043	335,000	October 1, 2045	370,000
October 1, 2043	335,000	April 1, 2046	380,000
April 1, 2044	345,000	October 1, 2046†	390,000

The Series 2026-1A Bonds maturing October 1, 2051*, are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amounts specified in the following table on the corresponding dates. The particular Series 2026-1 Bonds to be redeemed will be selected as described in "Selection of Series 2026-1 Bonds to be Redeemed" below.

Date*	Amount*	Date*	Amount*
April 1, 2047	$400,000	October 1, 2049	$ 450,000
October 1, 2047	410,000	April 1, 2050	465,000
April 1, 2048	420,000	October 1, 2050	460,000
October 1, 2048	430,000	April 1, 2051	465,000
April 1, 2049	440,000	October 1, 2051†	14,340,000

The Series 2026-1B Bonds maturing October 1, 2041*, are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amounts specified in the following table on the corresponding dates. The particular Series 2026-1 Bonds to be redeemed will be selected as described in "Selection of Series 2026-1 Bonds to be Redeemed" below.

Date*	Amount*	Date*	Amount*
April 1, 2039	$985,000	October 1, 2040	$1,015,000
October 1, 2039	965,000	April 1, 2041	1,035,000
April 1, 2040	985,000	October 1, 2041†	1,070,000

The Series 2026-1B Bonds maturing October 1, 2046*, are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amounts specified in the following table on the corresponding dates. The particular Series 2026-1 Bonds to be redeemed will be selected as described in "Selection of Series 2026-1 Bonds to be Redeemed" below.

Date*	Amount*	Date*	Amount*
April 1, 2042	$1,105,000	October 1, 2044	$1,245,000
October 1, 2042	1,135,000	April 1, 2045	1,285,000
April 1, 2043	1,160,000	October 1, 2045	1,325,000
October 1, 2043	1,170,000	April 1, 2046	1,365,000
April 1, 2044	1,210,000	October 1, 2046†	1,405,000

The Series 2026-1B Bonds maturing October 1, 2051*, are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amounts specified in the following table on the

* Subject to change
† Stated maturity

corresponding dates. The particular Series 2026-1 Bonds to be redeemed will be selected as described in "Selection of Series 2026-1 Bonds to be Redeemed" below.

Date*	Amount*	Date*	Amount*
April 1, 2047	$1,420,000	October 1, 2049	$1,555,000
October 1, 2047	1,465,000	April 1, 2050	1,485,000
April 1, 2048	1,515,000	October 1, 2050	1,525,000
October 1, 2048	1,550,000	April 1, 2051	1,500,000
April 1, 2049	1,605,000	October 1, 2051†	1,535,000

The Series 2026-1B Bonds maturing October 1, 2056*, are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amounts specified in the following table on the corresponding dates. The particular Series 2026-1 Bonds to be redeemed will be selected as described in "Selection of Series 2026-1 Bonds to be Redeemed" below.

Date*	Amount*	Date*	Amount*
April 1, 2052	$1,590,000	October 1, 2054	$1,645,000
October 1, 2052	1,565,000	April 1, 2055	1,690,000
April 1, 2053	1,525,000	October 1, 2055	1,720,000
October 1, 2053	1,560,000	April 1, 2056	2,170,000
April 1, 2054	1,605,000	October 1, 2056†	1,815,000

The Series 2026-1B Bonds maturing October 1, 2061*, are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amounts specified in the following table on the corresponding dates. The particular Series 2026-1 Bonds to be redeemed will be selected as described in "Selection of Series 2026-1 Bonds to be Redeemed" below.

Date*	Amount*	Date*	Amount*
April 1, 2057	$1,850,000	October 1, 2059	$1,380,000
October 1, 2057	1,870,000	April 1, 2060	1,185,000
April 1, 2058	1,865,000	October 1, 2060	950,000
October 1, 2058	1,745,000	April 1, 2061	705,000
April 1, 2059	1,540,000	October 1, 2061†	350,000

Credits Against Sinking Fund Payments. In satisfaction, in whole or in part, of any sinking fund payment for the Series 2026-1 Bonds of a series, the Agency may deliver to the Trustee, at least 45 days prior to the due date of such sinking fund installment, the Series 2026-1 Bonds of such series of the maturity for which such sinking fund payment was established. Upon any purchase or redemption of any Series 2026-1 Bonds of a series and maturity for which sinking fund payments have been established, other than by application of sinking fund payments, an amount equal to the applicable redemption prices thereof shall be credited pro rata toward all such sinking fund payments, unless otherwise directed by the Agency subject to satisfaction of the conditions of the Indenture.

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* Subject to change
† Stated maturity

Special Optional Redemption

The Series 2026-1 Bonds are subject to special redemption at any time in whole or in part, at the option of the Agency, at a Redemption Price of 100% of the principal amount of the Series 2026-1 Bonds to be redeemed plus accrued interest to the Redemption Date, from the following:

(1) amounts representing the principal of a Mortgage Loan and any premium or penalty with respect thereto received or recovered by the Agency, in excess of any expenses necessarily incurred by the Agency in collection thereof, from (A) the sale or other disposition of a Project, (B) Prepayments, (C) condemnation of a Project or part thereof, to the extent not needed to improve or repair the Project, (D) other proceedings taken in the event of default by the Borrower, (E) the sale or other disposition of a Mortgage Loan in default for the purpose of realizing on the mortgagee's interest therein, (F) to the extent not needed to improve or repair the Project, hazard insurance, or (G) the payment of principal of a Mortgage Loan by a Credit Enhancer as a result of any of the events described in the preceding clauses (B) through (F) (including repayments of the Mortgage Loans by the Borrowers) relating to Mortgage Loans financed from any series of Bonds other than Non-Parity Obligations that are issued on a non-parity, stand-alone basis to which certain funds and accounts are exclusively pledged, including, but not limited to, Prepayments, condemnation proceeds, mortgage insurance payments, hazard insurance proceeds, foreclosure proceeds, and payments accepted by the Agency in order to refinance Projects which are in default or would have been in default but for the forbearance of the Agency, and any payments drawn from under any Credit Enhancement as a result of any of the events described above in this paragraph;

(2) amounts on deposit in the Revenue Fund in excess of accrued Debt Service on all outstanding Bonds and any account funding requirements as of the date of transfer;

(3) amounts resulting from any reduction of the amount on deposit in the Capital Reserve Fund; and

(4) proceeds of the Series 2026-1 Bonds not used to finance Mortgage Loans.

"*Prepayment*" as used above means, with respect to any Mortgage Loan, any moneys received or recovered by or for the account of the Agency from any payment of or with respect to the principal and/or interest (excluding any applicable penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan, and excluding any servicing fees with respect to the collection of such moneys) on any Loan prior to the scheduled payment of such principal and/or interest as called for by such Mortgage Loan, whether (a) by voluntary prepayment made by the Borrowers, (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 Mortgage Loan or any part thereof by the Agency or (d) in the event of a default thereon by a Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Agency or by any other proceedings taken by the Agency.

The Series 2026-1 Bonds also are subject to special redemption, at the option of the Agency, in whole on any Interest Payment Date on and after the date on which the outstanding principal amount of the Series 2026-1 Bonds is less than 10% of the original principal amount thereof, at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date.

Selection of Series 2026-1 Bonds to be Redeemed

Regardless of the type of redemption, selection of the Series 2026-1 Bonds shall be at the direction of the Agency, subject to the provisions of the Indenture, and within a maturity of the Series 2026-1 Bonds of a series shall be by lot.

Regulations with Respect to Transfers

The Series 2026-1 Bonds will be transferable as described in "BOOK-ENTRY ONLY SYSTEM" in Part 2 of this Official Statement to the extent such Bonds are registered in the name of Cede & Co., as nominee of DTC.

Notice to Bondholders of Redemption

When the Trustee receives notice from the Agency of its election or direction to redeem Series 2026-1 Bonds, or is otherwise required to redeem Series 2026-1 Bonds, the Trustee will give notice, in the name of the Agency, of the redemption of such Series 2026-1 Bonds or portions thereof. Such notice will specify the Series and maturities of the Series 2026-1 Bonds to be redeemed, the Redemption Date, any conditions precedent to such redemption and the place or places where amounts due upon such redemption will be payable. Not more than sixty (60) and not less than twenty (20) days before the Redemption Date, the Trustee is to mail a copy of such notice to the registered owners of any Series 2026-1 Bonds or portions thereof which are to be redeemed, at their last addresses appearing upon the registry books (but while such Bonds are registered in the name of Cede & Co., as nominee of DTC, the Trustee shall send such notice to DTC in accordance with the Agency's letter of representations to DTC). Interest will not be payable on any Series 2026-1 Bonds or portions thereof after the Redemption Date if notice has been given and if sufficient monies have been deposited with the Trustee to pay the principal or applicable Redemption Price of and interest on such Series 2026-1 Bonds on such date and all conditions precedent, if any, to such redemption shall have been satisfied. Receipt of notice of redemption shall not be a condition precedent to redemption, and failure so to receive any such notice by any of such registered owners shall not affect the validity or the proceedings for the redemption of any Series 2026-1 Bonds.

UNDERWRITING

The Series 2026-1 Bonds are being offered by the Underwriters (for whom Jefferies LLC is acting as representative) at the initial offering prices set forth on the inside cover pages hereof.

The Underwriters will be paid an aggregate fee of $_______ with respect to the offering and sale of the Series 2026-1 Bonds pursuant to a contract of purchase with the Agency, under which the Underwriters will be obligated to purchase all of the Series 2026-1 Bonds if any such Bonds are purchased by the Underwriters and if certain other conditions are fulfilled. The following additional information has been provided by some of the Underwriters.

BofA Securities, Inc., one of the Underwriters of the Series 2026-1 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2026-1 Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2026-1 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase the Series 2026-1 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2026-1 Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2026-1 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2026-1 Bonds.

PNC Capital Markets LLC ("PNCCM"), one of the Underwriters of the Series 2026-1 Bonds, may offer to sell to its affiliate, PNC Wealth Management LLC ("PNCWM"), securities in PNCCM's inventory for resale to PNCWM's customers, including securities such as the Series 2026-1 Bonds offered by the Agency. PNCCM may share with PNCWM a portion of the fee or commission paid to PNCCM if any Series 2026-1 Bonds are sold to customers of PNCWM.

RBC Capital Markets, LLC ("RBCCM"), one of the Underwriters of the Series 2026-1 Bonds, has entered into a distribution arrangement with its affiliate RBC Securities, Inc. ("RBC Securities") (formerly known as City National Securities, Inc.). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the Series 2026-1 Bonds. RBCCM serves as remarketing agent for other bonds of the Agency issued under a separate indenture. Royal Bank of Canada, an affiliate of RBCCM, serves as a liquidity provider for other bonds of the Agency issued under a separate indenture.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. WFBNA, acting through its Municipal Finance Group, one of the underwriters of the Series 2026-1 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2026-1 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2026-1 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 certain of the Series 2026-1 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.

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 or the Mortgagors, for which they received or will receive customary fees and expenses. Additionally, the Underwriters (and their affiliates) may currently, or from time to time in the future, have credit or other commercial banking relationships with the Agency or the Mortgagors for which they receive or will receive customary fees and expenses. From time to time, affiliates of the Underwriters may be investors in the Mortgagors.

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.

The Series 2026-1 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such Series 2026-1 Bonds into investment trusts) at prices lower than the initial public offering price set forth on the inside cover pages, and such public offering prices may be changed from time to time by the Underwriters.

RATING

Moody's Ratings has assigned the rating of "Aa2" to the Series 2026-1 Bonds. The rating assigned to the Series 2026-1 Bonds reflects only the views of Moody's and an explanation of the significance of any rating may be obtained from only Moody's. The Agency furnished certain information and materials to Moody's which, in turn, made certain analyses, studies and assumptions. **There is no assurance that such rating will apply for any given period of time or that it may not be lowered or withdrawn entirely by Moody's, if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price and marketability of the Series 2026-1 Bonds. Neither the Agency nor the Underwriters have assumed any responsibility to maintain any particular rating on the Series 2026-1 Bonds.**

ABSENCE OF LITIGATION

At the time of issuance of the Series 2026-1 Bonds, an officer of the Agency will deliver a certificate to the effect that there is no controversy or litigation of any nature, known to be pending or, to the knowledge of such officer, threatened against or affecting the Agency, to restrain or enjoin such issuance, or in any way contesting or affecting the validity of the Series 2026-1 Bonds, the Indenture, the Resolutions, the Mortgage Loans, or any proceedings of the Agency taken with respect to the issuance of the Series 2026-1 Bonds, or with respect to the Indenture, the Resolutions, the Mortgage Loans, or the pledge or application of any moneys or security provided for the payment of the Series 2026-1 Bonds, or the existence or powers of the Agency.

TAX MATTERS

The following is a summary of the material federal and Commonwealth income tax consequences of holding and disposing of the Series 2026-1 Bonds. Such summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). It does not discuss all aspects of federal income taxation that may be relevant to investors in light of their own particular investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (including, but not limited to, dealers in securities or other persons who do not hold the Series 2026-1 Bonds as a capital asset, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the Commonwealth, it does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2026-1 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of purchasing, holding, and disposing of the Series 2026-1 Bonds.

Federal Tax Matters – Series 2026-1A Bonds

In the opinion of Barnes & Thornburg LLP, Bond Counsel, interest on the Series 2026-1A Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2026-1A Bonds, assuming the accuracy of the certifications of the Agency and the Borrowers of the Series 2026-1A Mortgage Loans and continuing compliance by the Agency and such Borrowers with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), except that interest on a Series 2026-1A Bond is not excludable while the Series 2026-1A Bond is held by a substantial user of the financed facilities or a related person as provided in the Code. Interest on the Series 2026-1A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the "adjusted financial statement income" of "applicable corporations" for purposes of computing the alternative minimum tax imposed on such corporations, as such quoted terms are defined in the Code.

Section 103 of the Code provides generally that interest on qualified private activity bonds will be excludable from the gross income of the holder thereof. The Code imposes various requirements on the use and investment of the proceeds of such bonds, the maturity of and security for such bonds, the procedure for issuance of such bonds, the rebate of arbitrage profits to the United States Department of Treasury and filings with the Internal Revenue Service. In rendering its opinion, Bond Counsel has relied on the covenants, representations and certifications of the Agency and the Borrowers of the Series 2026-1A Mortgage Loans, including a covenant to rebate arbitrage profits in accordance with Section 148 of the Code. The inaccuracy of such representations or certifications or the failure by the Agency or such a Borrower to comply with such agreements or covenants could cause interest on the Series 2026-1A Bonds to be subject to federal income tax from the date of issuance of the Series 2026-1A Bonds or as of some later date. 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 Series 2026-1A Bonds may affect the tax status of interest on the Series 2026-1A Bonds.

Original Issue Discount. Certain of the Series 2026-1A Bonds may be offered at a discount ("original issue discount") equal generally to the difference between the public offering price and the principal amount. For federal income tax purposes, original issue discount on a Series 2026-1A Bond accrues periodically over the term of such Series 2026-1A Bond as interest with the same tax exemption and alternative minimum tax status as stated interest. The accrual of original issue discount increases the bondholder's tax basis in the Series 2026-1A Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Bondholders should consult their tax advisers for an explanation of the accrual rules.

Original Issue Premium. Certain of the Series 2026-1A Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2026-1A Bond through reductions in the bondholder's tax basis for the Series 2026-1A Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Bondholders should consult their tax advisers for an explanation of the amortization rules.

Information Reporting and Backup Withholding. A person making payments of tax-exempt interest to a bondholder is generally required to make an information report of the payments to the Internal Revenue Service and to perform "backup withholding" from the interest if the bondholder does not provide an IRS Form W-9 to the payor. "Backup withholding" means that the payor withholds tax from the interest payments at the backup withholding rate, currently 24%. Form W-9 states the bondholder's taxpayer identification number or basis of exemption from backup withholding.

If a holder purchasing a Series 2026-1A Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding from the interest on the Series 2026-1A Bond.

If backup withholding occurs, it does not affect the excludability of the interest on the Series 2026-1A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

No Other Opinions. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2026-1A Bonds.

Federal Tax Matters – Series 2026-1B Bonds

In the opinion of Bond Counsel, interest on the Series 2026-1B Bonds is included in gross income for federal income tax purposes. Interest on the Series 2026-1B Bonds is taxable as ordinary income, for federal income tax purposes, at the time the interest accrues or is received in accordance with a bondholder's method of accounting for federal income tax purposes. Bond Counsel expresses no other opinion as to federal tax consequences with respect to the Series 2026-1B Bonds. Prospective purchasers of the Series 2026-1B Bonds, particularly those who are not United States persons, as defined in the Code, may be subject to special rules and should consult their tax advisors.

No Other Opinions. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2026-1B Bonds.

State Tax Matters

Bond Counsel is of the opinion that the interest on the Series 2026-1 Bonds is exempt from Commonwealth personal income tax and Commonwealth corporate net income tax, under the laws of the Commonwealth as enacted and construed on the date of delivery of the Series 2026-1 Bonds.

Bond Counsel expresses no opinion regarding other state or local tax consequences arising with respect to the Series 2026-1 Bonds, including whether interest on the Series 2026-1 Bonds is exempt from taxation under the laws of any jurisdiction other than the Commonwealth.

General

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2026-1 Bonds, and Bond Counsel will not express any opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Series 2026-1 Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

See APPENDIX A hereto for the proposed Form of Opinion of Bond Counsel – Series 2026-1 Bonds.

CHANGES IN LAW

From time to time, there are proposals of the executive branch, proposals of various federal committees, and Congress and state legislatures that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2026-1 Bonds or otherwise prevent holders of the Series 2026-1 Bonds from realizing the full benefit of the tax exemption of interest on the 2026-1 Bonds. Such proposals may affect the marketability or market value of the Series 2026-1 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal would 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, marketability or tax status of the Series 2026-1 Bonds. It cannot be predicted whether any such regulatory action would be implemented, how any particular litigation or judicial action would be resolved, or whether the Series 2026-1 Bonds would be affected thereby.

Purchasers of the Series 2026-1 Bonds should consult their tax advisors regarding any potential, proposed or pending legislation, regulatory initiatives or litigation.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Series 2026-1 Bonds will be passed upon by Barnes & Thornburg LLP, as Bond Counsel. The approving legal opinion of Bond Counsel with respect to the Series 2026-1 Bonds, in substantially the form that appears in Appendix A to Part 1 of this Official Statement, will be printed on or annexed to the Series 2026-1 Bonds and delivered therewith.

Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, of New York, New York.

Certain legal matters relating to the Agency will be passed upon by Leonidas Pandeladis, Esquire, Deputy Executive Director and Chief Counsel to the Agency.

Pursuant to the provisions of the Commonwealth Attorneys Act (71 P.S. § 732-101 et seq.), the offices of both the General Counsel and the Attorney General of the Commonwealth must approve certain legal matters in connection with the issuance of the Bonds.

ONGOING SECONDARY MARKET DISCLOSURE

Continuing Disclosure Undertaking

In order to enable the Underwriters to comply with the requirements of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated under the Securities Exchange Act of 1934, as amended, the Agency has agreed in the Contract of Purchase that it will enter into a written undertaking for the benefit of holders and owners of the Series 2026-1 Bonds pursuant to which it will, either directly or through an agent or the Trustee, provide certain annual financial information and operating data regarding the Agency not later than eight months after the close of each fiscal year, commencing with the fiscal year ending June 30, 2026, and provide for the disclosure of the occurrence, if any, of certain events relating to the applicable Series 2026-1 Bonds (the "Disclosure Undertaking"). See "FINANCIAL STATEMENTS OF THE AGENCY – Disclosure Undertaking" in Part 2 of this Official Statement for additional information regarding the Disclosure Undertaking.

Additional Information

Certain audited and unaudited financial statements may be provided (which include information on Agency pension funding) in Appendices E and F to Part 2 of this Official Statement. CliftonLarsonAllen LLP ("CLA"), the Agency's independent auditor, has not been engaged to perform and has not performed, since the date of its report included therein, any procedures on the financial statements addressed in that report. CLA also has not performed any procedures relating to this offering of securities.

Additional program and financial information, including Agency audited financial statements for prior fiscal periods, is generally available through the Agency's website at ***www.phfa.org.*** All information included thereon, including program descriptions, references to other sources and hyperlinks to websites sponsored by other entities, is provided as a public service only, is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2026-1 Bonds. The Agency's policy of voluntarily disseminating such information is not a contractual obligation to anyone and the Agency may discontinue this practice at any time in its discretion without notice.

SUPPLEMENTAL FINANCIAL INFORMATION

The Agency has entered into certain interest rate hedge agreements to manage interest rate risks associated with certain of its variable rate debt obligations and certain standby bond purchase agreements in connection with certain of such obligations. Certain information regarding these agreements is included in Appendix D to Part 2 of this Official Statement.

CERTAIN INVESTMENT CONSIDERATIONS

Certain Factors Affecting Loans Pledged to the Parity Obligations

The Revenues to be derived from Loans pledged under the Indenture will provide the primary source of payment for the Series 2026-1 Bonds and any other Parity Obligations issued under the Indenture. Loans pledged under the Indenture are not required to be, and the Series 2026-1A Loans and the Existing Loans are not, secured by Credit Enhancement. For Loans not secured by Credit Enhancement, payments due under such Loans are dependent on the Mortgagors' ability to make such payments. It is expected that all or substantially all of the Mortgagors each will be a single-purpose entity formed for the purpose of constructing, or acquiring and rehabilitating, and operating the applicable Development, will have no assets other than its interest in the applicable Development and will not have any other sources of funds other than revenues generated by the applicable Development to make payments on its Loan following completion of construction or rehabilitation, as the case may be, of the applicable Development.

Certain factors which may affect a Mortgagor's ability to make such payments under its Loan include, among other things, the timely completion of construction or rehabilitation of the applicable Development (in the case of those not yet complete) within the Mortgagor's budget of committed funding sources therefor, the achievement and maintenance of a sufficient level of occupancy, maintenance of the physical condition of the Development over time, and the ability to achieve and maintain rents sufficient to cover payments under the Loan (and any other loans of the Mortgagor for the Development) and Development operating expenses, including taxes, utility rates, insurance premiums and maintenance costs. Substantially all of the Developments securing the Loans that will be pledged under the Indenture upon the issuance of the Series 2026-1 Bonds (both of the Series 2026-1A Developments and all but three of the Existing Developments) are subject to income limits and rent restrictions under the LIHTC Program for all or a portion of the units in the Development (see "THE RENTAL HOUSING PROGRAM" in Part 2 for a description of the LIHTC Program and see "THE SERIES 2026-1 BONDS—Series 2026-1A Mortgage Loans and the Series 2026-1A Developments" and Appendix C to Part 2 for the number of LIHTC Units in the Series 2026-1A Developments and the Existing Developments, respectively). Increases in permitted

LIHTC Unit rents resulting from increases in AMI levels, and/or increases in Section 8 Program contract rents (as applicable) and increases in rents achievable for any units in a Development that are not LIHTC Units and are not Section 8 units ("Market Rate Units"), may not be sufficient to keep pace with the rate of increase in Developments' operating expenses. In addition, the continued feasibility of a Development (including continued demand for, and tenants' ability to pay and/or the Borrower's ability to collect rents for, units that are LIHTC Units and/or Section 8 units and any Market Rate Units) depends in part upon general economic conditions in the surrounding area of a Development or in the Commonwealth or the United States generally, and may be affected by unanticipated events such as natural disasters, pandemics or other emergencies (and any related changes in laws or regulations).

In the case of Developments in which all or some units are the subject of Housing Assistance Payments Contracts under the Section 8 Program (such as the Series 2026-1A Developments, and certain Existing Developments as noted in Appendix C), full and timely receipt of Section 8 housing assistance payments will be necessary for full and timely payment of amounts due under the Loans with respect to such Developments. The Section 8 Program permits payments to be terminated or withheld if certain requirements are not met, including availability of rental units to tenants whose gross incomes do not exceed a certain percentage of AMI and units' satisfaction of certain housing quality standards as confirmed by annual inspections. In addition, certain Developments' Housing Assistance Payments Contracts may have stated terms that expire prior to the maturity of the related Loan and, moreover, payments under all Housing Assistance Payments Contracts even during stated multi-year terms currently are subject to annual appropriation by Congress, and there can be no assurance (i) that HUD's programs that provide for renewal of Housing Assistance Payments Contracts at the end of their stated terms will continue to be authorized by Congress and implemented by HUD, or (ii) that Congress will annually appropriate and HUD will allocate all amounts necessary to fully fund the Section 8 Program including subsidy payments under existing multi-year Housing Assistance Payments Contracts.

Accordingly, in the event of a Mortgagor's failure to timely complete construction or rehabilitation of the applicable Development (in the case of those not yet complete), the occurrence of substantial increases in operating costs without corresponding increases in rent levels on a timely basis, failure to maintain a Development's physical condition, substantial reductions in occupancy, disruptions in tenants' ability to pay or Borrowers' ability to collect Development rents, or a reduction, loss or termination of Section 8 housing assistance payments, there may be a default on a Loan. In the event of a Mortgagor's default on a Loan that is not secured by Credit Enhancement, the mortgage lien would likely be the sole security for repayment of such Loan. The process for foreclosing the mortgage lien or pursuing an action on a mortgage debt may be a lengthy and time-consuming process. In addition, if the value of a Development that secures a Loan being foreclosed has declined substantially since the origination of the Loan, the proceeds of any foreclosure sale may not be sufficient to pay foreclosure expenses and the amount due under the Loan. In addition, in the event of a federal bankruptcy proceeding with respect to a Mortgagor, a stay of enforcement would further delay any recovery, and the Agency's secured claim under the mortgage lien securing the Loan likewise would be reduced to any such lower Development value and could be subordinated to expenses of (and claims of those providing goods, services and financing during) the proceeding.

In the event of a default in payments under one or more Loans (whether resulting only in temporary interruption of payments or in an ultimate failure to recover the full principal amount thereof in the enforcement of remedies), the Agency's ability to make payments of interest on and principal of the Parity Obligations (including the Series 2026-1 Bonds), or the portion thereof remaining after any application by the Agency of any recovered principal to redeem Parity Obligations, as the case may be, would depend on (i) the sufficiency of other amounts available under the Indenture, including any accumulated excess Revenues then on deposit in the Revenue Fund that had not theretofore been withdrawn from the pledge and lien of the Indenture to the Agency or the Program Subsidy Fund (as permitted by the Master Indenture upon delivery of a Cash Flow Statement or Cash Flow Certificate) and/or amounts then on deposit in the

Capital Reserve Fund (to the extent not theretofore depleted and not replenished) and (ii) if such amounts were insufficient, the availability of other moneys or assets of the Agency not pledged under the Indenture, and not pledged to holders of other bonds, notes or other obligations of the Agency, to satisfy the Agency's general obligation to make payments of interest on and principal of the Series 2026-1 Bonds, and other Parity Obligations that are general obligations of the Agency, together with the Agency's other general obligations including (to the extent necessary if any amounts pledged therefor were insufficient) payments of interest on and principal of the Agency's other general obligation bonds and notes then outstanding.

In addition, a payment default or other default under one or more Loans may, through action by the Agency (or any Credit Enhancer of such Loan, if applicable with respect to a Loan hereafter made under the Indenture with Credit Enhancement) to accelerate the Loan or otherwise (e.g., a sale or other assignment of a Loan, or a Borrower's obtaining funds to make a prepayment of a defaulted Loan through a new loan from the Agency or another lender), result in Recoveries of Principal that may be used to redeem Parity Obligations (including the Series 2026-1 Bonds) prior to maturity, including prior to the first date on which such Parity Obligations may be redeemed at the option of the Agency from any source of funds. See "THE SERIES 2026-1 BONDS—Special Optional Redemption".

Certain Other Agency General Obligations and Assets Pledged Thereto

All of the Agency's outstanding bonds and notes listed under the heading "OUTSTANDING BONDS AND NOTES OF THE AGENCY" in Appendix D to Part 2 and in notes 8 and 6, respectively, to the Agency's audited financial statements and unaudited financial statements included in Appendix E and Appendix F to Part 2, respectively, are general obligations of the Agency, including the Agency's Single-Family Mortgage Revenue Bonds ("SFMRBs") listed therein, which are secured by and primarily payable from pledged single-family mortgage loans and related revenues and funds and accounts (including a capital reserve fund) under the bond indenture pursuant to which the SFMRBs are issued (the "SFMRB Indenture"). In addition, certain of such outstanding bonds are variable rate demand obligations ("VRDOs") as indicated in such financial statement notes, and in connection therewith the Agency has (i) entered into liquidity facilities in the form of standby bond purchase agreements (pursuant to which a bank as liquidity provider agrees to purchase such VRDOs tendered or deemed tendered by bondholders and not remarketed), as noted under the heading "SUPPLEMENTAL FINANCIAL INFORMATION" in Appendix D to Part 2 and under the heading "Variable Rate Demand Obligations" in note 8 to the audited financial statements included in Appendix E to Part 2, and (ii) entered into certain interest rate hedge agreements (swaps) with certain bank counterparties, as noted under the heading "SUPPLEMENTAL FINANCIAL INFORMATION" in Appendix D to Part 2 and in note 9 to the audited financial statements included in Appendix E to Part 2. SFMRBs purchased by such liquidity providers pursuant to such liquidity facilities ("Bank Bonds"), whether as a result of tenders by bondholders or upon expiration of the liquidity facility without replacement, would (as indicated such financial statement notes) bear interest at rates higher than, and require payment of bond principal on a schedule more accelerated than, such bonds prior to such purchase, and the Agency's obligation to pay such interest and principal (in addition to being secured under the SFMRB Indenture) is a general obligation of the Agency. The Agency's obligation to make payments to the counterparties under such interest rate hedge agreements (swaps), including any termination payment, is a general obligation of the Agency.

A significant portion of the assets and revenues of the Agency reflected in its audited and unaudited financial statements included in Appendices E and F to Part 2 are pledged under the SFMRB Indenture, and while so pledged would not be available to satisfy the Agency's general obligation to make payments of principal of and interest on Series 2026-1 Bonds, and other Parity Obligations that are general obligations of the Agency, in the event that amounts pledged under the Indenture were to be insufficient to provide for such payment (as discussed above). Although the SFMRB Indenture permits the Agency to withdraw certain surplus revenues from the lien of the SFMRB Indenture if the Agency delivers a statement of projected revenues and expenses reflecting such withdrawal and certain asset parity requirements are met, there can be no assurance that the Agency will be able to, and will elect to, make such withdrawals.

Furthermore, in the event that revenues from the single-family mortgage loans pledged under the SFMRB Indenture and other amounts in the funds and accounts (including the capital reserve fund) thereunder were to become insufficient to pay the principal of and interest on SFMRBs (including any Bank Bonds), the Agency would be required to make such payments from funds not pledged under the SFMRB Indenture. Any such payments, in addition to payments of other general obligations including obligations to counterparties under its interest rate hedge agreements (swaps), would reduce the amounts otherwise available to satisfy the Agency's general obligation with respect to the Series 2026-1 Bonds and other Parity Obligations that are general obligations of the Agency.

Revenues from single-family mortgage loans pledged under the SFMRB Indenture could become insufficient to pay interest on and principal of SFMRBs (including any Bank Bonds), so as to preclude withdrawals from the SFMRB Indenture and/or require such payments from other Agency funds, if there are substantial delinquencies (and/or forbearance, including such as may be mandated by laws, regulations or loss mitigation policies of mortgage insurance providers) for an extended period of time, and/or substantial losses on foreclosure of financed properties (to the extent not covered by mortgage insurance policies) and/or if mortgage loan prepayments are received at a rate substantially less than was assumed in structuring required payments of principal of SFMRBs. The continued performance of such single-family mortgage loans depends in part upon general economic conditions in the Commonwealth (including in particular areas in which financed properties are located) and in the United States generally, and may be affected by unanticipated events such as natural disasters, pandemics or other emergencies (and any related changes in laws or regulations).

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. The nature of the Agency's business makes it a prime target for cybercrime and it 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 authorities and other public finance entities have been targeted by outside third parties, including technically sophisticated and well-resourced actors, 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 multifaceted approach that attempts to employ sound operational strategies and appropriate technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff and regularly conducts risk assessments and tests of its cybersecurity systems and infrastructure. The Agency's Director of Information Technology and Manager of Infrastructure and Support focus on and lead the Agency's efforts to keep its cyber and technology assets secure.

However, the Agency cannot provide any assurance that its security and operational control measures will be successful in preventing any and all cyber threats and attacks, especially because the techniques used are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyberattacks have not had a material impact on the financial condition, results or business of the Agency; however, the Agency is not able to predict the severity of these attacks. The results of any attack on the Agency's computer and information technology systems could materially adversely affect its operations for an unknown period of time and damage the Agency's digital networks and systems as well as injuring 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 the Agency's ability to make loans and issue bonds in the future.

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MISCELLANEOUS

This Official Statement is not to be construed as a contract with the owners of the Series 2026-1 Bonds and such owners are specifically referred to the resolutions authorizing the issuance of the Series 2026-1 Bonds and to the Indenture for information regarding specific rights and agreements of the Agency. Any summaries of information are provided for convenience only and all statements made herein involving matters of opinions or estimates are intended merely as such and are not representations of fact. This Official Statement speaks as of its date and information related to the Agency and its Program set forth in this Official Statement is subject to change without notice.

The distribution of this Official Statement has been duly authorized by the Agency.

Pennsylvania Housing Finance Agency

Dated:

By:________________________________
Executive Director and Chief Executive Officer

APPENDIX A

[PROPOSED FORM OF BOND COUNSEL OPINION]

August __, 2026

Pennsylvania Housing Finance Agency
211 North Front Street
Harrisburg, PA 17101

Jefferies LLC, as Representative of the
Underwriters for the Bonds
520 Madison Avenue, 4th Floor
New York, NY 10022

U.S. Bank Trust Company, National Association,
as Trustee
1735 Market Street, 43rd Floor
Philadelphia, PA 19103

RE: Pennsylvania Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2026-1A (Non-AMT) and Series 2026-1B (Federally Taxable)

We have acted as Bond Counsel to the Pennsylvania Housing Finance Agency (the "**Agency**") in connection with the issuance of the Agency's Multifamily Housing Revenue Bonds, Series 2026-1A (Non-AMT) in the aggregate principal amount of $________________ (the "**Series 2026-1A Bonds**") and Series 2026-1B (Federally Taxable) in the aggregate principal amount of $___________ (the "**Series 2026-1B Bonds**" and together with the Series 2026-1A Bonds, the "**Bonds**"). The Agency is a public corporation and government instrumentality of the Commonwealth of Pennsylvania (the "**Commonwealth**") created by and existing under the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended (35 P.S. §§ 1680.101 et seq.) (the "**Act**").

The Bonds are being issued to provide funds that will be used, together with other available funds of the Agency (i) to finance first lien mortgage loans (the "**Series 2026-1A Mortgage Loans**") for the acquisition, construction, rehabilitation and equipping of two multifamily affordable rental housing facilities (the "**Series 2026-1A Developments**") in the Commonwealth with the proceeds of the Series 2026-1A Bonds which qualify as "qualified rental housing projects" under Section 142(d) of the Internal Revenue Code of 1986, as amended (the "**Code**"), (ii) to finance and provide funds to reimburse the Agency for the funding of certain existing first lien mortgage loans (the "**Series 2026-1B Mortgage Loans**") for the acquisition, construction, rehabilitation and equipping of certain existing multifamily rental housing facilities (the "**Series 2026-1B Developments**") in the Commonwealth with the proceeds of the Series 2026-1B Bonds, (iii) the funding of a "capital reserve fund" as defined under the Act to secure payment of the debt service on the Bonds and (iv) to pay certain costs of issuing the Bonds.

The Bonds are authorized and issued by the Agency pursuant to the Act, certain resolutions duly adopted by the Board of the Agency (the "**Board**") on April 16, 2026 and May 14, 2026 (collectively, the "**Resolutions**"), a Master Trust Indenture, dated as of July 1, 2026, by and between the Agency and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**"), as supplemented by action of the Executive Director or other authorized officer of the Agency under authority granted to such officer under the Board's aforementioned Resolutions, setting the final terms of the Bonds in the First Supplemental Trust Indenture, dated as of July 1, 2026, by and between the Agency and the Trustee (the "**First Supplemental Indenture**", and together with the aforementioned Master Trust Indenture, the "**Indenture**"). The capitalized terms used but not defined herein have the meanings ascribed thereto in the Indenture and the Resolutions.

The Bonds mature in the years and amounts and bear interest at the rates set forth in the First Supplemental Indenture. The Bonds are issuable in the form of fully registered bonds in denominations of $5,000 and integral multiples thereof.

The Bonds are exchangeable for bonds of any authorized denominations of the same series and maturity. The Bonds are subject to redemption prior to maturity as provided in the Indenture. Interest on the Bonds is payable on April 1 and October 1 of each year, commencing on April 1, 2027, until maturity or earlier redemption.

The Agency reserves the right to issue additional bonds on the terms and conditions and for the purposes stated in the Indenture and any applicable resolution. Under the provisions of the Indenture, such additional bonds will rank equally and ratably as to security and payment with all previously issued Bonds unless otherwise subordinated in accordance with the Supplemental Trust Indenture pursuant to which such additional bonds are issued.

As the basis for this opinion, we have examined such matters of law and such documents, certifications, instruments and records as we deemed necessary to enable us to render the same, consisting of the Pennsylvania Constitution, the Act, the Code, and original counterparts or certified copies of the Resolutions, the Indenture, a certification pursuant to the Code (the "**Tax Certificate**") of certain Agency officials having responsibility for issuing the Bonds and by the borrowers under the Series 2026-1A Mortgage Loans (the "**Series 2026-1A Borrowers**"), documents adopted by the Agency establishing procedures with respect to the Rental Housing Program, opinions as to various matters delivered by the Chief Counsel, as counsel to the Agency (the "**Agency Counsel Opinion**") and certain opinions as to various matters delivered by counsel to the Series 2026-1A Borrowers (the "**Borrower's Counsel Opinions**"), and the other documents, certifications, instruments and records listed in the Index of Closing Documents in respect of the Bonds filed this date with the Trustee. We also have examined one fully executed and authenticated Bond, or true copies thereof, and assumed all other Bonds are in such forms and are similarly executed and authenticated. In rendering this opinion, we have relied on the authenticity, truthfulness and completeness of all documentation examined as referred to above, including the accuracy of the representations made by the Agency and the Series 2026-1A Borrowers in the Tax Certificate, and on the Agency Counsel Opinion and the Borrower's Counsel Opinions as to all matters of fact and law set forth therein.

Section 142(d) of the Code provides that a governmental unit may issue bonds the interest on which is excludable from gross income to provide residential rental housing projects for tenants with incomes at or below the income levels defined in the Code. In connection with the issuance of the Series 2026-1A Bonds, the Agency, the Series 2026-1A Borrowers and the Trustee have entered into certain Tax Regulatory Agreements, dated as of July 1, 2026 (the "**Tax Regulatory Agreements**"), to provide for rental of the Series 2026-1A Developments to tenants in conformity with the requirements of the Code.

The Code also imposes various other requirements which the Agency and the Borrower must meet subsequent to the issuance and delivery of the Series 2026-1A Bonds for interest thereon to remain excludable from gross income of the owners of the Series 2026-1A Bonds for federal income tax purposes. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2026-1A Bonds, allocation of private activity bond volume cap from the Commonwealth under Section 146 of the Code, filing of an information return with the Internal Revenue Service, and the obligation to rebate certain excess earnings on the gross proceeds of the Series

2026-1A Bonds to the United States Treasury. Further, an officer of the Agency responsible for issuing the Series 2026-1A Bonds and a representative of the Series 2026-1A Borrowers have executed a certificate stating the reasonable expectations of the Agency and the Series 2026-1A Borrowers on the date of issue of the Series 2026-1A Bonds as to future events that are material for the purposes of Section 148 of the Code pertaining to arbitrage bonds and covenanting to comply with the requirements of the Code. Noncompliance with such requirements may cause interest on the Series 2026-1A Bonds to be included in the gross income of the Owners of the Series 2026-1A Bonds for federal income tax purposes, retroactive to the date of issue of the Series 2026-1A Bonds or as of some later date.

Based on the foregoing, we are of the opinion that:

1. The Agency has lawful authority to issue and sell the Bonds pursuant to the Act, the Resolutions and the Indenture.

2. The Indenture and the Bonds have been duly authorized, executed and delivered by the Agency; and the Resolutions have been duly adopted by the Agency and are in full force and effect as of the date hereof. The Indenture and the Resolutions are valid and legally binding obligations of the Agency enforceable against the Agency in accordance with their respective terms, except as may be affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights or remedies ("**Creditors' Rights Limitations**").

3. The Bonds are valid and legally binding general obligations of the Agency, enforceable against the Agency in accordance with their terms, except as may be affected by Creditors' Rights Limitations. In accordance with the terms of the Bonds and the terms of the Indenture, the principal and redemption price thereof and interest thereon are payable out of any moneys or revenues of the Agency, including the proceeds of Mortgage Loans, reserve funds created therefor by the Agency and other lawfully available funds, subject, however, to the requirements of the Code and the provisions of resolutions, agreements or indentures of the Agency pledging particular moneys, assets, proceeds, receipts or revenues to the payment of notes and bonds other than the Bonds. The Bonds, together with all other Bonds heretofore issued by the Agency under the terms, restrictions and conditions of the Indenture, are secured by a pledge and assignment of all Mortgage Loans made by the Agency from the proceeds of all series of Bonds issued under the Indenture, by a pledge of and lien on the Revenues, and by a pledge of and lien on the moneys and securities in certain accounts and in the Capital Reserve Fund established under the Indenture, all as provided therein.

4. Interest on the Series 2026-1A Bonds is excludable from gross income for federal income tax purposes under existing laws as enacted and construed on the date of initial delivery of the Series 2026-1A Bonds, assuming the accuracy of the certifications of the Agency and the Series 2026-1A Borrowers and continuing compliance by the Agency and the Series 2026-1A Borrowers with the requirements of the Code, except that interest on the Series 2026-1A Bonds shall not be excludable from gross income for federal income tax purposes while held by a "substantial user" of the Series 2026-1A Developments or a "related person" as provided in the Code. Interest on the Series 2026-1A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. However, such interest is taken into account in determining the "adjusted financial statement income" (as defined in Section 56A of the Code) of "applicable corporations" (as defined in Section 59 of the Code) for purposes of computing the federal alternative minimum tax imposed on such corporations.

In rendering the opinion in numbered paragraph 4, we have assumed compliance by the Agency with the covenants contained in the Indenture, the Resolutions and the Tax Certificate and compliance by the Series 2026-1A Borrowers with the covenants contained in the Tax Regulatory Agreements and the Tax Certificate that are intended to comply with the requirements of the Code relating to actions to be taken by the Agency and the Series 2026-1A Borrowers in respect of the Series 2026-1A Bonds after issuance thereof to the extent necessary to effect or maintain the federal exclusion from gross income of the interest on the Series 2026-1A Bonds. These covenants relate to, inter alia, the use and investment of proceeds of the Series 2026-1A Bonds and the rebating to the United States Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could cause the interest on the Series 2026-1A Bonds to be includible in gross income retroactively to the date of issuance of the Series 2026-1A Bonds.

5. Interest on the Series 2026-1B Bonds is not excludable from gross income for federal income tax purposes.

Except as expressed in paragraphs 4 and 5, Bond Counsel expresses no opinion regarding other federal tax consequences relating to the ownership or disposition of, or the accrual of or receipt of interest on, the Bonds.

6. Under the laws of the Commonwealth, as enacted and construed on the date hereof, interest on the Bonds is exempt from both Pennsylvania personal income tax and corporate net income tax.

Except as expressed in paragraph 6, Bond Counsel expresses no opinion regarding other state or local tax consequences relating to the ownership or disposition of, or the accrual of or receipt of interest on, the Bonds.

This opinion is rendered on the basis of federal law and the laws of the Commonwealth as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs herein including, without limitation, the adequacy, accuracy or completeness of the preliminary and final official statements prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

Attention is called to the facts that the Bonds do not pledge the faith or credit of the Commonwealth, or of any agency or instrumentality thereof other than the Agency to the extent referred to above, and that the Agency has no taxing power.

Very truly yours,

PENNSYLVANIA HOUSING FINANCE AGENCY

Official Statement Part 2

Relating to
Multifamily Housing Revenue Bonds

This Part 2 of this Official Statement (the "Official Statement") provides certain information concerning certain sources of payment and security for the Multifamily Housing Revenue Bonds being offered, the Pennsylvania Housing Finance Agency (the "Agency") and the Rental Housing Program financed with the proceeds of Bonds. It contains only a part of the information to be provided by the Agency in connection with the issuance of certain series of the Agency's Multifamily Housing Revenue Bonds. The terms of the Bonds being offered, including the designation, principal amount, authorized denominations, price, maturity, interest rate and time of payment of interest, redemption provisions and any other terms of information relating thereto are set forth in Part 1 of this Official Statement. Additional information concerning sources of payment and security for the Bonds and the Agency is contained in Part 1 of this Official Statement. The information contained herein may be supplemented or otherwise modified by Part 1 of this Official Statement and is subject in all respects to the information contained therein. In addition, the Agency has provided certain information concerning its programs and operations and certain financial data in Appendices to this Part 2, which are an integral part hereof and which may be supplemented, amended or modified by the Agency from time to time.

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PENNSYLVANIA HOUSING FINANCE AGENCY

OFFICIAL STATEMENT
Part 2
Relating to
Pennsylvania Housing Finance Agency
Multifamily Housing Revenue Bonds

This Part 2 of this Official Statement, which includes the cover (and any related inside cover) page and appendices hereto, sets forth information concerning the Pennsylvania Housing Finance Agency (the "Agency"), the Agency's Rental Housing Program, and the Agency's Multifamily Housing Revenue Bonds in connection with the issuance and sale of the Agency's Multifamily Housing Revenue Bonds, Series 2026-1 (the "Offered Bonds").

Appendix A to this Part 2 contains a summary of definitions of certain terms used herein and in the Indenture. Appendix B contains a description of the Section 8 Program. Appendix C contains a description of the Existing Developments. Appendix D contains a summary of certain program information about the Agency and information about certain other obligations of the Agency. Appendices E and F, respectively, contain the audited and unaudited financial statements of the Agency. All summaries of and citations to the documents herein are qualified in all respects by reference to the actual documents in their entireties, copies of which are available from the Agency. All descriptions of or citations to any series of Bonds are qualified in all respects by reference to the definitive forms thereof.

INTRODUCTORY STATEMENT

The Agency is a body corporate and politic constituting a public corporation and government agency of the Commonwealth of Pennsylvania (the "Commonwealth"). The Agency, which commenced operations in 1972, established its first rental housing financing program in 1975 for the purpose of making mortgage loans to supply well planned and designed apartment units for low and moderate income persons and families.

In furtherance of this purpose, the Agency has authorized the issuance of its Multifamily Housing Revenue Bonds. Each series of the Agency's Multifamily Housing Revenue Bonds is to be issued pursuant to Pennsylvania Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended (35 P.S. Section 1680.101 et seq.) (the "Act"), a resolution duly adopted by the Agency authorizing the issuance of such series of Bonds, the Master Trust Indenture dated as of July 1, 2026 (the "Indenture"), by and between the Agency and U.S. Bank Trust Company, National Association (the "Trustee") and a Supplemental Indenture providing for the issuance of such Series of Bonds.

Pursuant to the Indenture, additional Obligations may be issued thereunder from time to time as Parity Obligations, Non-Parity Obligations, or any combination thereof. Certain terms used in this Official Statement have the meanings set forth in Appendix A to this Part 2.

The Loans financed by the Agency under the Indenture, including Loans to be made with moneys made available through issuance of additional Obligations under the Indenture, are made pursuant to the Agency's Rental Housing Program described below under "THE RENTAL HOUSING PROGRAM."

The Offered Bonds are Parity Obligations, which have a first priority pledge of, lien on, and security interest in, the Trust Estate, which includes the Series 2026-1 Mortgage Loans and the Revenues therefrom, the proceeds of the Offered Bonds and funds on deposit in the Proceeds Fund, the Capital Reserve Fund and the Revenue Fund, together with other amounts pledged under the Indenture.

The Offered Bonds also constitute general obligations of the Agency payable out of any of its revenues, moneys or assets legally available therefor, subject to agreements heretofore or hereafter made with owners of other obligations of the Agency pledging particular revenues, moneys or assets for the payment thereof. Although the Offered Bonds are general obligations of the Agency, the Agency has pledged a substantial portion of its moneys, assets and revenues held in funds and accounts outside the Indenture to the payment of its other bonds and notes and for other program activities, as described herein under "CERTAIN INVESTMENT CONSIDERATIONS—Certain Other Agency General Obligations and Assets Pledged Thereto" in Part 1, under "OTHER PROGRAMS OF THE AGENCY" below and in Appendix D hereto and in the financial statements attached hereto as Appendices E and F.

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

THE PENNSYLVANIA HOUSING FINANCE AGENCY

Purposes and Powers

The Agency is a body corporate and politic constituting a public corporation and government instrumentality created to promote the financing of housing for persons and families of low and moderate income and the elderly in the Commonwealth. Pursuant to the Act, the Agency has the power to issue bonds to provide Mortgage Loans and to enter into agreements and perform other functions in furtherance of its public purposes. The Act provides that the Commonwealth will not limit or alter the rights or powers vested in the Agency to perform the terms of any agreement with the holders of any bonds issued by the Agency or in any way impair the rights or remedies of such holders until the bonds have been paid in full or provision for such payment has been made.

Membership

The members of the Agency (the "Board") are the Secretaries of Community and Economic Development, Banking and Securities, Human Services of the Commonwealth, the State Treasurer, six additional members whom the Governor appoints, subject to the advice and consent of the Senate, each of whom serves for a term of six years and thereafter until a successor is appointed and qualified, and four additional members who serve by appointment and at the pleasure of each of the majority and minority leaders of each of the House and Senate. The current Board members, their terms of office, and principal occupations are as follows:

HON. WENDY SPICHER, (Chairperson) Harrisburg, Pennsylvania – Secretary of Banking and Securities (Ex Officio).

MARK SCHWARTZ, ESQUIRE, (Vice Chairperson) Huntingdon Valley, Pennsylvania – Of Counsel, Regional Housing Legal Services (Expiration of term – July, 2028).

HON. VALERIE A. ARKOOSH, Harrisburg, Pennsylvania - Secretary, Department of Human Services (Ex Officio).

DIANA BUCCO, Pittsburgh, Pennsylvania – President, The Buhl Foundation (Expiration of term – July, 2025).

EDWARD P. CHRISTIANO, Milton, Pennsylvania – Chief Executive Officer of Housing Development Corporation of Northumberland County (Appointed through House Minority Leader).

MARK DOMBROWSKI, Erie, Pennsylvania - Vice President of Government Relations, Erie Insurance Group (Expiration of term - July, 2024).

HON. STACY GARRITY, Harrisburg, Pennsylvania – State Treasurer (Ex Officio).

JENNIFER KOPPEL, Mount Joy, Pennsylvania - Program Lead, Breakthrough Results Community Solutions (Expiration of term - July, 2027).

GARY E. LENKER, Harrisburg, Pennsylvania - Executive Director, Tri-County Housing Development Corporation; Vice President, Donco Construction, Inc. (Expiration of term - July, 2026).

MARKITA MORRIS-LOUIS, ESQUIRE, Philadelphia, Pennsylvania - Chief Executive Officer, Compass Working Capital (Appointed through House Majority Leader).

ROSS J. NESE, Pittsburgh, Pennsylvania – President, Executive Business Advisors (Appointed through Senate Minority Leader).

JOHN A. PAONE, Philadelphia, Pennsylvania – President, Thomas Mill Associates, Inc. (Expiration of term – July, 2029).

HON. RICK SIGER, Harrisburg, Pennsylvania – Secretary, Department of Community and Economic Development (Ex Officio).

MICHAEL L. WASHOWICH, North Huntingdon, Pennsylvania – CEO / Executive Director, Westmoreland County Housing Authority (Appointed through Senate Majority Leader).

Staff and Organization

The staff of the Agency consists of persons who have responsibilities in various fields including financing, accounting, law, housing development, housing and property management, data processing, mortgage loan underwriting and servicing and construction loan servicing. The Agency's staff is organized into divisions including, among others: the Executive Division, responsible for the overall management of the Agency; the Legal Division, responsible for general legal matters related to the operation of the Agency and the Rental Housing Program; the Development Division, which administers the underwriting review of applications for, and the award of, low income housing tax credits and mortgage loan commitments for proposed Rental Housing Program projects; the Technical Services Division, which provides assistance in architectural and engineering design review and is responsible for construction management oversight on behalf of the Agency for construction and rehabilitation projects in the Rental Housing Program; the Housing Management Division, which is responsible for regulatory compliance oversight and asset management for Developments in the Rental Housing Program, including monitoring adherence with required occupancy (income limit) restrictions and rent limits, inspection and review of Developments' physical condition and financial management, and assisting with the servicing and monitoring of Developments' payments on Agency mortgage loan financing; the Information Technology Division, which provides computer services to all Agency divisions; and the Accounting and Finance Divisions, which together provide financial and accounting services for the Agency, including oversight of the issuance and administration of its bonds and notes and the origination and servicing of mortgage loan financing provided to Developments in the Rental Housing Program.

The following are key staff members of the Agency presently involved with the administration of its financing programs and overall administration:

Robin L. Wiessmann became Executive Director & CEO in February, 2020. Ms. Wiessmann received her J.D. degree from Rutgers Law School and is a graduate of Lafayette College. Ms. Wiessmann has had an extensive career in public finance on both the private and public sides of transactions including a term as the Pennsylvania State Treasurer. Ms. Wiessmann most recently served as Secretary of Department of Banking and Securities which also designated her as chair of the Pennsylvania Housing Finance Agency Board.

Leonidas Pandeladis became Deputy Executive Director and Chief Counsel to the Agency in January, 2020. Mr. Pandeladis previously served as Chief Counsel for several Pennsylvania agencies. He received his J.D. degree from Duquesne University and holds a B.S. degree from the University of Pittsburgh.

Jordan S. Laird became the Director of Finance of the Agency in March, 2018. Mr. Laird has been a member of the Finance Division serving as Manager of Investments. Prior thereto, he served as Secondary Marketing Manager. Mr. Laird received his B.S. degree from the University of Pittsburgh, and his MBA from Penn State University and is a Certified Treasury Professional.

Adrianne M. Trumpy became the Director of Accounting of the Agency in September, 2019. Prior to joining the Agency, Ms. Trumpy was a Senior Manager at a Big Four public accounting firm. Ms. Trumpy received her B.S. of Accounting from the College of Mt. St. Joseph and is a Certified Public Accountant.

Jessica Perry became the Director of Development of the Agency in January, 2022. Prior to joining PHFA, Ms. Perry spent 20 years working for the City of Pittsburgh's Urban Redevelopment Authority in various housing development roles including serving as the Director of the Residential Lending Department as well as Director of the Housing Opportunity Fund, Pittsburgh's first local housing trust fund. Ms. Perry holds a Master of Science in Public Policy and Management from Carnegie Mellon University with a concentration in Urban Economic Development and a Bachelor of Science Degree with a dual major in Business Administration and Religion from Westminster College in New Wilmington, Pennsylvania.

Kurt Livering became PHFA's Director of Housing Management in October 2024. He has more than 12 years of experience in affordable housing. Prior to becoming Director, he was the Manager of Financial Operations at PHFA. Mr. Livering received his B.S. degree in Business Administration from Lebanon Valley College and his M.B.A from Clarion University.

Kenneth Bobb assumed the role of Director of Technical Services in July 2025. Prior to serving in this role, he was the Manager of Architecture + Engineering and has been in various roles within the Technical Services division since 2008. Mr. Bobb received his B.S. degree from Penn State University

In addition to the foregoing, **Maggie Strawser**, who is an employee of the Agency, serves as the Agency's Secretary. Ms. Strawser received a bachelor's degree from Elizabethtown College.

THE RENTAL HOUSING PROGRAM

The Agency's first bond-financed rental housing financing program, which was established in 1975 and operational until 1984, provided mortgage loans for the new construction or substantial rehabilitation and permanent financing of rental housing designed for low and moderate income persons and families or elderly persons in conjunction with federal housing programs, including the housing assistance payments program of the United States Department of Housing and Urban Development ("HUD") under Section 8 of the United States Housing Act of 1937, as amended (the "Section 8 Program").

The Agency's subsequent bond-financed rental housing activities have involved mortgage loans for the new construction of rental housing, or the acquisition of rehabilitation of rental housing (including, but not limited to, such first-financed developments), designed for low and moderate income persons and families or elderly persons, primarily in connection with owners' participation in the low income housing tax credit program under Section 42 of the Code (the "LIHTC Program").

The Agency presently finances such loans through the issuance of tax-exempt and federally taxable bonds and/or notes, including the Multifamily Housing Revenue Bonds and special limited obligation bonds, and from other available monies of the Agency. The Existing Mortgage Loans for the Existing Developments listed in Appendix C to this Part 2 were financed with such other available monies of the Agency and will be pledged under the Indenture on the date of issuance of the Series 2026-1 Bonds.

In addition to the Agency's primary mortgage loan financing provided to the owner of a Development, the Agency may provide additional, subsidized financing on favorable terms for a Development in the form of a second, lower-interest rate Agency mortgage loan to the owner secured by a mortgage lien on the owner's interest in the Development subordinate to the lien of the mortgage securing the Agency's primary mortgage loan (an "Agency Subordinate Loan"), using the Agency's available monies or funds available to the Agency under federal or Commonwealth programs, including through the Agency's PennHOMES and Pennsylvania Housing Trust Fund/PHARE programs described in Appendix D to this Part 2.

Section 8 Housing Assistance Payments

A number of the Existing Developments (as noted in Appendix C to this Part 2) receive subsidy payments under the Section 8 Program for all or a portion of the LIHTC Units (as defined below, or former such units) in such Developments, and the Series 2026-1A Developments (as noted in Part 1 under "THE SERIES 2026-1 BONDS — Series 2026-1A Mortgage Loans and the Series 2026-1A Developments") receive Section 8 subsidy payments for all units, other than one unit, in each Development. For a description of the Section 8 Program, see Appendix B to this Part 2.

Income Limits and Rent Restrictions under the Code and the Rental Housing Program

Developments financed with tax-exempt bonds issued under Section 142(d) of the Code, which include both of the Series 2026-1A Developments and certain of the Existing Developments that were previously financed by such bonds that are no longer outstanding, are subject to agreements (each a "Tax Regulatory Agreement") imposing certain occupancy restrictions applicable to a "qualified residential rental project" under such Code provisions. Such Code provisions require, among other things, that either (as elected at the time of the issuance of such bonds) (i) at least 20% of the units in the Development be occupied during the "qualified project period" (defined below) by individuals or families whose incomes, determined in a manner consistent with the Section 8 Program, do not exceed 50% of the median income for the area, as adjusted for family size ("AMI"), or (ii) at least 40% of such units be occupied during the "qualified project period" by individuals or families whose incomes, determined in such manner, do not exceed 60% of AMI. The "qualified project period" is the period commencing upon the later of (a) occupancy of 10% of the units in the Development or (b) the date of issue of such bonds, and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in such Development, (ii) the first date on which no such tax-exempt bonds issued with respect to the Development are outstanding or (iii) the date on which any assistance provided with respect to the Development under the Section 8 Program terminates.

All of the Existing Developments are (other than three as noted below), and both of the Series 2026-1A Developments will be, subject to agreements (each a "LIHTC Indenture of Restrictive Covenants") that impose certain occupancy restrictions and rent restrictions in connection with their owners' participation in the LIHTC Program under Section 42 of the Code. In order for an owner to claim the minimum tax credit amount that would be available for a project under the LIHTC Program, in addition to other requirements, the project must be a "qualified low-income housing project" under such Code provisions, which (among other things) requires: (1) that, as elected by the owner, either (a) at least 20% of the units in the project be occupied by individuals or families whose incomes, determined in the manner described above, do not exceed 50% of AMI, (b) at least 40% of the units in the project be occupied by individuals or families whose incomes, determined in such manner, do not exceed 60% of AMI, or (c) at least 40% of the units in the project be occupied by individuals or families whose incomes, determined in such manner, do not exceed specified percentages of AMI that the owner has designated for the units, provided that such percentages (which may range from 20% to 80% in 10% increments) average to not more than 60; and (2) that in each case the gross rent (which excludes any housing assistance payment under the Section 8 Program but includes any utility allowance thereunder) for each unit required to be so occupied does not exceed 30% of the income limit applicable to the unit, for a household of a specified size (determined based on unit size). A unit that is so occupied and is subject to such rent restrictions is referred to in such Code provisions as a "low-income unit" (sometimes referred to herein as a "LIHTC Unit"). The tax credit amount that an owner may claim is a function of, among other things, the proportion of such low-income units (measured by the lesser of unit number or floor space) to all units in the project (referred to in such Code provisions as the "applicable fraction"), such that an owner may claim an increased tax credit amount by, in addition to other requirements, electing to subject a greater number of units in the project (in excess of the applicable minimum requirement for a qualified low-income housing project), or all of the units in the project, to the occupancy restrictions elected (i.e., 50% AMI, 60% AMI, or designated percentages of AMI averaging to not more than 60%) and the related rent restrictions. In order for an owner to claim and avoid recapture of tax credits, such occupancy and rent restrictions for the required number of low-income units (the minimum for a qualified low-income housing project and any greater number elected by the owner in order to obtain an increased applicable fraction) must be maintained for a "compliance period" of 15 years beginning with the first year of the 10-year "credit period" over which the tax credit is claimed (which first credit period year generally is the year of (or following) completion of the construction or rehabilitation work by reason of which the tax credit is claimed). The Code further requires, in order for the credit to be claimed, that the owner enter into an "extended low-income housing commitment" with the "housing credit agency" that administers the LIHTC Program for the state in which the project is located (which in the case of the Commonwealth is the Agency), requiring that such occupancy and rent restrictions for the required number of low-income units (according to the project's applicable fraction) be maintained for an "extended use period" that includes such compliance period and extends 15 years, or such longer number of years as is required by the housing credit agency, beyond the end of the compliance period. The extended use period that is required by the Agency currently (and is applicable to the Series 2026-1A Developments and the most-recently-financed Existing Developments) extends 25 years beyond the end of the 15-year compliance period, for a total period of 40 years. Accordingly, the LIHTC Indentures of Restrictive Covenants for the two Series 2026-1A Developments and all of the Existing Developments (other than three as noted below) require that the applicable number of LIHTC Units (low-income units) in the Development, as shown in Part 1 under "THE SERIES 2026-1 BONDS—Series 2026-1A Mortgage Loans and the Series 2026-1A Developments" and in Appendix C to this Part 2, comply with the applicable occupancy restrictions elected by the owner (which may be 50% of AMI, 60% of AMI, or designated percentages of AMI averaging to not more than 60%) and their related rent restrictions, for a period of years (30 or more years, and as long as 40 years in the case of the Series 2026-1A Developments and the most-recently-financed Existing Developments) beginning with the first year of the credit period. (With respect to three Existing Developments, as noted in Appendix C, all units were LIHTC Units and the Developments' extended use periods now are expired. All or substantially all units in these Developments are the subject of Housing Assistance Payments Contracts under the Section 8 Program and occupancy and tenant rent restrictions thereunder.)

All of the Existing Developments are, and both of the Series 2026-1A Developments will be, subject to agreements (each a "PHFA Regulatory Agreement") required by the Agency under the Rental Housing Program as a condition of the Agency's providing its mortgage loan financing, which require compliance with the occupancy and rent restrictions applicable to the Development under its LIHTC Indenture of Restrictive Covenants (if any) and Tax Regulatory Agreement (if any) and under the Development's Section 8 Housing Assistance Payments Contract (if any), and may further require compliance with other occupancy and rent restrictions imposed a condition of the Agency's providing an Agency Subordinate Loan, in accordance with the terms of the Agency program under which the particular Agency Subordinate Loan is funded. (Developments' PHFA Regulatory Agreements, together with their LIHTC Indentures of Restrictive Covenants and (as applicable) Tax Regulatory Agreements, are sometimes referred to herein as "Regulatory Agreements".)

Mortgage Loan Servicing, Development Asset Management and Regulatory Compliance Oversight

The Agency's Rental Housing Program mortgage loans of the type expected to be financed under the Indenture, including the Existing Mortgage Loans and the Series 2026-1A Mortgage Loans, along with any Agency Subordinate Loans for the related Developments, are serviced by the Agency, and the Agency also undertakes oversight of asset management and Regulatory Agreement compliance with respect to the related Developments. In addition to the collection and monitoring of payments of mortgage loan principal, interest and servicing fees, the Agency administers and collects required payments to escrow accounts for the payment of real estate taxes and hazard insurance and accounts for reserves for replacement for future Development capital needs; monitors the Developments' physical condition, including by annual on-site inspection; oversees the Developments' financial management, including by reviewing audited financial statements required to be submitted annually by the Developments' owners; and conducts annual reviews of tenant files and income certifications and related owner certifications to monitor compliance with occupancy (income limit) restrictions and rent limits under the Developments' Regulatory Agreements. (See "PENNSYLVANIA HOUSING FINANCE AGENCY—Staff and Organization" above for further information regarding Agency staff and divisions responsible for such functions.)

As of May 31, 2026, all, except six (as noted in Appendix C to this Part 2), of the Existing Developments are current in their debt service payments on their Existing Mortgage Loans and there have been no material defaults in the physical or fiscal operation of any of the Existing Developments under any of their covenants to the Agency.

Prepayments of Principal

The terms of mortgage loans currently offered by the Agency of the type that the Agency expects it may finance under the Indenture (which may be changed from time to time by the Agency) currently provide that the Mortgage Loan may be prepaid, but only in full (not in part) and only with (i) the Agency's prior written approval and (ii) payment of a prepayment fee equal to a declining percentage of outstanding principal balance: 10% if prepaid within the first year after a specified date (the "Referenced Date"), decreasing by 1% per year for the second through tenth years, to zero after the end of the tenth year. Such provisions apply to the Series 2026-1A Mortgage Loans (for which the Referenced Date is the date of the Initial Loan Closing) and to all of the Existing Mortgage Loans (for which the Referenced Date is the date of the Permanent Loan Closing), except as noted in Appendix C with respect to certain earlier-originated Existing Mortgage Loans.

The Agency reserves the right to approve prepayments of Mortgage Loans, to waive prepayment fees or restrictions, and to make new mortgage loans that may finance such prepayments, including through the issuance of Obligations under the Indenture or bonds or notes not issued under the Indenture. Prepayment fees to the Agency are not pledged under the Indenture.

SECURITY FOR THE PARITY OBLIGATIONS

Trust Estate; Security for the Parity Obligations; Provision for General Obligations

Under the Master Indenture, the Agency, in order to secure the payment of the principal of, premium, if any, and interest on the Obligations or any Series thereof and other obligations secured under the Master Indenture, pledges the following for the equal benefit, protection and security of the holders of all Parity Obligations, including the holders of Series 2026-1 Bonds (all of such Parity Obligations, regardless of the time or times of their issue or maturity, are of equal rank without preference, priority or distinction of any Parity Obligation over any other except as expressly provided or permitted in a Supplemental Indenture, the following):

(a) all right, title and interest of the Agency in and to all related Revenues pledged therefor pursuant to a Supplemental Indenture;

(b) except as otherwise provided in a Supplemental Indenture with respect to a Series of Obligations, all right, title and interest of the Agency in and to each Loan made with the related Series of Obligations including the related Loan Agreement, Note, Mortgage and/or Credit Enhancement (other than the Reserved Rights of the Agency), including all extensions and renewals of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the money, income, revenues, issues, profits and other amounts payable or receivable thereunder, whether payable under the above referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Agency or any other Person is or may become entitled to do under said documents;

(c) all right, title and interest of the Agency (other than Reserved Rights of the Agency) in and to all moneys and securities (including investments thereof and earnings thereon), including Obligation proceeds (other than proceeds deposited in trust for the retirement of any outstanding Obligations) held in the Funds and Accounts (or any subaccounts thereof) that are pledged therefor pursuant to the terms of a Supplemental Indenture with respect to a Series of Obligations (excluding amounts in the set aside in satisfaction of the Rebate Amount or in the Program Subsidy Fund) and all proceeds, substitutions, renewals and replacements of the foregoing; and

(d) all right, title and interest of the Agency in any other assets from time to time held by the Trustee under and subject to the terms of the Master Indenture or pledged pursuant to any Supplemental Indenture with respect to a Series of Obligations and all proceeds, substitutions, renewals or replacements of the foregoing.

The Revenues and all amounts held in any Fund or Account other than the Rebate Amount, the Program Subsidy Fund or such other Fund or Account specified in a Supplemental Indenture, including investments thereof, are thereby pledged to secure the payment of the Obligations including Sinking Fund Payments for the retirement thereof (provided that payment of Non-Parity Obligations may be secured by the pledge of funds and accounts under the Master Indenture to the extent specified in the applicable Supplemental Indenture, either subordinate to or separate and distinct from the pledge securing Parity Obligations, and upon such terms and conditions set forth in the Supplemental Indenture authorizing such Non-Parity Obligations) in accordance with their terms and the provisions of the Master Indenture and the applicable Supplemental Indenture, subject only to the provisions of the Master Indenture and the applicable Supplemental Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Master Indenture and in the applicable Supplemental Indenture. The Agency may, pursuant to a Supplemental Indenture authorizing the issuance of a Series of Obligations:

(1) pledge such Revenues and amounts to one or more Credit Enhancers who have provided Credit Enhancement to secure either Obligations or payments under Loans financed by a Series of Obligations, as applicable, all as set forth in such Supplemental Indenture;

(2) provide that amounts in one or more Funds or Accounts established pursuant to such Supplemental Indenture be excluded from the pledge set forth in this paragraph to secure the payment of the applicable Series of Obligations or otherwise limit such pledge with respect to such Funds and Accounts;

(3) provide that a Series of Obligations issued under such Supplemental Indenture shall have a separate security which will not become an asset of or subject to the pledge of the Master Indenture unless specifically permitted under such Supplemental Indenture; and

(4) provide such other requirements with respect to the security for and payment of any Series of Obligations issued pursuant to such Supplemental Indenture as shall be consistent with the requirements of the Master Indenture.

The Series 2026-1 Bonds also constitute (and additional Obligations issued under the Indenture also may, to the extent provided in a Supplemental Indenture, constitute) general obligations of the Agency payable out of any of its revenues, moneys or assets legally available therefor, subject to agreements heretofore or hereafter made with owners of obligations pledging particular revenues, moneys or assets for the payment thereof.

Although the Series 2026-1 Bonds are general obligations of the Agency, the Agency has pledged a substantial portion of its moneys, assets and revenues held in funds and accounts outside the Indenture to the payment of its other bonds, notes and contractual obligations and for other program activities as described herein under "CERTAIN INVESTMENT CONSIDERATIONS—Certain Other Agency General Obligations and Assets Pledged Thereto" in this Part 1, under "CERTAIN GENERAL AGENCY PROGRAM INFORMATION AND OUTSTANDING OBLIGATIONS" in Appendix D to Part 2 of this Official Statement and in the financial statements attached to Part 2 of this Official Statement as Appendix E and Appendix F.

Loans Pledged under the Indenture

Under the Master Indenture, the Agency may issue Obligations to finance any corporate purpose for which Obligations may be issued under the Act or other applicable law, including, but not limited to, the financing or purchasing of Loans to Borrowers to finance Projects (also sometimes referred to herein as "Developments"). Loans may, but are not required to be, secured by a Mortgage, and any such Mortgage may, but is not required to, create a first lien on the Borrower's interest in its Development. Loans may be, but are not required to be, secured by Credit Enhancement. The Master Indenture does not require that the Agency pledge its interests in the Loans or other assets financed with the proceeds of additional Parity Obligations, or the revenues derived therefrom, to secure the Parity Obligations. (No such additional Parity Obligations may be issued under the Master Indenture, however, unless certain conditions set forth in the Master Indenture are met, as described under "Additional Obligations" below.)

The Loans that will be pledged under the Indenture upon the issuance of the Series 2026-1 Bonds, the Series 2026-1A Mortgage Loans and the Series 2026-1B Mortgage Loans (the Existing Mortgage Loans), are or are to be secured by Mortgages creating first liens on the applicable Developments but are not secured by Credit Enhancement. See "THE SERIES 2026-1 BONDS — Series 2026-1A Mortgage Loans and the Series 2026-1A Developments" in Part 1 "APPENDIX C — EXISTING DEVELOPMENTS" in this Part 2 and "CERTAIN INVESTMENT CONSIDERATIONS" in Part 1 for certain additional information and investment considerations with respect to the Series 2026-1A Mortgage Loans, the Series 2026-1B Mortgage Loans (the Existing Mortgage Loans), and the related Developments.

The Agency may withdraw Loans (as well as surplus revenues) from the pledge and lien of the Indenture upon the filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate.

Housing Subsidy Payments for Certain Developments

See "THE RENTAL HOUSING PROGRAM — Section 8 Housing Assistance Payments" and "APPENDIX B — THE SECTION 8 PROGRAM" in this Part 2 and "CERTAIN INVESTMENT CONSIDERATIONS" in Part 1 for information concerning the rental housing subsidy program that will provide support for the Series 2026-1A Developments and (as noted in Appendix C to this Part 2) certain of the Existing Developments.

Capital Reserve Fund

The Agency has established under the Master Indenture a Capital Reserve Fund that is pledged as security for Parity Obligations.

The "Capital Reserve Requirement" for the Master Indenture is, as of any date of calculation, the aggregate of the amounts specified as the Capital Reserve Requirement for each Series of Obligations in a Supplemental Indenture authorizing the issuance of such Series of Obligations. A Supplemental Indenture may provide that the Capital Reserve Requirement for the Series of Obligations authorized thereunder may be funded in whole or in part, through Credit Enhancement or Investment Securities and such method of funding shall be deemed to satisfy all provisions of the Master Indenture with respect to the Capital Reserve Requirement and the amounts required to be on deposit in the Capital Reserve Fund.

The "Capital Reserve Requirement" for the Series 2026-1 Bonds will be, as of any date of calculation, an amount equal to three percent (3%) of the Outstanding principal amount of the Series 2026-1 Bonds.

Upon the issuance of the Series 2026-1 Bonds, the Agency will make the initial deposit to the Capital Reserve Fund from the Agency's funds in an amount equal to the Capital Reserve Requirement for the Series 2026-1 Bonds.

Amounts on deposit in the Capital Reserve Fund will be applied, to the extent other funds are not available therefor pursuant to the Master Indenture and the applicable Supplemental Indenture, to pay the Principal Installments of and interest on the Outstanding Obligations of a Series when due, whether by call for redemption or otherwise. Whenever the amount in the Capital Reserve Fund exceeds the Capital Reserve Requirement, as applicable, for any given Series of Obligations, the Trustee will, if so directed by the Agency pursuant to a written direction specifying the Capital Reserve Requirement, withdraw from the Capital Reserve Fund the amount of any excess therein over the Capital Reserve Requirement as of the date of such withdrawal and deposit the monies so withdrawn into the Revenue Fund.

Moneys in the Capital Reserve Fund at the direction of the Agency shall be withdrawn from the Capital Reserve Fund by the Trustee and deposited in the Revenue Fund for the purchase or redemption of Obligations at any time, provided that subsequent to such purchase or redemption the amount in the Capital Reserve Fund will not be less than the Capital Reserve Requirement.

If on any Interest Payment Date or Redemption Date for a Series of Obligations the amount in the Revenue Fund shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Obligations of such Series on such date, the Trustee will apply amounts from the Capital Reserve Fund to the extent necessary to make good the deficiency. The Trustee will notify the Agency if, 30 days prior to any Interest Payment Date or Redemption Date, the amount on deposit in the Revenue Fund is estimated by the Trustee to be insufficient to make any payment due without a draw on the Capital Reserve Fund.

Notwithstanding anything to the contrary contained under this subheading, if, pursuant to a Supplemental Indenture, amounts obtained under Credit Enhancement are to be used to pay the Principal Installments of and interest on Obligations, then amounts in the Capital Reserve Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Indenture.

With respect to the maintenance of any capital reserve fund which may be created thereunder, the Act provides, in part, as follows:

> In order further to assure the maintenance of such capital reserve funds, the Agency, at least thirty days before the beginning of each legislative session, shall submit to the Governor and the General Assembly a written statement of the obligations of the Agency falling due within the succeeding twelve month period and of the manner in which the Agency anticipates providing for such obligations by way of payment, extension, renewal or otherwise and an estimate of the funds, if any, expected to be necessary during the following year to restore to each such capital reserve fund any deficiencies in the minimum capital reserve fund requirement for such fund or otherwise to avoid default in the payment of interest or principal upon bonds or notes issued by the Agency, or in sinking fund payments required to be made, and the Governor shall cause the amount of such moneys, if any, to be placed in the budget of the Commonwealth for the next succeeding fiscal year, so that the General Assembly shall be enabled to provide appropriations sufficient to restore any such deficiencies or otherwise to avoid any default.

In the opinion of Bond Counsel, the General Assembly of the Commonwealth is legally authorized, but cannot be compelled, to provide an appropriation sufficient to make up any such deficiency or otherwise to avoid any default.

In the event that the Governor does not place in the budget the amount of money certified by the Agency as necessary to restore a deficiency in any capital reserve fund or otherwise to avoid default, the

General Assembly has the power, nevertheless, to appropriate such moneys, subject to the Constitutional provisions that the operating budget appropriations made by the General Assembly in any fiscal year not exceed the actual and estimated revenues and surplus available, and that any operating budget appropriation may be overridden by a two-thirds vote in each house of the General Assembly. To date, no such requests have been made by the Agency.

Investment of Certain Funds

Monies in any Fund or Account that are pledged pursuant to the Indenture shall be continuously invested and reinvested by the Trustee, at the direction of the Agency, in Investment Securities with a view toward minimizing the instances of uninvested funds, while maintaining adequate levels of liquidity as required by the Indenture. The Agency shall direct the Trustee from time to time as to the investment of amounts in the Funds and Accounts established or confirmed by the Indenture. The Agency may direct the Trustee to invest and reinvest the monies in any Fund or Account in Investment Securities so that the maturity date or date of redemption at the option of the owner thereof shall coincide as nearly as practicable with (but in no event later than) the times at which monies are needed to be expended; provided, however, that with respect to monies in a Fund or Account established by a Supplemental Indenture that are not pledged pursuant to the Master Indenture, the Agency may, if so provided in such Supplemental Indenture, designate another party as authorized to direct the investment of monies in such Fund or Account. The Investment Securities purchased shall be held by the Trustee, or for its account as Trustee and shall be deemed at all times to be part of such Fund or Account, and the Trustee shall keep the Agency advised as to the details of all such investments. Subject to the provisions of the Indenture, the Trustee shall not be liable or responsible for any loss resulting from such investments. Investments authorized to be made by the Trustee pursuant to the Indenture may be made by the Trustee through its own bond or investment department, unless otherwise provided in a Supplemental Indenture.

Investment Securities purchased as an investment of monies in any Fund or Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Fund or Account and the income or interest earned and gains realized in excess of losses suffered by a Fund or Account due to the investment thereof shall remain in the Fund or Account in which they are earned, unless otherwise directed by the Agency, and shall be from time to time reinvested.

To the extent permitted by law, the Trustee may combine any amounts on deposit in the Funds and Accounts held under the Indenture for the purpose of purchasing Investment Securities. However, the Trustee shall maintain and keep separate accounts of such Funds and Accounts at all times.

The Trustee shall, upon direction from the Agency, sell, and make, or present for redemption or exchange, any Investment Security purchased by it pursuant to the Indenture whenever it shall be necessary in order to provide monies to meet any payment or transfer from the Fund or Account for which such investment was made.

Unless an Event of Default has occurred hereunder, monies held in trust by the Trustee under the Indenture shall be invested by the Trustee, and Investment Securities shall be sold by the Trustee, only upon direction from the Agency or such other party as shall be designated in a Supplemental Indenture, given or confirmed in writing, instructing the Trustee to purchase or sell, as the case may be, specified Investment Securities.

Upon receipt of written instructions from an Authorized Officer of the Agency, the Trustee shall exchange any coin or currency of the United States of America or Investment Securities held by it pursuant to the Indenture for any other coin or currency of the United States of America or Investment Securities of like amount.

Cash Flow Statements and Certificates

(A) The Agency is required to file with the Trustee a Cash Flow Statement:

(i) whenever any Series of Obligations is issued;

(ii) prior to withdrawing moneys for payment to the Agency pursuant to the Master Indenture free and clear of the pledge and lien of the Master Indenture;

(iii) prior to selling Loans or Mortgage-Backed Securities not in default;

(iv) prior to consenting to any material changes in the payment terms of Loans to be financed or that have been financed;

(v) prior to the releasing of any Loan or Mortgage-Backed Security from the pledge and lien of the Master Indenture or the applicable Supplemental Indenture;

(vi) prior to the application of Recoveries of Principal to any use other than the purchase or redemption of Obligations; or

(vii) prior to the purchase of Obligations pursuant to the Master Indenture, as described in paragraph (C) under "Revenue Fund" and paragraph (B) under "Redemption" in "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in Part 2, at prices in excess of those specified in said paragraphs.

In addition, the Agency shall not take any of the actions described in (ii) through (vii) above unless subsequent to such action the amount of moneys and Investment Securities held in the Proceeds Fund, the Revenue Fund and the Capital Reserve Fund, if applicable (valued at their cost to the Agency, as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities), together with accrued but unpaid interest thereon, and the outstanding principal balance of Loans and Mortgage-Backed Securities, together with accrued but unpaid interest thereon and any other assets, valued at their realizable value as determined by the Agency in good faith, pledged for the payment of the Obligations will exceed the aggregate principal amount of and accrued but unpaid interest on Outstanding Obligations of each Series; provided, however, that in the event that a Supplemental Indenture authorizing the issuance of a Series of Obligations specifies that, for purposes of the requirements of this paragraph, the Loans or Mortgage-Backed Securities financed by such Series of Obligations shall be valued at other than their outstanding principal balance, then, with respect to such Loans or Mortgage-Backed Securities, such other value shall be used in the calculations required by this paragraph.

(B) A Cash Flow Statement shall consist of a statement of an Authorized Officer giving effect to the action proposed to be taken and demonstrating in the current and each succeeding Obligation Year in which Obligations of each Series are scheduled to be Outstanding that amounts then expected to be on deposit in the Funds and Accounts in each such Obligation Year will be at least equal to all amounts required by the Indenture to be on deposit in the Funds and Accounts for the payment of the principal and Redemption Price of and interest on the Obligations of each Series and for the funding of the Capital Reserve Fund to the Capital Reserve Requirement, except that, to the extent specified in a Supplemental Indenture, a Fund or Account established in said Supplemental Indenture shall not be taken into account when preparing such Cash Flow Statement. The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Agency's reasonable expectations at the time such Statement is filed. Upon filing a Cash Flow Statement with the Trustee, the Agency shall thereafter perform its obligations hereunder in accordance, in all material respects, with the assumptions set forth in such Cash Flow Statement. Except with respect to actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to a date not more than 180 days prior to the date of delivery of such statement.

In lieu of filing a Cash Flow Statement, a Cash Flow Certificate may be filed in order to take the actions (a) described in clause (iii), (v), (vi) or (vii) of paragraph (A) above under "Cash Flow Statements and Certificates," (b) described in clause (ii) of paragraph (A) above under "Cash Flow Statements and Certificates" provided that amounts to be withdrawn by the Agency are not in excess of amounts determined to be available for such purpose in the last Cash Flow Statement filed with the Trustee or (c) described in clause (iv) of paragraph (A) above under "Cash Flow Statements and Certificates" relating to amending the payment terms of Loans or Mortgaged-Backed Securities to be financed or that have been financed but only if, in the judgment of the Agency, such amendments do not constitute materially adverse changes from the payment terms for such Loans or Mortgaged-Backed Securities set forth in the last Cash Flow Statement filed with the Trustee. A Cash Flow Certificate shall consist of a statement of an Authorized Officer of the Agency to the effect of one of the following:

1) The proposed action is consistent with the assumptions set forth in the latest Cash Flow Statement; or

2) After giving effect to the proposed action, in the current and each succeeding Obligation Year in which Obligations of a Series are scheduled to be Outstanding, amounts expected to be on deposit in the Funds and Accounts in each such Obligation Year will be at least equal to all amounts required by the Indenture to be on deposit in such Funds and Accounts for the payment of the principal and Redemption Price of and interest on the Obligations of a Series, and for the funding of the Capital Reserve Fund to the Capital Reserve Requirement, except that to the extent specified in a Supplemental Indenture a Fund or Account established in said Supplemental Indenture shall not be taken into account in connection with such Cash Flow Certificate.

The Trustee shall have no obligation to review, verify, or confirm the accuracy of any Cash Flow Statement or its compliance with the terms of the Master Indenture.

Cash Flow Statements and Cash Flow Certificates are prepared based upon certain assumptions of and information available to the Agency at the time such a statement or certificate is prepared. Such assumptions and information are subject to change, which may materially affect the conclusions expressed in the statement or certificate. Accordingly, Bondholders should be aware that the existence of a Cash Flow Statement or Cash Flow Certificate does not assure that the conclusions expressed therein will accurately reflect future revenues or events.

No Cash Flow Statement or Cash Flow Certificate required by the Master Indenture shall include, as either assets or revenues, projected or otherwise, (i) amounts set aside in satisfaction of the Rebate Amount or (ii) amounts in the Program Subsidy Fund or earnings thereon.

Additional Obligations

The Master Indenture permits the issuance of additional Obligations for one or more of the following purposes: (i) financing of one or more Loans or the purchase of Mortgage-Backed Securities backed by Loans, (ii) the making of deposits in the amounts, if any, required or permitted by the Indenture into the Funds and Accounts established thereunder, (iii) the refunding of Obligations or any other bonds, notes or other obligations of the Agency or other entity, (iv) financing one or more other Agency Purposes, or (v) any combination of the foregoing.

Prior to the issuance of any Series of additional Obligations, the Agency will file with the Trustee: (i) a copy of the Master Indenture and a Supplemental Indenture authorizing such Obligations, certified by an Authorized Officer, (ii) an Opinion of Counsel with respect to the Master Indenture, such Supplemental Indenture and such Obligations (as described in Part 2 under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Provisions for the Issuance of Obligations"), (iii) a written order as to the delivery of the Obligations, (iv) amount of the proceeds of the Obligations to be deposited with the Trustee, (v) a Cash Flow Statement, (vi) a Rating Confirmation, if the Obligations being issued are Parity Obligations, and (vii) such further documents and monies as are required under the Master Indenture.

SUMMARY OF REVENUES, EXPENSES AND FUND BALANCES AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

For a summary of the Agency's revenues, expenses and fund balances (which may include audited and unaudited information) and management's discussion and analysis of the summary of operations, see the financial statements attached as Appendix E and Appendix F to this Part 2.

OUTSTANDING BONDS AND NOTES OF THE AGENCY

Certain information about the Agency's outstanding bonds and notes is set forth in Appendix D to this Part 2.

BOOK-ENTRY ONLY SYSTEM

The Offered Bonds will be issued only as separate, single, authenticated, fully-registered bonds in Authorized Denominations, and will be registered in the name of Cede & Co. ("Cede") as partnership nominee for The Depository Trust Company, New York, New York ("DTC") or such other name as may be requested by an authorized representative of DTC. DTC will act as securities depository (the "Securities Depository") of the Offered Bonds. For the period from the issuance of the Offered Bonds, so long as the Securities Depository or its nominee is the registered owner of all of the Offered Bonds, one bond certificate for each maturity of each separate Series of the Offered Bonds in the aggregate principal amount of each such maturity will be prepared and immobilized in the custody of such Securities Depository. Purchasers of such Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates, except in the event that use of the book-entry system for the Offered Bonds is discontinued. By purchasing such a Bond, a Beneficial Owner shall be deemed to have waived the right to receive a bond except under the circumstances described under this caption "Book-Entry Only." For purposes of this Official Statement, so long as all of the Offered Bonds of a series are immobilized in the custody of the Securities Depository, references to holders or owners of such series of Bonds means the Securities Depository or its nominee.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC; the Agency takes no responsibility for the accuracy or completeness thereof.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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 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.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. or such other 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 Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Neither the Agency nor the Trustee is responsible or liable for sending transaction statements or for maintaining, supervising or reviewing such records.

The Agency and the Trustee will recognize the Securities Depository or its nominee, as the owner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Payments of principal and redemption price of and interest, and purchase price, if applicable, 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 dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

THE AGENCY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY THE SECURITIES DEPOSITORY OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY THE SECURITIES DEPOSITORY OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BOND OWNERS UNDER THE INDENTURE, THE SELECTION BY THE SECURITIES DEPOSITORY OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE OFFERED BONDS OF A MATURITY OF A SERIES, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY THE SECURITIES DEPOSITORY AS BOND OWNER.

DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Agency. Under such circumstances, in the event that a successor depository is not obtained, Offered Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Offered Bond certificates will be printed and delivered as provided under the Indenture ("Replacement Bonds") and payment of principal, interest and redemption price on such Bonds shall be paid in the time and manner set forth in the Indenture. For purposes of the Official Statement, at any time after Replacement Bonds have been issued, references to Bond holders or owners shall mean the registered owners of such Replacement Bonds and references to such Bonds shall mean such Replacement Bonds.

For every transfer and exchange of such Bonds, the owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto and sum sufficient to pay the cost of preparing each new Bond upon such transfer or exchange.

OTHER PROGRAMS OF THE AGENCY

Since its establishment, the Agency has undertaken various programs under which it has provided or currently provides construction and permanent loan financing for rental housing developments, related facilities and supportive housing programs. Information about some of these programs and the manner in which the Agency finances these programs is set forth in Appendix D to this Part 2.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture to which reference is hereby made. Copies of the Indenture, including all Supplements thereto, are available from the Agency.

Provisions for Issuance of Obligations

The Master Indenture authorizes the issuance of "Obligations," defined as bonds, notes, debentures, interim certificates or other evidences of financial indebtedness of the Agency authorized to be issued under the Act, which will be issued as Parity Obligations, Non-Parity Obligations, or any combination thereof. "Parity Obligations" have a first priority pledge of, lien on, and security interest in, the Trust Estate. "Non-Parity Obligations" are Obligations authorized under the Master Indenture, payable from Revenues either separate and distinct from or subordinate to the payments made with respect to the Parity Obligations, and, as provided in the Master Indenture, will be secured by a lien on and a pledge of Revenues separate and distinct from or junior and inferior to the lien on and pledge of the Revenues for the payment of Parity Obligations, all as set forth in the Master Indenture.

The Master Indenture permits the issuance of additional Obligations for one or more of the following purposes: (i) financing of one or more Loans or the purchase of Mortgage-Backed Securities backed by Loans, (ii) the making of deposits in the amounts, if any, required or permitted by the Indenture into the Funds and Accounts established thereunder, (iii) the refunding of Obligations or any other bonds, notes or other obligations of the Agency or other entity, (iv) financing one or more other Agency Purposes, or (v) any combination of the foregoing.

Prior to the issuance of any Series of additional Obligations, the Agency will file with the Trustee: (i) a copy of the Master Indenture and a Supplemental Indenture authorizing such Obligations, certified by an Authorized Officer, (ii) an Opinion of Counsel to the effect that Master Indenture and such Supplemental Indenture have been duly authorized and executed by the Agency and are in full force and effect and are valid and binding in accordance with their terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and other laws affecting creditors' rights and remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)), and create the valid pledge and lien which they purport to create of and on the Revenues and all the Funds and Accounts established under the Master Indenture and under such Supplemental Indenture, as the case may be, and moneys and securities on deposit therein, subject to the use and application thereof for or to the purposes and on the terms and conditions permitted by the Master Indenture and such Supplemental Indenture, and that upon the execution, authentication and delivery thereof, such Obligations will have been duly and validly authorized and issued in accordance with the laws of the Commonwealth, including all official approvals of any requisite governmental authority of the Commonwealth and the Act as amended to the date of such Opinion, and in accordance with the Master Indenture and such Supplemental Indenture, (iii) a written order as to the delivery of the Obligations, (iv) amount of the proceeds of the Obligations to be deposited with the Trustee, (v) a Cash Flow Statement certified by an Authorized Officer of the Agency as conforming to the requirements of the Master Indenture, (vi) a Rating Confirmation, if the Obligations being issued are Parity Obligations, and (vii) such further documents and monies as are required under the Master Indenture.

Each Supplemental Indenture authorizing an issuance of Obligations must specify:

(a) the authorized principal amount, Series designation of such Obligations, whether such Obligations are Term Bonds or Serial Bonds, and a designation of such Obligations as Parity Obligations or Non-Parity Obligations;

(b) the purposes for which such Obligations are being issued, which will be limited to (i) financing of one or more Loans or the purchase of Mortgage-Backed Securities backed by Loans, (ii) the making of deposits in the amounts, if any, required or permitted by the Master Indenture or such Supplemental Indenture into the Funds and Accounts established under the Master Indenture or under such Supplemental Indenture, (iii) the refunding of Obligations or any other bonds, notes or other obligations of the Agency or other entity, (iv) financing one or more other Agency Purposes, or (v) any combination of the foregoing;

(c) the dated dates and maturity dates of such Obligations;

(d) the interest rate or rates of such Obligations (or the manner of determining such rate or rates) and the Interest Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering, such Obligations;

(f) the Trustee and the places of payment of such Obligations or, subject to the Master Indenture, the manner of appointing and designating the same;

(g) the Redemption Prices, if any, of and, subject to the provisions of the Master Indenture, the redemption terms for such Obligations;

(h) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Obligations of like maturity;

(i) the amount of the Capital Reserve Requirement with respect to such Obligations, which amount may be zero;

(j) provisions concerning the forms of such Obligations, and of the Trustee's certificate of authentication;

(k) provisions concerning any Credit Enhancement to be provided in connection with such Obligations;

(l) provisions concerning the issuance of such Obligations in book-entry form, if applicable; and

(m) any other provisions deemed advisable by the Agency as will not conflict with the provisions of the Master Indenture.

Non-Parity Obligations

The Agency may from time to time issue and/or execute and deliver Non-Parity Obligations to be secured by the Master Indenture on a non-parity or subordinated basis, subject to the conditions hereinafter provided in the Master Indenture. Payment of Non-Parity Obligations may be secured by the pledge of funds and accounts under the Master Indenture to the extent specified in the applicable Supplemental Indenture, either subordinate to or separate and distinct from the pledge securing Parity Obligations, and upon such terms and conditions set forth in the Supplemental Indenture authorizing such Non-Parity Obligations. Non-Parity Obligations may be payable from Revenues derived under the Master Indenture, but only (A) after payment of all other amounts payable from Revenues pledged to the payment of Parity Obligations or (B) from Revenues held separate and distinct from Revenues pledged to the payment of Parity Obligations.

The Agency may establish one or more Non-Parity Obligation accounts or subaccounts within any Fund or Account created under the Master Indenture for the following purposes:

(a) deposit, investment and custody of: (1) all or any portion of the proceeds of any Non-Parity Obligations, (2) all or any portion of any Revenues from any Loan financed with the proceeds of Non-Parity Obligations, (3) any other moneys received with respect to a such Loan, and (4) any Revenues pledged to payment of such Non-Parity Obligations (subject to any prior claims as provided in the applicable Supplemental Indenture); and

(b) payment of such Non-Parity Obligations.

The Supplemental Indenture authorizing Non-Parity Obligations may provide that such Non-Parity Obligations shall be secured solely by such proceeds or Revenues and not by any other moneys, funds or accounts held under the Master Indenture, and that such proceeds or Revenues shall not constitute security for or a source of payment of any other Series of Obligations or other Non-Parity Obligations outstanding or thereafter issued under or entered into in accordance with the Master Indenture. The Supplemental Indenture authorizing Non-Parity Obligations may establish different priorities of payment and security among different Non-Parity Obligations.

Funds and Accounts

The Master Indenture establishes, or provides for the establishment of, the following Funds and Accounts (collectively, the "Funds and Accounts") to be held by the Trustee: Proceeds Fund, Revenue Fund, Capital Reserve Fund and Program Subsidy Fund. The Agency may direct the Trustee to establish Accounts or sub-accounts within each Fund to the extent consistent with the Master Indenture (including Accounts and sub-accounts held in trust for the benefit of Non-Parity Obligations and Parity Obligations) and such other Funds or Accounts as are authorized pursuant to a Supplemental Indenture.

Proceeds Fund

(A) There shall be deposited from time to time in the Proceeds Fund any proceeds of the sale of Obligations representing principal or premium or other amounts required to be deposited therein pursuant to the Master Indenture and any Supplemental Indenture, and any other amounts determined by the Agency to be deposited therein from time to time.

(B) Subject to the provisions of the applicable Supplemental Indenture, amounts in the Proceeds Fund shall be expended only (i) to finance one or more of the Agency Purposes, including but not limited to, the financing or purchasing of Loans, in accordance with the Master Indenture, which may include making Loans, acquiring Loans or refinancing Loans, and the financing of Mortgage-Backed Securities, which may include acquiring Mortgage-Backed Securities or refinancing Mortgage-Backed Securities; (ii) to pay Costs of Issuance; (iii) to pay principal of and interest Obligations when due, to the extent amounts in the Revenue Fund are insufficient for such purpose; (iv) to purchase or redeem

Obligations accordance with subsection (D) of this section; (v) to pay, purchase or redeem bonds, notes or other obligations of the Agency or any other entity in accordance with subsection (E) of this section and (vi) if so provided in a Supplemental Indenture, to reimburse a Credit Enhancer for amounts obtained under Credit Enhancement for the purposes described in clauses (iii), (iv) or (v) of this subsection (B).

(C) The Trustee shall pay out and permit the withdrawal of amounts on deposit in the Proceeds Fund at any time for the purpose of making payments pursuant to clause (i) or (ii) of paragraph (B) of this section, but only upon receipt of:

(1) a written requisition of an Authorized Officer of the Agency, in the form attached to a Supplemental Indenture, setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include the Agency) and, in reasonable detail, the purpose of such withdrawal, and, if applicable, the subaccount of the Proceeds Fund from which such withdrawal is to be made; and

(2) other items as shall be required under the Master Indenture and a Supplemental Indenture.

(D) At any time the Agency may direct the Trustee in writing to apply amounts in the Proceeds Fund not required for the financing of the Agency Purposes to the redemption, purchase or retirement of Obligations in accordance with their terms and the provisions of the Master Indenture.

(E) If so provided in a Supplemental Indenture authorizing the issuance of a Series of Obligations, the Agency may direct the Trustee in writing to transfer amounts in the Proceeds Fund to fund the payment, purchase or redemption of bonds, notes or other obligations, which may include interest thereon, theretofore issued by the Agency or any other entity upon receipt by the Trustee of a written requisition setting forth (i) the issue of bonds, notes or other obligations with respect to which the transfer is to be made, and (ii) the amount of the transfer.

(F) Upon the final disbursement of amounts on deposit in the Proceeds Fund or any sub-account thereof, at the direction of the Agency, the Trustee shall close the Proceeds Fund or such sub-account thereof.

Revenue Fund

(A) The Agency shall cause all Pledged Receipts to be deposited promptly with the Trustee in the Revenue Fund or any subaccount created therein, except that investment earnings shall remain in the Fund or Account in which they are earned unless otherwise directed by the Agency. There shall also be deposited in the Revenue Fund or any subaccount created therein any other amounts required to be deposited therein pursuant to the Master Indenture and any Supplemental Indenture. Earnings on all Funds and Accounts shall remain in the Fund or Account in which they are earned unless otherwise directed by the Agency.

(B) Except as otherwise provided in a Supplemental Indenture with respect to a Series of Obligations, the Trustee shall pay out of the Revenue Fund and the subaccounts created thereunder, as applicable, (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Obligations on such date, and (ii) on or before the Redemption Date or date of purchase, the amounts required to pay the accrued interest on Outstanding Obligations to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by the Trustee to such payments; provided, however, that if, pursuant to a Supplemental Indenture, amounts obtained under Credit Enhancement are to be used to make the payments referred to in this paragraph (B), then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Indenture.

(C) Any amount accumulated in the Revenue Fund up to the unsatisfied balance of a Sinking Fund Payment may, and if so directed in writing by the Agency shall, be applied (together with amounts accumulated in the Revenue Fund with respect to interest on the Obligations for which such Sinking Fund Payment was established) by the Trustee prior to the fortieth (40th) day preceding the due date of such Sinking Fund Payment (i) to the purchase of Obligations of a Series of the maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Obligations when such Obligations are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Agency shall direct, or (ii) to the redemption of such Obligations, if then redeemable by their terms, at the Redemption Prices referred to above; provided, however, that, to the extent permitted by law, the purchase of such Obligations may be at prices exceeding that set forth in clause (i) of this paragraph (C) if the Agency shall have filed with the Trustee a Cash Flow Statement or Cash Flow Certificate pursuant to the Master Indenture, and provided further, however, that if, pursuant to a Supplemental Indenture, amounts obtained under Credit Enhancement are to be used to make the purchases referred to in this paragraph (C), then amounts in the Revenue Fund which would have otherwise been used to make such purchases may be applied to reimburse the Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Indenture.

(D) Except as otherwise provided in an applicable Supplemental Indenture, upon the purchase or redemption of any Obligation of a Series pursuant to subsection (C) of this section, an amount equal to the principal amount of the Obligations so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the Obligations of a Series of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. Any such instructions shall be given in such manner as, in the best judgment of the Agency, shall provide for the payment of the Sinking Fund Payments thereafter to become due from the remaining Revenues to be derived in connection with the Loans and Mortgage-Backed Securities and any other Revenues expected to be available for such payments after considering the amounts payable pursuant to the Loans and Mortgage-Backed Securities at such time. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (B) under the heading "Redemption" below (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(E) Except as otherwise permitted in an applicable Supplemental Indenture, as soon as practicable after the fortieth (40th) day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to the Master Indenture, on such due date, Obligations of the maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of Obligations equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Obligations of a Series for redemption whether or not it then has monies in the Revenue Fund sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Revenue Fund the amount required for the redemption of the Obligations of a Series so called for redemption, and such amount shall be applied by the Trustee to such redemption; provided, however, that if, pursuant to a Supplemental Indenture, amounts obtained under Credit Enhancement are to be used to make the payments referred to in this paragraph (E), then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Indenture.

(F) On each Interest Payment Date, after deducting all payments required to have been made pursuant to paragraph (B) of this Section, the Trustee shall transfer from the Revenue Fund (i) first, to the Capital Reserve Fund, an amount equal to the amount necessary to be transferred thereto in order that the amount on deposit therein be equal to the Capital Reserve Requirement (or such lesser amount as may be available), (ii) second, to the Proceeds Fund, such amount as the Agency determines is required to finance Agency Purposes, as evidenced by a certificate of an Authorized Officer, (iii) third, if so directed by the Agency, to the payment of Program Expenses and any other costs or expenses of the Agency in connection with any program of the Agency, as designated in a Certificate. At any time after the transfers described in (i), (ii) and (iii) above, if applicable, have been made, except as otherwise provided in a Supplemental Indenture, the Agency may, upon the written request of an Authorized Officer and upon filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate pursuant to the Master Indenture, withdraw free and clear of the lien of the Master Indenture and the applicable Supplemental Indenture any amount remaining in the Revenue Fund. At the direction of the Agency, any such amounts may be deposited into the Program Subsidy Fund.

(G) Notwithstanding any other provision of this section, the Trustee may at any time use funds from the Revenue Fund, upon the written direction of an Authorized Officer, for the purposes described under the heading "Redemption" below. No such transfer shall be made, however, unless there is on deposit in the Revenue Fund after such transfer an amount equal to the Debt Service accrued on all Outstanding Obligations as of the date of such transfer.

(H) Notwithstanding any other provision of this section, no payments shall be required to be made into the Revenue Fund so long as the amount on deposit therein shall be sufficient to pay all Outstanding Obligations of each Series (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by the Agency may be applied to any Agency Purposes free and clear of the pledge and lien of the Master Indenture and the applicable Supplemental Indenture.

Redemption

(A) Subject to the provisions of the Master Indenture or of any Supplemental Indenture authorizing the issuance of a Series of Obligations requiring the application thereof to the payment, purchase or redemption of any particular Obligations, the Trustee shall apply any amounts deposited in the Revenue Fund to the purchase or redemption of Obligations at the times and in the manner provided in this section and the Master Indenture.

(B) Except as otherwise provided in an applicable Supplemental Indenture, at any time before the fortieth (40th) day prior to the day upon which a Series of Obligations are to be paid or redeemed from such amounts, the Trustee shall, if so directed in writing by the Agency, apply amounts in the Revenue Fund to the purchase of any of the Obligations of a Series which may be paid or redeemed by application of amounts on deposit therein. The Trustee shall purchase Obligations of a Series at such times, for such prices, in such amounts and in such manner as the Agency shall from time to time direct. The foregoing notwithstanding, unless specifically directed otherwise by written instructions of an Authorized Officer and accompanied by a Cash Flow Statement or Cash Flow Certificate pursuant to the Master Indenture, or unless otherwise permitted pursuant to a Supplemental Indenture, any monies in the Revenue Fund resulting from Recoveries of Principal, shall be applied to the purchase or redemption of Obligations of the Series issued to finance the Loans or Mortgage-Backed Securities which gave rise to the Recoveries of Principal, such Obligations to be purchased or redeemed on a reasonably proportionate basis among all maturities of such Series based upon the principal amount of such Obligations then Outstanding as directed by the Agency. In the event that Sinking Fund Payments have been established for the Obligations so purchased or redeemed, such Sinking Fund Payments shall be credited in the manner provided in the Master Indenture. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Obligation purchased shall not exceed the Redemption Price on such Obligations, if then subject to redemption, or if not subject to redemption, the Redemption Price payable on any such date upon which such Obligation is next subject to redemption other than from Sinking Fund Payments; provided, however, that, to the extent permitted by law, the purchase of such Obligations may be at prices exceeding that set forth above in this paragraph (B) as directed by the Agency if the Agency shall have filed with the Trustee a Cash Flow Statement or Cash Flow Certificate pursuant to the Master Indenture. In the event the Trustee is able to purchase Obligations of a Series at a price less than the Redemption Price at which such Obligations were to be redeemed, then, upon the payment by the Trustee of the purchase price of such Obligations, the Trustee shall transfer the difference between the amount of such purchase price and the amount of such Redemption Price to, and deposit the same in, the Revenue Fund.

(C) Except as otherwise specifically provided in the Master Indenture, the Trustee shall have no obligation to purchase or attempt to purchase Obligations at a price below the Redemption Price or at any other price and any arm's length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(D) Notwithstanding anything to the contrary contained in this section, if, pursuant to a Supplemental Indenture, amounts obtained under Credit Enhancement are to be used to purchase or redeem Obligations, then amounts in the Revenue Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Indenture.

Capital Reserve Fund

(A) There shall be deposited in the Capital Reserve Fund all amounts required to be deposited therein pursuant to the Master Indenture and any Supplemental Indenture and any other amounts received and determined to be deposited therein by the Agency.

(B) Unless otherwise provided in a Supplemental Indenture, amounts on deposit in the Capital Reserve Fund shall be applied, to the extent other funds are not available therefor pursuant to the Master Indenture and the applicable Supplemental Indenture, to pay the Principal Installments of and interest on the Outstanding Parity Obligations of a Series when due, whether by call for redemption or otherwise. Whenever the amount in the Capital Reserve Fund exceeds the Capital Reserve Requirement for any given Series of Obligations, the Trustee shall, if so directed by the Agency pursuant to a written direction specifying the Capital Reserve Requirement, withdraw from the Capital Reserve Fund the amount of any excess therein over the Capital Reserve Requirement as of the date of such withdrawal and deposit the monies so withdrawn into the Revenue Fund.

(C) Moneys in the Capital Reserve Fund at the direction of the Agency shall, be withdrawn from the Capital Reserve Fund by the Trustee and deposited in the Revenue Fund for the purchase or redemption of Obligations at any time, provided that subsequent to such purchase or redemption the amount in the Capital Reserve Fund will not be less than the Capital Reserve Requirement.

(D) If on any Interest Payment Date or Redemption Date for a Series of Obligations the amount in the Revenue Fund shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Obligations of such Series on such date, the Trustee shall apply amounts from the Capital Reserve Fund to the extent necessary to make good the deficiency. The Trustee will notify the Agency if, 30 days prior to any Interest Payment Date or Redemption Date, the amount on deposit in the Revenue Fund is estimated by the Trustee to be insufficient to make any payment due without a draw on the Capital Reserve Fund.

(E) Notwithstanding anything to the contrary contained in this section, if, pursuant to a Supplemental Indenture, amounts obtained under Credit Enhancement are to be used to pay the Principal Installments of and interest on Obligations, then amounts in the Capital Reserve Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Indenture.

Program Subsidy Fund

The Master Indenture also establishes a Rental Housing Program Subsidy Fund (the "Program Subsidy Fund"), which shall be held and maintained by the Trustee but shall not be subject to the lien of the Master Indenture. The Trustee shall deposit amounts into the Program Subsidy Fund at the written direction of the Agency. Except as otherwise provided in a Supplemental Indenture, disbursements from the Program Subsidy Fund shall be made only upon receipt by the Trustee of a written direction by an Authorized Officer and may be (A) transferred to a Fund or Account established under a Supplemental Indenture, notwithstanding whether the Obligations issued pursuant to such Supplemental Indenture are Parity Obligations or Non-Parity Obligations, and/or (B) withdrawn and transferred to the Agency or to such other account, fund or party as shall be directed by the Agency. Amounts on deposit in the Program Subsidy Fund shall be invested or reinvested by the Trustee at the direction of the Agency in any investments as may be determined from time to time by the Agency. Any earnings on the Program Subsidy Fund shall be retained on deposit in the Program Subsidy Fund until disbursed at the written direction of an Authorized Officer. No Cash Flow Statement or Cash Flow Certificate required by the Master Indenture shall include, as either assets or revenues, projected or otherwise, amounts in the Program Subsidy Fund or earnings thereon.

Rebate

(A) The Trustee, upon the receipt of written instructions and certification of the Rebate Amount from an Authorized Officer, shall pay to the United States, out of amounts in the Revenue Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series for which a Rebate Amount is required, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to each Series for which a Rebate Amount is required as of the date of such payment, and (ii) notwithstanding the provisions of the Master Indenture, not later than sixty (60) days after the date on which all Obligations of a Series for which a Rebate Amount is required have been paid in full, 100% of the Rebate Amount as of the date of payment.

(F) No Cash Flow Statement or Cash Flow Certificate required by the Master Indenture shall include, as either assets or revenues, projected or otherwise, any Rebate Amount.

Investment of Certain Funds

Monies in any Fund or Account that are pledged pursuant to the Master Indenture or any Supplemental Indenture shall be continuously invested and reinvested by the Trustee, at the direction of the Agency, in Investment Securities with a view toward minimizing the instances of uninvested funds, while maintaining adequate levels of liquidity as required by the Master Indenture or any Supplemental Indenture. The Agency shall direct the Trustee from time to time as to the investment of amounts in the Funds and Accounts established or confirmed by the Master Indenture or any Supplemental Indenture. The Agency may direct the Trustee to invest and reinvest the monies in any Fund or Account in Investment Securities so that the maturity date or date of redemption at the option of the owner thereof shall coincide as nearly as practicable with (but in no event later than) the times at which monies are needed to be expended; provided, however, that with respect to monies in a Fund or Account established by a Supplemental Indenture that are not pledged pursuant to the Master Indenture, the Agency may, if so provided in such Supplemental Indenture, designate another party as authorized to direct the investment of monies in such Fund or Account. The Investment Securities purchased shall be held by the Trustee, or for its account as Trustee and shall be deemed at all times to be part of such Fund or Account, and the Trustee shall keep the Agency advised as to the details of all such investments. Subject to the provisions of the Master Indenture, the Trustee shall not be liable or responsible for any loss resulting from such investments. Investments authorized to be made by the Trustee pursuant to the Master Indenture may be made by the Trustee through its own bond or investment department, unless otherwise provided in a Supplemental Indenture.

Investment Securities purchased as an investment of monies in any Fund or Account held by the Trustee under the provisions of the Master Indenture or any Supplemental Indenture shall be deemed at all times to be a part of such Fund or Account but the income or interest earned and gains realized in excess of losses suffered by a Fund or Account due to the investment thereof shall be deposited in the Revenue Fund or shall be credited as Revenues to the Revenue Fund from time to time and reinvested, except as otherwise provided in Section 5.1(C) hereof or in a Supplemental Indenture with respect to a Fund or Account established thereunder and except for interest income representing a recovery of the premium and accrued interest, if any, included in the purchase price of any Investment Security, which shall be retained in the particular Fund or Account for which the Investment Security was purchased.

To the extent permitted by law, the Trustee may combine any amounts on deposit in the Funds and Accounts held under the Master Indenture for the purpose of purchasing Investment Securities. However, the Trustee shall maintain and keep separate accounts of such Funds and Accounts at all times.

Unless otherwise provided in a Supplemental Indenture, the Trustee shall, upon direction from the Agency or such other party as shall be designated in a Supplemental Indenture, sell, and make, or present for redemption or exchange, any Investment Security purchased by it pursuant to the Master Indenture or any Supplemental Indenture whenever it shall be necessary in order to provide monies to meet any payment or transfer from the Fund or Account for which such investment was made.

Unless an Event of Default has occurred under the Master Indenture, monies held in trust by the Trustee under the Master Indenture or under a Supplemental Indenture shall be invested by the Trustee, and Investment Securities shall be sold by the Trustee, only upon direction from the Agency or such other party as shall be designated in a Supplemental Indenture, given or confirmed in writing, instructing the Trustee to purchase or sell, as the case may be, specified Investment Securities.

Upon receipt of written instructions from an Authorized Officer of the Agency, the Trustee shall exchange any coin or currency of the United States of America or Investment Securities held by it pursuant to the Master Indenture or any Supplemental Indenture for any other coin or currency of the United States of America or Investment Securities of like amount.

The following qualify as “Investment Securities” under the Master Indenture:

(1) Government Obligations;

(2) obligations of any state within the United States of America or of any political subdivision of such a state, provided that at the time of purchase, such obligations are rated in either of the two highest rating categories by the Rating Agency;

(3) obligations, debentures, participation certificates, notes or other obligations issued or unconditionally guaranteed by any of the following: Federal Home

Loan Banks, Farm Credit System (including the Bank for Cooperatives, Federal Land Banks, Federal Farm Credit Banks and Federal Intermediate Credit Banks), Fannie Mae, Farmer's Home Administration (or its successor, the Rural Housing and Community Development Service), Freddie Mac, GNMA, Small Business Administration, Resolution Funding Corporation (REFCORP), or any other Federal agency or instrumentality backed by the full faith and credit of the United States of America;

(4) deposits in interest-bearing time or demand deposits, or certificates of deposit, secured by obligations described in clause (1), (2) or (3) above or fully insured by the Federal Deposit Insurance Agency or its successor;

(5) money market funds with a rating in the highest category of the Rating Agency;

(6) unsecured certificates of deposit, time deposits, banker's acceptances, repurchase agreements and commercial paper having maturities of not more than 365 days provided that such obligations are rated in the highest short term rating category of the Rating Agency;

(7) Stripped Securities: principal-only strips and interest-only strips of noncallable obligations issued by the Treasury, and REFCORP securities stripped by the Federal Reserve Bank of New York;

(8) guaranteed investment contracts or similar deposit agreements with insurance companies, banks or other financial institutions, provided the ratings on general unsecured obligations of such an institution are not lower than one notch below the Rating Agency's rating on the Obligations to be secured by such guaranteed investment contracts or similar deposit agreements; and

(9) Obligations issued under the Master Indenture.

Provided that it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Master Indenture, thus permitting investments with different characteristics from those permitted which an Authorized Officer deems from time to time to be in the interest of the Agency to include as Investment Securities, as reflected in a Certificate or in a Supplemental Indenture, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then existing ratings on the Obligations assigned to them by the Rating Agency.

Payment of Obligations

The Agency covenants that it will duly and punctually pay or cause to be paid, as provided in the Master Indenture, the principal or Redemption Price of every Obligation and the interest thereon, at the dates and places and in the manner stated in the Obligations, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Obligations; provided, however, that the Agency's obligation to make payments on any Obligations that do not constitute general obligations of the Agency as provided in a Supplemental Indenture is limited to the Revenues and other assets that are pledged under the Master Indenture or under any Supplemental Indenture.

Tax Covenants

The Agency shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Obligations, unless otherwise provided in the applicable Supplemental Indenture, shall be excluded from gross income for Federal income tax purposes, subject to such exceptions and qualifications, if any, that may exist under the Code.

Covenants with Respect to the Loans

To secure the payment of the principal or Redemption Price of and interest on the Obligations, the Agency pledges and assigns to the Trustee, in trust for the benefit of the Owners all of its right, title and interest in and to the Loans and the Mortgage-Backed Securities, which pledge shall be valid and binding from and after the date of adoption of the Master Indenture and the applicable Supplemental Indenture. Such Loans or Mortgage-Backed Securities shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice thereof. Notwithstanding anything to the contrary contained in the Master Indenture, the Agency may, pursuant to a Supplemental Indenture authorizing the issuance of Obligations, (i) also pledge one or more Loans for the benefit of one or more Credit Enhancers who have provided Credit Enhancement to secure such Obligations and such further pledge shall be on a parity with the pledge set forth in this paragraph to secure the payment of the Obligations, all as set forth in such Supplemental Indenture, or (ii) provide that any or all of the Loans financed by the Obligations authorized pursuant to such Supplemental Indenture be excluded from the pledge set forth in this paragraph to secure the payment of the Obligations or otherwise limit such pledge with respect to such Loans. In addition, notwithstanding the foregoing, any Loan pledged under the Master Indenture and under the applicable Supplemental Indenture may, at the written direction of the Agency, be released from such pledge upon the filing with the Trustee of a Cash Flow Statement or Cash Flow Certificate pursuant to the Master Indenture. Upon the happening of an event of default specified under the heading "Events of Default," the written request of the Trustee or the owners of not less than a majority in principal amount of the Outstanding Obligations, the Agency shall effectuate the assignment and deliver any such Loans excluded from or limited as to the pledge described in this paragraph to the Trustee. If, however, the Trustee and the Owners are restored to their positions in accordance with the Master Indenture, the Trustee shall assign such Loans with respect thereto back to the Agency.

In order to pay the Principal Installments of and interest on the Obligations when due, the Agency shall, except as otherwise provided in a Supplemental Indenture authorizing the issuance of Obligations, from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, any other applicable law, the provisions of the Master Indenture and sound banking practices and principles, (i) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Loans, except in the case of mortgage loans underlying Mortgage-Backed Securities), (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency to protect its rights with respect to or to maintain any insurance on Loans or any subsidy payments in connection with the Projects securing the Loans or the occupancy thereof and to enforce all terms, covenants and conditions of the Loans, including the collection, custody and prompt application of all Escrow Payments for the purposes for which they were made, and (iii) diligently enforce all rights of the Agency with respect to the collection of Revenues from any Credit Enhancer or issuer of any Mortgage-Backed Security.

Notwithstanding any other provision hereof, the Agency may take any action it deems advisable to terminate or suspend or otherwise take any enforcement action with respect to any contract for any subsidy under any Federal program which provides revenues to a Project or a Mortgagor for which the Agency is designated as the administrator in any case where such action is required in order to fulfill its duties as the administrator of any such contract, to enforce restrictive covenants recorded to evidence the extended low-income housing commitment made pursuant to Section 42 of the Code, or where such action is consistent with the affordable housing goals of the Agency and does not materially adversely impact the security of the Bondholders as determined by the Agency in its sole discretion. In connection with any servicing of Loans, the Agency may adopt policies of forbearance in order to rectify or resolve in a prudent manner payment delinquencies with respect to any Loan.

The Agency, may at any time, consistent with the other provisions of this Master Indenture or any Supplemental Indenture, sell, transfer, assign, dispose of or otherwise release from the lien of the Master Indenture or the applicable Supplemental Indenture a Loan or Mortgage-Backed Security: (1) in order to realize the benefit of any insurance or guarantee with respect to such Loan or Mortgage-Backed Security or any covenant of a mortgage lender or servicer under any Loan document, (2) in order to provide funds for the redemption or purchase of a principal amount of Obligations corresponding to the unpaid principal amount of such Loan or Mortgage-Backed Security if a Cash Flow Statement or Cash Flow Certificate shall be filed with the Trustee giving effect to the proposed sale thereof and the application of the proceeds of such sale; provided, however, that no such certificate shall be necessary if all Outstanding Obligations are simultaneously defeased pursuant to the Master Indenture as described under "Defeasance" below; or (3) upon payment in full of such Loan or Mortgage-Backed Security.

Issuance of Additional Obligations

The Agency shall not hereafter create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a superior charge and lien on the Revenues and assets pledged under or pursuant to the Master Indenture or any Supplemental Indenture for the payment of Parity Obligations; provided that the Agency may create or permit the creation of or issue any obligations or create any indebtedness which will constitute Non-Parity Obligations. In addition, the Agency shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness, other than Obligations and except as expressly permitted by the Master Indenture or any Supplemental Indenture with respect to pledges made for the benefit of Credit Enhancers, which will be secured by an equal charge and lien on the Revenues and assets pledged under or pursuant to the Master Indenture or any Supplemental Indenture.

The Agency expressly reserves the right to adopt one or more additional indentures for its purposes, and reserves the right to issue other obligations for such purposes that are not issued under the Master Indenture or any Supplemental Indenture.

Disposition of Recoveries of Principal

All Recoveries of Principal shall either be (i) deposited in the Revenue Fund and any applicable subaccounts therein and applied to the redemption of Obligations as soon as practically possible or (ii) deposited into the Proceeds Fund and used to finance Loans or Mortgage-Backed Securities upon the Agency filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate pursuant to the Master Indenture.

Defaults and Remedies

The Master Indenture declares each of the following events an "Event of Default":

(a) payment of the principal or Redemption Price, if any, of or interest on any of the Obligations when and as the same shall become due, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due; or

(b) the Agency shall fail or refuse to comply with the provisions of the Master Indenture or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any applicable Supplemental Indenture or the Obligations, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof to the Agency by the Trustee or the owners of not less than a majority in principal amount of the Outstanding Obligations;

provided, however, that an Event of Default arising in connection with Non-Parity Obligations shall not constitute an Event of Default with respect to Obligations which are not Non-Parity Obligations. For purposes of determining the percentages of Owners of Obligations as provided in the Master Indenture, only the Owners of Obligations other than the Owners of Non-Parity Obligations shall be taken into account unless the Event of Default relates only to Non-Parity Obligations, in which case, the percentages of Owners shall apply only to the Owners of Non-Parity Obligations. In the case of an Event of Default arising only in connection with Non-Parity Obligations, any acceleration or other remedy shall relate only to such Non-Parity Obligations. Under no circumstances shall the Agency's failure to pay Non-Parity Obligations constitute an Event of Default under the Master Indenture.

If the Agency determines that an Event of Default has occurred under paragraph (b) above, the Agency shall promptly notify the Trustee thereof.

Upon the happening and continuance of any Event of Default specified in clause (a) of the preceding paragraph, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (b) of the preceding paragraph, the Trustee may proceed and, upon the written request of the owners of not less than a majority in principal amount of the applicable Outstanding Obligations, shall proceed, in its own name, subject to the provisions of the Master Indenture, to protect and enforce the rights of such Owners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the applicable Obligation owners, including the right to require the Agency to receive and collect Revenues adequate to carry out the covenants and agreements as to the Loans and Mortgage Backed-Securities and to require the Agency to carry out any other covenants or agreements with such Owners, including the assignment of the Loans and Mortgage Backed-Securities, and to perform its duties under the Act; (2) by bringing suit upon the applicable Obligations; (3) by action or suit in equity, to require the Agency to account as if it were the trustee of an express trust for the owners of the applicable Obligations; (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the applicable Obligations; (5) by declaring all applicable Outstanding Obligations due and payable (provided that with respect to an Event of Default specified in clause (b) of the preceding paragraph, no such declaration shall be made without the consent of the owners of 100% in principal amount of the applicable Outstanding Obligations), and if all defaults shall be cured, then, with the written consent of the owners of not less than a majority in principal amount of the applicable Outstanding Obligations, by annulling such declaration and its consequences; or (6) in the event that all applicable Outstanding Obligations are declared due and payable, by selling Loans, Mortgage Backed-Securities and any Investment Securities securing such Obligations.

In the enforcement of any rights and remedies under the Master Indenture and any Supplemental Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Agency for principal, Redemption Price, interest or otherwise, under any provisions of the Master Indenture or a Supplemental Indenture or of the Obligations with interest on overdue payments at the rate of interest specified in such

Obligations, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Obligations, without prejudice to any other right or remedy of the Trustee or of the Obligation owners, and to recover and enforce a judgment or decree against the Agency for any portion of such amounts remaining unpaid, limited, however, in the case of Obligations that have not been designated as general obligations of the Agency, to the Revenues and other assets pledged under this Master Indenture or any Supplemental Indenture to the extent available therefor], with interest, costs and expenses (including attorneys' fees), and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

Anything in the Master Indenture to the contrary notwithstanding, the owners of the majority in principal amount of the Obligations then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture and under the applicable Supplemental Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Master Indenture and the applicable Supplemental Indenture, that the Trustee shall be indemnified as provided in the Master Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Obligation owners not parties to such direction.

No owner of any Obligation of any Series shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Master Indenture, or for the protection or enforcement of any right under the Master Indenture unless such owner shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than a majority in principal amount of the Obligations then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Master Indenture granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses (including legal fees and expenses) and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Nothing contained in the Master Indenture shall affect or impair the right of any Obligation owner to enforce the payment of the principal of and interest on such owner's Obligations, or the obligation of the Agency to pay the principal of and interest on each Obligation of the applicable Series issued under the Master Indenture to the owner thereof at the time and place in said Obligation expressed.

Unless remedied or cured, the Trustee shall give to the Owners notice of each Event of Default under the Master Indenture known to the Trustee within ninety (90) days after actual knowledge by the Trustee of the occurrence thereof.

Priority of Payments After Default

In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee shall be insufficient for the payment of the principal or Redemption Price, if any, of and interest then due on the Obligations affected, such funds (other than funds held for the payment or redemption of particular Obligations which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and the Master Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of such Obligations and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Master Indenture and the applicable Supplemental Indenture, shall be applied as follows:

(1) Unless the principal of all of such Obligations shall have become or have been declared due and payable:

> FIRST: To the payment to the holders of Parity Obligations entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference,
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> SECOND: To the payment to the holders of Parity Obligations entitled thereto of the unpaid principal or Redemption Price of any such Parity Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all of the Parity Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference,
>
> THIRD: To the payment to the holders of Non-Parity Obligations entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference,
>
> FOURTH: To the payment to the holders of Non-Parity Obligations entitled thereto of the unpaid principal or Redemption Price of any such Non-Parity Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all of the Non-Parity Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference;

provided, that, to the extent provided in a Supplemental Indenture, holders of Non-Parity Obligations shall be entitled to such payments from Funds and Accounts held separate and distinct from the lien of this Master Indenture and established for the exclusive payment of such Non-Parity Obligations as provided in the Supplemental Indenture pursuant to which such Non-Parity Obligations were issued.

(2) If the principal of all such Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other such Obligation, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Obligations; provided, that the payment of the principal of and interest on Non-Parity Obligations shall be subordinate to the payment of principal of and interest on Parity Obligations, except with respect to Non-Parity Obligations which are payable from Funds and Accounts held separate and distinct from the lien of this Master Indenture and established for the exclusive payment of Non-Parity Obligations.

Modifications of the Master Indenture

The Agency may adopt at any time or from time to time a Supplemental Indenture for any one or more of the following purposes without notification to or consent of the Bondholders, and any such Supplemental Indenture shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

(1) to close the Master Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Master Indenture on, the authentication and delivery of Obligations or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of the Agency in the Master Indenture other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Master Indenture as theretofore in effect;

(3) to add to the limitations and restrictions in the Master Indenture other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Master Indenture as then in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Master Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Master Indenture;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Master Indenture, of the Revenues or of any other revenues or assets;

(6) to modify any of the provisions of the Master Indenture in any respect whatever, but only if (i) such modification shall be, and be expressed to be, effective only after all Obligations Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Obligations authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Obligations issued in exchange therefor or in place thereof;

(7) to authorize the issuance of a Series of Obligations in accordance with the Master Indenture and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Series of Obligations may be issued;

(8) to comply with regulations or rulings issued with respect to the Code to the extent determined as necessary or desirable in Bond Counsel's opinion;

(9) to pledge under the Master Indenture any additional collateral as further security for the Obligations or specific Series of Obligations, including, but not limited to, additional Loans, Mortgage-Backed Securities or other assets or revenues;

(10) to modify or supplement the definition of Investment Securities, provided that any such modification shall not result in a reduction or withdrawal of the then existing ratings on the Obligations of a Series by the Rating Agency; and

(11) to make any additions, deletions or modifications to the Master Indenture as long as the additions, deletions or modifications, as the case may be, will not, in and of themselves, result in a reduction or withdrawal of the then existing ratings on the Outstanding Obligations of a Series by the Rating Agency.

Amendments other than as set forth in the preceding paragraph may be made with the written consent of the holders of (a) at least a majority amount of the applicable Obligations Outstanding at the time such consent is given and (b) in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the owners of at least a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given. No such amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof, or in the rate of interest thereon without the consent of the owner of such Obligation or shall reduce the percentages or otherwise affect the classes of Obligations the consent of the owners of which is required to effect such amendment or shall change or modify any of the rights or obligations of the Trustee without its assent thereto.

Defeasance

If the Agency shall pay or cause to be paid to the owners of all Obligations then Outstanding of a particular Series the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Master Indenture and the applicable Supplemental Indenture, then the pledge of any Revenues and other monies, securities, funds and property pledged by the Master Indenture and under the applicable Supplemental Indenture and all other rights granted by the Master Indenture and by the applicable Supplemental Indenture shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Agency, execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the Agency all monies or securities held by it pursuant to the Master Indenture and the applicable Supplemental Indenture which are not required for the payment or redemption of Obligations not theretofore surrendered for such payment or redemption.

Obligations or interest installments for the payment or redemption of which monies, Government Obligations or other obligations described in clause (c) in this paragraph shall have been set aside and shall be held in trust by the Trustee (through deposit by the Agency of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the paragraph immediately above under "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Defeasance." Except as otherwise provided in a Supplemental Indenture authorizing the issuance of a Series of Obligations, all Outstanding Obligations of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the paragraph immediately above under "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Defeasance" if: (i) in case any of said Series of Obligations are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to give as provided in the Master Indenture notice of redemption on said date of such Obligations, (ii) there shall have been set aside and shall be held in trust by the Trustee (through deposit by the Agency of funds for such payment or redemption or otherwise) either (a) monies in an amount which shall be sufficient, or (b) Government Obligations or (c) obligations (1) validly issued by or on behalf of a state or political subdivision thereof, (2) the interest on which is excluded from gross income for Federal income taxation purposes pursuant to Section 103(a) of the Code and (3) fully secured by a first lien on Government Obligations, the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Series of Obligations on and prior to the Redemption Date or maturity date thereof, as the case may be (the sources in clauses (a)-(c) of this sentence are referred to individually and collectively as the "Defeasance Collateral"); provided that the Agency shall have right to request the delivery of a verification report prepared by an Accountant verifying the sufficiency of the Defeasance Collateral to make such payments, and (iii) in the event said Series of Obligations are not by their terms subject to redemption within the next succeeding 60 days, the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to give by mail, as soon as practicable, notice to the owners of such Series of Obligations that the deposit required by this subsection has been made with the Trustee and that said Series of Obligations are deemed to have been paid in accordance with this paragraph and stating such maturity or Redemption Date upon which monies are to be available for the payment of the principal or Redemption Price, if any, on said Series of Obligations. To the extent required for the payment of the principal or Redemption Price, if applicable, of and interest on said Series of Obligations, neither monies deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Government Obligations or obligations described in clause (c) above and deposited with the Trustee pursuant to this paragraph shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Series of Obligations; provided that any cash received from such principal or interest payments on such Government Obligations or obligations described in clause (c) above and deposited with the Trustee pursuant to this paragraph, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations described in clauses (b) or (c) above maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of and interest to become due on said Series of Obligations on and prior to such Redemption Date or maturity date thereof, as the case may be, and, if not required for the payment of such Obligations, any monies deposited with the Trustee pursuant to this paragraph and principal and interest payments on the obligations described in clauses (b) or (c) above shall be paid over to the Agency, as received by the Trustee, free and clear of any trust, lien or pledge. The Trustee may sell, transfer or otherwise dispose of the obligations described in clauses (b) and (c) above deposited with the Trustee pursuant to this paragraph at the direction of the Agency; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other obligations described in clauses (b) and (c) above, the principal of and the interest on which when due will provide monies which, together with the monies on deposit with the Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Obligations on and prior to the Redemption Date or maturity date thereof, as the case may be, in accordance with this paragraph. At the election of the Agency, the monies, Government Obligations or other obligations described in clause (c) above may be held by an escrow agent in trust for the benefit of the owners of the applicable Series of Obligations for which such monies, Government Obligations or other obligations described in clause (c) above are being held, in which case references in the Master Indenture to amounts held by the Trustee shall include amounts held by such escrow agent.

LEGAL INVESTMENT

The Act provides:

> The notes and bonds of the agency are securities in which all public officers and bodies of the Commonwealth and all municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and saving associations, saving and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the Commonwealth, may properly and legally invest funds, including capital, in their control or belonging to them.

AGENCY INVESTMENT POLICY

The Agency's investment management is governed by the Act and the Agency's Investment Policy, as amended from time to time, adopted by the Board.

The primary objectives of the Agency's investment policy are to reasonably ensure safety of principal and avoidance of capital losses, provide liquidity necessary for ongoing administration of the Agency's programs and operations and achieve a maximization of yield with an ongoing assessment of risk and security.

Information regarding the Agency's investments is set forth in the financial statements set forth in the Appendices E and F (as applicable) hereto. For a definition of Investment Securities under the Indenture, see Appendix A to this Part 2.

FINANCIAL STATEMENTS OF THE AGENCY

Audited and unaudited financial statements for the Agency for prior fiscal periods are generally available on the Agency's website at www.phfa.org.

Disclosure Undertaking

In the Disclosure Undertaking, the Agency agrees that, not later than eight (8) months after the close of each fiscal year, commencing with the fiscal year ending June 30, 2026, the Agency shall provide Annual Financial Information to the Municipal Securities Rulemaking Board (the "MSRB") by electronic means through the MSRB's Electronic Municipal Market Access system ("EMMA"). "Annual Financial Information" means the financial information or operating data with respect to the Agency for each fiscal year of the Agency of the type set forth in Appendix C to Part 2 of the Official Statement (with respect to Permanent Loans pledged under the Indenture, and also including information of the type set forth in the chart under "SECURITY FOR THE BONDS—Series 2026-1A Mortgage Loans and the Series 2026-1A Developments" in Part 1 with respect to Construction Loans pledged under the Indenture, in each case also identifying the Series of Obligations that financed such Loans or in connection with which they were pledged) and of the type set forth in Appendix D to Part 2 of the Official Statement, together with audited financial statements, if available, or unaudited financial statements. The Agency shall provide notice to the MSRB through EMMA in the event that it fails to provide Annual Financial Information on or before the date set forth above. In the event that the Agency does not provide audited financial statements as part of its Annual Financial Information filing by the date set forth above, the Agency shall provide unaudited financial statements to the MSRB through EMMA as part of the Annual Financial Information, and thereafter shall provide audited financial statements, when and if available.

In addition, whenever the Agency concludes that a Listed Event has occurred, the Agency shall provide notice of such Listed Event to the MSRB by electronic means through EMMA in a timely manner, but not later than 10 business days after the occurrence of such Listed Event. "Listed Event" means any of the following:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

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

(7) Modifications to rights of Holders, if material;

(8) Bond calls (other than scheduled bond calls such as maturities and sinking fund redemptions), if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the applicable Series of Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency receivership or similar event;

(13) Consummation of a merger, consolidation or acquisition or the sale of all or substantially all assets, 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 the terms, if material;

(14) Appointment of a successor or additional trustee, or a change of name of a trustee, if material;

(15) If material, (a) incurrence of a financial obligation*; or (b) agreement to covenants, events of default, remedies, priority rights or similar terms of a financial obligation, any of which affect bondholders; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

The Agency's obligations under the Disclosure Undertaking shall terminate under the following circumstances: (i) the occurrence of a legal defeasance in accordance with the Indenture; or (ii) prior redemption or payment in full of all of the applicable Series of Bonds. In addition, the Agency's obligations under the Disclosure Undertaking, or any portion or provision thereof, shall be null and void in the event that the Agency (i) concludes, which conclusion is supported by an opinion of legal counsel experienced in federal securities laws addressed to the Agency to the effect that, those portions of Rule 15c2-12 which require provision of the undertakings set forth in the Disclosure Undertaking or any provisions thereof do not or no longer apply to the applicable Series of Bonds, whether because such portions of said Rule are invalid, have been repealed, or otherwise (as shall be specified in such opinion); and (ii) delivers Notice to such effect to MSRB through EMMA.

In the event of a failure of the Agency to provide to MSRB the Annual Financial Information or notice of occurrence of a Listed Event as undertaken by the Agency in the Disclosure Undertaking, the holder or beneficial owner of any applicable Series of Bond may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency to comply with its obligations to provide Annual Financial Information and notice of occurrence of a Listed Event.

* For purposes of the Disclosure Undertaking, financial obligation means a debt obligation, a derivative instrument entered into in connection with a debt obligation, or a guarantee of a debt obligation or derivative instrument.

Notwithstanding the foregoing, no holder or beneficial owner shall have the right to challenge the content or adequacy of the information provided by the Agency as Annual Financial Information or notice of Listed Event by mandamus, specific performance or other equitable proceedings unless holders and beneficial owners representing at least 25% in aggregate principal amount of the applicable Series of Bonds then Outstanding shall join in such proceedings.

A default under the Disclosure Undertaking hereunder shall not be deemed an Event of Default under the Resolutions, or the Indenture, or the applicable Series of Bonds and the sole remedy in the event the Agency fails to comply with the Disclosure Undertaking shall be an action to compel performance.

Additional Information

The Agency currently disseminates information relating to its financing programs on a voluntary basis in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. Additional program and financial information may be available through the Agency's website at ***www.phfa.org***. All information included on its website, including program descriptions, references to other sources and hyperlinks to websites sponsored by other entities, is provided as a public service only, is not a part of this Official Statement and should not be relied upon in making an investment decision with regards to the Agency's Bonds. The Agency's policy of voluntarily disseminating such information is not a contractual obligation to anyone and the Agency may discontinue this practice at any time in its discretion without notice.

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The distribution of this Official Statement has been duly authorized by the Agency.

Pennsylvania Housing Finance Agency

Dated:

By:________________________________
Executive Director and Chief Executive Officer

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APPENDIX A

DEFINITIONS OF CERTAIN TERMS

"Account" means one of the accounts created and established pursuant to the Master Indenture or a Supplemental Indenture.

"Accountant" means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by the Agency and may be the accountant or firm of accountants who regularly audits the books and accounts of the Agency.

"Act" means the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended (35 P.S. Sections 1680.101 et seq.).

"Agency" means the Pennsylvania Housing Finance Agency, a body corporate and politic and an agency of the Commonwealth, or successor thereto.

"Agency Purposes" means any purpose for which the Agency may issue Obligations pursuant to the Act or other applicable law.

"Authorized Officer" means the Executive Director, the Deputy Executive Director, the Director of Finance, the Chief Counsel and any of their designees, for the purposes of authentication, the Secretary or any Assistant Secretary, and, in the case of any act to be performed or duty to be discharged, any other member, director, officer or employee of the Agency then authorized to perform such act or discharge such duty.

"Bond Counsel" means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Agency.

"Bond Counsel's Opinion" means an opinion signed by Bond Counsel.

"Bondholder" means "Owner" or "Holder," as each is defined in the Master Indenture.

"Bonds" means the Series 2026-1 Bonds and any additional Parity Obligations issued under the Indenture.

"Borrower" means the Mortgagor with respect to a Mortgagor Loan and, with respect to a Series 2026-1A Mortgage Loan, the entity identified as such in Part 1 under the heading "THE SERIES 2026-1 Bonds—Series 2026-1A Mortgage Loans and the Series 2026-1A Developments."

"Business Day" means a day of the year (A) which is not a Saturday or Sunday or any other day on which banks located in the Commonwealth and banks located in the city in which the designated office of the Trustee is located (which for purposes of the Master Indenture is Philadelphia, Pennsylvania) are required or authorized by law to remain closed, (B) on which the Agency is not closed, and (C) on which The New York Stock Exchange is not closed.

"Capital Reserve Fund" means the Capital Reserve Fund established pursuant to the Master Indenture and the applicable Supplemental Indenture for any Series of Parity Obligations.

"Capital Reserve Requirement" means as of any date of calculation, the aggregate of the amounts specified as the Capital Reserve Requirement for each Series of Obligations in the Supplemental Indenture authorizing the issuance of a Series of Obligations; provided, however, that a Supplemental Indenture may provide that the Capital Reserve Requirement for the Series of Obligations authorized thereunder may be funded, in whole or in part, through Credit Enhancement or Investment Securities and such method of funding shall be deemed to satisfy all provisions of the Master Indenture with respect to the Capital Reserve Requirement and the amounts required to be on deposit in the Capital Reserve Fund.

"Cash Flow Certificate" means a Cash Flow Certificate conforming to the requirements of the Master Indenture.

"Cash Flow Statement" means a Cash Flow Statement conforming to the requirements of the Master Indenture.

"Certificate" means a document signed by an Authorized Officer either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Master Indenture.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and as applicable to the Obligations.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Construction Loan" means (i) a Construction-to-Permanent Loan prior to its Permanent Loan Closing and (ii) a Construction-Only Loan (if any).

"Construction-to-Permanent Loan" means a Loan to finance the construction or acquisition and rehabilitation of a Development that is made prior to completion of such construction or rehabilitation and is expected to be repaid over a period of years following such completion.

"Construction-Only Loan" means a Loan (if any) to finance the construction, or acquisition and rehabilitation, of a Development that is expected to be repaid in full upon completion of such construction or rehabilitation.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the Agency and related to the authorization, sale and issuance of Obligations, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Obligations, and any other cost, charge or fee in connection with the original issuance of Obligations and the making, purchasing, acquiring or financing of Loans (including initial premiums on any special hazard insurance or mortgage pool insurance) or Mortgage-Backed Securities.

"Credit Enhancement" means (a) a letter of credit, credit enhancement agreement, guaranty or other form of credit enhancement for a Loan or (b) a letter of credit, credit enhancement agreement, guaranty or other form of credit enhancement for an Obligation, as may be provided in a Supplemental Indenture.

"Credit Enhancer" means the issuer of or obligor under Credit Enhancement.

"Debt Service" with respect to any particular Series of Obligations shall have the meaning set forth in the applicable Supplemental Indenture.

"Development" means a Project.

"Escrow Payments" means and includes all amounts whether paid directly to the Agency or to the servicer of any Loan representing payments to obtain or maintain mortgage insurance or any subsidy with respect to a Loan or the mortgaged premises or payments in connection with real estate taxes, assessments, water charges, sewer rents, ground rents, fire or other insurance, replacement or operating reserves or other like payments in connection therewith.

"Event of Default" means any of the events specified in the Master Indenture.

"Fannie Mae" means the Federal National Mortgage Association and any successor thereto.

"FHA" means the Federal Housing Administration of the United States Department of Housing and Urban Development or other agency or instrumentality created or chartered by the United States to which the powers of the Federal Housing Administration have been transferred.

"Freddie Mac" means the Federal Home Loan Mortgage Corporation and any successor thereto.

"Funds" means the funds established pursuant to the Master Indenture or any Supplemental Indenture.

"GNMA" means the Government National Mortgage Association and any successor thereto.

"Government Obligations" means direct obligations of or obligations guaranteed by the United

"GSE" means, individually or collectively as the context may appear, Fannie Mae, Freddie Mac, or any successor thereto.

"Initial Loan Closing" means, with respect to a Construction-to-Permanent Loan, when the Agency's first advance under such Loan occurs.

"Interest Payment Date" means any date upon which interest on a Series of Obligations is due and payable in accordance with their terms and the terms of the applicable Supplemental Indenture.

"Investment Securities" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of the Agency under the Act for the particular purpose for which such funds are held, including the amendments thereto hereafter made:

A. Direct Treasury obligations of the US Government, and US Government Agency obligations for which the full faith and credit of the US Government is pledged or guaranteed;

B. Any bond, debenture, note, participation certificate or other similar obligation issued by U.S. Government Sponsored Entities and any of the following: Government National Mortgage Association, Federal Land Bank, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit Administration, Export-Import Bank, Fannie Mae and Freddie Mac;

C. Any other obligation of the United States of America or any other federal agency or instrumentality backed by the full faith and credit of the United States of America;

D. Public housing bonds issued by public agencies or municipalities and fully secured by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or otherwise rated not less than "Aa" by Moody's or "AA" by S&P; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in such case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

E. Direct and general obligations of any state of the United States, to the payment of which the full faith and credit of such state are pledged, but only if such obligations are rated not less than "AA" by S&P and "Aa" by Moody's or, upon the discontinuance of either or both of such services, another nationally recognized rating service;

F. Deposits in interest-bearing time or demand deposits, or certificates of deposit, fully secured as provided under the laws of the Commonwealth or by obligations described in clauses (1) through (3) above;

G. Repurchase and reverse repurchase agreements with primary government securities dealers fully collateralized by investment securities of the types described in clauses (1) through (3) above provided that such collateral is valued at least monthly and that such collateral as applicable is held by the Trustee or a third party;

H. Deposits in mutual or money market funds which invest solely in investment securities of the types described in clauses (1) through (3) above and with total assets (deposited funds) of five hundred million dollars or greater;

I. Commercial paper (except that of the Agency or an affiliate) or finance company paper rated "P-1" by Moody's and "A-1+" by S&P;

J. Non-collateralized certificates of deposit having a maturity of not more than 365 days with institutions rated not less than "Aa" by Moody's and "AA" by S&P;

K. Investment agreements with an entity whose obligations are rated not less than "AA" by S&P and "Aa" by Moody's, or which fully secure such agreements with securities described in clauses (1) through (3) above;

L. Institutional money market funds that adhere to SEC rule 2a-7 which has a rating in the highest category of one of the rating agencies with total assets (deposited funds) of five hundred million dollars or greater;

M. Certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") within the current FDIC insurance limit; or

N. Direct and general obligations of any state housing finance agency of the United States, to the payment of which the full faith and credit of such state housing finance agency is pledged, but only if such obligations are rated not less than "AA" by S&P and "Aa" by Moody's or, upon the discontinuance of either or both of such services, another nationally recognized rating service.

Provided that it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Master Indenture, thus permitting investments with different characteristics from those permitted which an Authorized Officer deems from time to time to be in the interest of the Agency to include as Investment Securities, as reflected in a Certificate or in a Supplemental Indenture, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then existing ratings on the Obligations assigned to them by the Rating Agency.

"Lender" means any person approved by the Agency for participation in the RHP who shall finance Loans (whether secured by a Mortgage or otherwise) or Loans underlying Mortgage-Backed Securities and/or sell Loans (whether secured by a Mortgage or otherwise) or Mortgage-Backed Securities to the Agency in connection with the issuance of Obligations hereunder.

"Loan Agreement" means a loan agreement or financing agreement between the Agency and a qualified borrower with respect to a Loan, as specified in the related Supplemental Indenture.

"Loans" means (i) loans insured by FHA, including, but not limited to, loans under the Risk-Sharing Program and loans insured under Section 220, 221(d)(3), 221(d)(4), or 223(f) of the National Housing Act of 1934, as amended, (ii) loans guaranteed by GNMA, (iii) loans guaranteed by either GSE, (iv) participations by the Agency with another party or parties, public or private, in a loan made to a borrower with respect to a Project, (v) loans with respect to a Project originated by other lenders and purchased by the Agency, and (vi) such other loans evidenced by a promissory note from a borrower to the Agency to the extent that the proceeds of such loan will be applied to finance a Project. Loans may be, but are not required to be, secured by a Mortgage.

"Master Indenture" means the Master Trust Indenture and any amendments thereof or supplements thereto made in accordance with its terms.

"Mortgage" means a mortgage, deed of trust, assignment of rents, security agreement or other instrument (or combination thereof) securing a Loan.

"Mortgage-Backed Security" means (A) a mortgage pass through security issued by or guaranteed as to timely payment of principal and interest by GNMA, Fannie Mae, Freddie Mac or, to the extent set forth in a Supplemental Indenture, any other agency or instrumentality of or chartered by the United States to which the powers of GNMA, Fannie Mae or Freddie Mac have been transferred or which have similar powers or (B) such other security backed by mortgage loans which is specified in a Supplemental Indenture, the purchase of which will not adversely affect the rating by the Rating Agency on the Obligations to be secured by such other security backed by mortgage loans as in effect on the date of acquisition of such Mortgage-Backed Security by the Trustee.

"Mortgagor" means a borrower who delivers a Mortgage to secure a Loan.

"Non-Parity Obligations" means Obligations authorized under the Master Indenture and issued pursuant to the Master Indenture. Each Non-Parity Obligation shall be payable from Revenues either separate and distinct from or subordinate to the payments made with respect to the Parity Obligations, and, as provided in the Master Indenture, shall be secured by a lien on and a pledge of Revenues separate and distinct from or junior and inferior to the lien on and pledge of the Revenues for the payment of Parity Obligations, all as set forth herein.

"Note" means a promissory note evidencing the obligation to repay a Loan, as specified in the related Supplemental Indenture.

"Obligation Year" means, for purposes of calculating rebate, such period as shall be identified in a Supplemental Indenture or such other document executed by the Agency.

"Obligations" means bonds, notes, debentures, interim certificates or other evidences of financial indebtedness of the Agency authorized to be issued under the Act, which shall be issued as Parity Obligations, Non-Parity Obligations, or any combination thereof.

"Opinion of Counsel" means an opinion of an attorney retained by the Agency to render an opinion required under the Master Indenture (including a Bond Counsel's Opinion) or an opinion of an attorney that is a full time employee of the Agency.

“Outstanding,” when used with reference to Obligations, means, as of any date, except as otherwise provided in a Supplemental Indenture authorizing the issuance of a Series of Obligations, all Obligations theretofore or thereupon being authenticated and delivered under the Master Indenture except:

(1) any Obligation cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Obligation in lieu of or in substitution for which other Obligations shall have been authenticated and delivered pursuant to the Master Indenture; and

(3) any Obligation (or portion of an Obligation) for the payment of which there have been separately set aside sufficient monies or Investment Securities, or any Obligation (or portion of an Obligation) deemed to have been paid, as provided in the Master Indenture.

“Owner” or “Holder” or words of similar import, when used with reference to an Obligation, means any person who shall be the registered owner of any Outstanding Obligation.

“Parity Obligations” means Obligations which have a first priority pledge of, lien on, and security interest in, the Trust Estate.

“Permanent Loan” means (i) a Construction-to-Permanent Loan after its Permanent Loan Closing and (ii) a Permanent-Only Loan.

“Permanent Loan Closing” means, (i) with respect to a Construction-to-Permanent Loan, when the Development’s construction or rehabilitation is complete, stabilized occupancy has been achieved, and certain other conditions and documentary requirements are satisfied (in order for the Loan to be continued as long-term financing to be repaid over a period of years, under the Agency’s agreements with the related Borrower), all as determined by the Agency, and (ii) with respect to a Permanent-Only-Loan, when the Agency makes such Loan.

“Permanent-Only Loan” means a Loan to finance the construction, or acquisition and rehabilitation, of a Development that is made after completion of such construction or rehabilitation.

“Permitted Encumbrances” means, except as otherwise provided in a Supplemental Indenture, (i) such liens, encumbrances, reservations, easements, rights of way and other clouds on title as do not, in the judgment of the Agency, impair the use or value of the premises or (ii) such other liens, encumbrances, reservations, easements, rights of way and other clouds on title as are specified in a title policy as subordinate to the lien of a Mortgage and that have been approved by the Agency.

“Person” means any natural individual, corporation, partnership, limited liability company, trust, unincorporated association, business or other legal entity, and any government or governmental agency or political subdivision thereof.

“Pledged Receipts” means, except as otherwise provided in a Supplemental Indenture authorizing the issuance of a Series of Obligations, (i) the scheduled or other payments required by any Loan or Mortgage-Backed Security and paid to or to be paid to the Agency from any source, including, but not limited to, interest, rents and government subsidy payments, and including both timely and delinquent payments, (ii) accrued interest received at the sale of Obligations and (iii) all income earned or gain realized in excess of losses suffered on any investment or deposit of monies in the Funds and Accounts established and maintained pursuant to the Master Indenture or a Supplemental Indenture, or monies provided by the Agency and held in trust for the benefit of the Owners pursuant to the Master Indenture, but, unless otherwise provided in a Supplemental Indenture, shall not mean or include any Rebate Amount or amounts required to be deposited into the Program Subsidy Fund or any other Fund or Account which is not held in trust for the benefit of the Owners pursuant to the Master Indenture or a Supplemental Indenture, Recoveries of Principal, any payments with respect to any Loan or Mortgage-Backed Securities received prior to the date that Revenues therefrom are pledged under the Master Indenture, Escrow Payments, late charges, administrative fees, if any, of the Agency, any amount retained by the servicer (which may include the Agency) of any Loan, as financing, servicing, extension or settlement fees, or any amount received by the Agency upon a sale of the servicing rights with respect to the Loans.

"Principal Installment" means, as of any particular date of computation, (i) the aggregate principal amount of Outstanding Obligations due on a certain future date, reduced by the aggregate principal amount of such Obligations which would be retired by reason of the payment when due and application in accordance with the Master Indenture of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in the Master Indenture, of any Sinking Fund Payments due on such certain future date.

"Proceeds Fund" means the Proceeds Fund established pursuant to the Master Indenture.

"Program Expenses" means all the Agency's expenses of administering the RHP under the Act and shall include without limiting the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; insurance premiums, legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Trustee; fees due to Credit Enhancers, fees due to the entities providing Investment Securities with respect to the Funds and Accounts or any arrangements or agreements with respect thereto, Costs of Issuance not paid from proceeds of Obligations; ongoing bond insurer fees; and any other expenses required or permitted to be paid by the Agency under the provisions of the Master Indenture and any Supplemental Indenture all to the extent properly allocable to the RHP.

"Program Subsidy Fund" means the account established pursuant to the Master Indenture.

"Project" means any undertaking to plan, develop, acquire, construct or rehabilitate one or more dwelling units located in the Commonwealth which meets the requirements of the Act. Such undertaking may include, but is not limited to any building, land, equipment, facilities or other real or personal property which are necessary, convenient or desirable appurtenances, streets, sewers, utilities, parks, site preparation or landscaping; and other non-housing facilities, such as offices, stores, commercial facilities, community, medical, educational, social, health, recreational, and welfare facilities, which are reasonably related to and subordinate to the Project, consistent with the applicable Code provisions, and the regulations thereunder, as determined to be necessary, convenient or desirable by the Agency, and as further described in a Supplemental Indenture. Any facility which incorporates the residence and care of persons with special needs, including but not limited to the aged, youth, students, homeless, persons with disabilities, persons requiring health and medical care, shall be deemed a Project.

"Rating Agency" means, individually or collectively, (i) S&P Global Ratings or any successor thereto ("S&P") when the Obligations are rated by S&P pursuant to a request for a rating by the Agency, (ii) Moody's Investors Service, Inc. or any successor thereto ("Moody's") when the Obligations are rated by Moody's pursuant to a request for a rating by the Agency, (iii) Fitch Ratings or any successor thereto ("Fitch") when the Obligations are rated by Fitch pursuant to a request for a rating by the Agency, or (iv) Kroll Bond Rating Agency, Inc. or any successor thereto ("Kroll") when the Obligations are rated by Kroll pursuant to a request for a rating by the Agency or if neither S&P, Moody's, Fitch or Kroll is maintaining a rating on the Obligations, then any other nationally recognized rating agency when the Obligations are rated by such agency, pursuant to a request for a rating by the Agency.

"Rating Confirmation" means a confirmation, in writing from the Rating Agency, that the action being taken, which is the subject of such Rating Confirmation, will not adversely affect the then existing ratings of any Series of Parity Obligations Outstanding.

"Rebate Amount" means, with respect to a particular Series of Obligations, the amount, if any, required in order to comply with the covenants described in Part 2 under "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Tax Covenants".

"Record Date" means, with respect to the payment of interest on a Series of Obligations, the date or dates specified in the applicable Supplemental Indenture. If no such date is specified in the applicable Supplemental Indenture, "Record Date" means, with respect to the payment of interest on a Series of Obligations, the fifteenth (15th) day of the calendar month next preceding the Interest Payment Date applicable to an Obligation.

"Recoveries of Principal" means, except as otherwise provided in a Supplemental Indenture authorizing the issuance of a Series of Obligations, all amounts received by the Agency as a recovery of the principal amount disbursed by the Agency in connection with any Loan or Mortgage-Backed Security, excluding any premium or penalty with respect thereto, on account of (i) the advance payment of amounts to become due pursuant to such Loan, at the option of the Mortgagor, (ii) the advance payments of a Mortgage-Backed Security representing a prepayment of a mortgage loan made at the option of the mortgagor (iii) the sale, assignment, endorsement or other disposition of any Loan or Mortgage-Backed Security, (iv) the acceleration of payments due under any Loan or mortgage loan underlying a Mortgage-Backed Security or other remedial proceedings taken in the event of the default thereon, (v) proceeds of any insurance award resulting from the damage or destruction of a Project which is required to be applied to payment of a Note pursuant to the related Mortgage or to payment of a mortgage note pursuant to the related mortgage underlying a Mortgage-Backed Security, (vi) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, a Project or any portion thereof, which proceeds are required to be applied to payment of a Note pursuant to the related Mortgage or to the payment of a mortgage note pursuant to the related mortgage underlying the Mortgage-Backed Security, and (vii) proceeds of any mortgage insurance or credit enhancement with respect to a Loan or mortgage loan underlying a Mortgage-Backed Security which is in default, and including but not limited to any payment made as a result of a purchase of a mortgage loan by the issuer of a security backed by such mortgage loan pursuant to the terms of such security.

"Redemption Date" means the date or dates upon which Obligations are to be called for redemption pursuant to the applicable Supplemental Indenture.

"Redemption Price" means, with respect to any Obligations, the amount required to fully redeem such Obligations, and may include principal, premium, accrued interest or any combination thereof, all as shall be specified in a Supplemental Indenture.

"Reserved Rights" means certain rights of the Agency relating to a Series of Obligations that will not be assigned to the Trustee as specified in the related Supplemental Indenture.

"Revenue Fund" means the Revenue Fund established pursuant to the Master Indenture.

"Revenues" means the Pledged Receipts and Recoveries of Principal unless otherwise provided in a Supplemental Indenture with respect to a Series of Obligations.

"RHP" means the Agency's Rental Housing Program pursuant to which the Agency will issue and/or deliver the Obligations and apply the proceeds thereof to finance Loans, itself or through Lenders, including through the making or purchase of Loans or Mortgage-Backed Securities, or the participation by the Agency, either with itself or with others, in the making or purchase of Loans or Mortgage-Backed Securities or the permanent financing of a Loan or Mortgage-Backed Security, which has been temporarily financed by the Agency through the issuance of notes or other obligations or otherwise.

"Serial Bonds" means Obligations so designated in a Supplemental Indenture.

"Series" means, unless otherwise specified in a Supplemental Indenture, all of the Obligations authenticated and delivered on original issuance in a simultaneous transaction pursuant to a Supplemental Indenture whether issued as a "Series" or "Subseries" of the Obligations, and any Obligations thereafter delivered in lieu of or in substitution for such Obligations pursuant to the applicable Supplemental Indenture, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions.

"Sinking Fund Payment" means, with respect to a particular Series of Obligations, as of any particular date of calculation, the amount required to be paid at all events by the Agency on a single future date for the retirement of any particular Series of Obligations in accordance with the applicable Supplemental Indenture prior to maturity.

"SLGS" means State and Local Government Series securities sold by the Treasury to states, municipalities and other local governments.

"Subseries" means a portion of a Series of Obligations as specified or provided for in the Supplemental Indenture authorizing the issuance of such Series of Obligations.

"Supplemental Indenture" means any indenture or similar security or trust document or other agreement supplemental to or amendatory of the Master Indenture, entered into by the Agency and effective in accordance with the Master Indenture providing for the issuance of a Series of Obligations to finance either a single Loan or multiple Loans, provided that multiple Loans within a Series must be issued on a parity within such Supplemental Indenture.

"Term Bonds" means Obligations so designated in a Supplemental Indenture or Obligations which, by their terms, are subject to payment prior to maturity by Sinking Fund Payment.

"Treasury" means the United States Department of the Treasury.

"Treasury Obligations" means debt obligations of the United States of America sold by the Treasury in the form of bills, notes and bonds (as well as SLGS sold to issuers of municipal securities) backed by the full faith and credit of the United States of America.

"Trustee" means, initially, U.S. Bank Trust Company, National Association and its successor or successors and any other person at any time substituted in its place as Trustee pursuant to the Master Indenture. For purposes of a Supplemental Indenture, the Trustee may serve as a fiscal agent or in such other fiduciary role as may be required under such Supplemental Indenture.

"Trust Estate" means, with respect to any given Series of Obligations, the meaning given to that term in the Master Indenture, or in the applicable Supplemental Indenture.

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APPENDIX B

THE SECTION 8 PROGRAM

General. The following is a brief description of the housing assistance payments program (the "Section 8 Program") authorized by Section 8 of the United States Housing Act of 1937, as amended (the "1937 Housing Act"), which is qualified in its entirety by references to the applicable provisions of said Act and the regulations thereunder (the "Regulations"). The description applies to the variant of the Section 8 Program which provides assistance under subsidy contracts for projects which set aside units for lower income families. Accordingly, this variant of the Section 8 Program may be referred to as the "project-based Section 8 Program."

The Section 8 Program is administered by HUD and authorizes subsidy payments pursuant to Housing Assistance Payments Contracts ("HAP Contracts") to the owners of qualified housing for the benefit of lower income families (defined generally as families whose income does not exceed 80% of the median income for the area as determined by HUD) and very-low income families (defined generally as families whose income does not exceed 50% of the median income for the area as defined by HUD). Provision is made under the 1937 Housing Act and Regulations for administration of the Section 8 Program through state or local housing finance agencies acting as contract administrator (the "Contract Administrator") of the HAP Contracts. Under this arrangement, the Contract Administrator agrees to pay the subsidy to or for the account of the mortgagor and concurrently contracts with HUD for payments of the subsidy by HUD to it. HUD may also serve as Contract Administrator.

Under 1937 Housing Act and the Regulations, not more than 25% of the dwelling units which were available for occupancy under HAP Contracts before October 1, 1981 and which are leased thereafter shall be available for leasing by lower income families other than very-low income families; and not more than 15% of the dwelling units which become available for occupancy under HAP Contracts after October 1, 1981 shall be available for leasing by lower income families other than very-low income families. The law also requires that not less than 40% of the dwelling units that become available for occupancy in any fiscal year shall be available for leasing only by families whose annual income does not exceed 30% of area median income (as determined by HUD and adjusted for family size) at the time of admission.

Amount and Payment of Subsidy. Section 8 subsidies are based upon the "contract rent" applicable to specified dwelling units. The contract rent is initially based on the fair market rent for the dwelling unit, which is determined by HUD periodically with respect to each locality and published in the Federal Register. The housing assistance payments generally represent the difference between the contract rents for all eligible units in a project, as approved by HUD from time to time, and the eligible tenant's contribution, which is generally 30% of such tenant's income, as adjusted for family size, income and expenses, with certain adjustments, although each assisted family is generally required to pay a minimum rent. The contract rents for a project are generally limited to the "fair market rents" established by HUD as reasonable in relation to rents for comparable units in the area.

Subsidy Contracts. The payment of subsidies under the Section 8 Program is made pursuant to two contracts entered into with respect to each project assisted under such program: an annual contributions contract (the "ACC") between HUD and the Contract Administrator, and the HAP Contract between the Contract Administrator and the owner. The ACC obligates the United States to provide funds to the Contract Administrator with which to make monthly housing assistance payments to the owner pursuant to a HAP Contract.

It is useful, in discussing the project-based Section 8 Program to distinguish between contracts executed under the 1937 Housing Act and the Regulations prior to 1997 which had not yet expired for the first time ("Original Contracts"), and contracts under the 1937 Housing Act and the Regulations which have been renewed generally subsequent to 1997 ("Renewal Contracts"). This distinction is of significance as a consequence of the amendments to the 1937 Housing Act which went into effect beginning in 1997.

The ACC establishes the maximum annual amount of the housing assistance payments to be made by HUD for the account of the mortgagor of a project. This amount may not exceed the total of the initial contract rents and utility allowances for the eligible units in a project and any administrative fee. For projects under the Original Contracts, if the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, some or all of the excess (including an amount equal to the portion of the contract rents payable by the tenants) is required to be set aside by HUD in a "project account" for the particular project and will be available in future years to fund increases in contract rents for the project, decreases in family incomes or other costs authorized or approved by HUD. In the event that previously appropriated amounts are not sufficient to meet HUD's contractual obligations to the Section 8 Projects, HUD is required by applicable Section 8 provisions to take such additional steps authorized by subsection (c)(5) of Section 8 of the 1937 Housing Act as may be necessary to obtain funds to assure that payment will be adequate to cover increases in contract rents and decreases in tenant payments. Under subsection (c)(5) of Section 8: "[t]he Secretary [of HUD] shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes."

In practice until recently, HUD has sought and received amendment authority from Congress sufficient to enable it to discharge its obligations under the HAP Contracts and the ACCs. During 2007, a revision in HUD's interpretation of its outstanding contracts coupled with the amount of appropriations available led to many late payments to owners while HUD made adjustments. See "Late Payments in 2007" below.

The HAP Contract provides for housing assistance payments with respect to a dwelling unit covered by the HAP Contract on the condition that such unit is maintained according to the requirements of the HAP Contract and is occupied by an eligible tenant. An ACC remains in effect for as long as a HAP Contract is in effect.

<u>Adjustment of Subsidy Amounts</u>. Each HAP Contract provides for certain adjustments in contract rents. With respect to Original Contracts, HUD publishes at least annually an Annual Adjustment Factor ("AAF"), which is intended to reflect changes in the fair market rent established in the housing area for similar types and sizes of dwelling units; interim revisions may be made where market conditions warrant. Upon request from the owner to the Agency, the AAF is applied on the anniversary date of each HAP Contract to contract rents, provided that no adjustment shall result in a material difference between the rents charged for subsidized and comparable non-subsidized dwelling units except to the extent that the differences existed with respect to the contract rents set at HAP Contract execution or cost certification where applicable. (The difference that existed between the contract rent for a unit at HAP Contract execution and the rent on comparable unassisted units is generally referred to by HUD as the "initial difference" in contract rents.) In addition, provision is made in the regulations for special additional adjustments to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, assessments, utility rates and utilities not covered by regulated rates, if the owner demonstrates that the automatic annual adjustments have not provided adequate compensation. Under current law (Section 8(c)(2)(C) of the 1937 Housing Act), "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under the section ... unless the project has been refinanced in a manner that reduces the periodic payments of the owner."

Notwithstanding the foregoing, if the contract rents for a project exceed the applicable HUD fair market rents, then contract rents cannot be increased beyond comparable market rents (plus the initial difference) as determined by independent appraisals of at least three comparable local projects submitted by the owner. In addition, the AAFs for Section 8 units which experienced no turnover in tenants since their preceding HAP Contract anniversary date shall be one percentage point less than the AAFs that would otherwise apply.

With respect to Renewal Contracts, the HAP Contract will, in most cases, provide for annual adjustments in contract rents based upon an Operating Cost Adjustment Factor (OCAF). The OCAF is intended to reflect increases in the cost of operating comparable rental properties, which may or may not correspond to circumstances affecting a particular Section 8 Project. HAP Contracts renewed for terms longer than one year will be subject to Congressional appropriations, which may not be available. HUD's provision of such amendments and renewals was partially disrupted for a temporary period during the 2007, when HUD determined appropriations available at the time to be inadequate to fulfill all such needs. For further discussion of that situation, see "Late Payments in 2007" below. The President's March 1, 2013 sequestration order pursuant to the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012 (the "2013 Federal Sequestration Order") resulted in a reduction of appropriations for the fiscal year ending September 30, 2013 for housing assistance payments under Renewal Contracts, which HUD implemented by funding certain Renewal Contracts for less than twelve months from such fiscal year's appropriations. The failure of the Congress to timely appropriate sufficient funds to pay subsidies pursuant to Renewal Contracts in any year, including payments requiring appropriations early in a fiscal year as a result of partial year funding in a prior year, could have an adverse impact on the ability of the related Section 8 Projects to pay debt service. In addition, the prohibition on adjustments that would lower contract rents, explained above, does not apply to HAP Contracts that are Renewal Contracts.

Vacancies and Debt Service. Generally, the Section 8 subsidy is payable with respect to the dwelling unit only when it is occupied by a qualified person or family. However, applicable law and regulations provide for payment of the subsidy under certain circumstances and, for a limited period of time, when the dwelling unit is not occupied. Upon the occurrence of a vacancy in a dwelling unit, a subsidy amounting to 80% of the contract rent is payable for a vacancy period of 60 days subject to compliance by the mortgagor with certain conditions relating primarily to a diligent effort to rent the subsidized unit. The payment of a subsidy with respect to a dwelling unit vacant after initial rent-up may continue for an additional 12 months from the expiration of the 60-day period in an amount equal to the principal and interest payments required to amortize the debt service attributable to the vacant unit, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. Such continued payments also require the mortgagor to show that project costs exceed revenues, a good faith effort is being made to fill the unit and the additional subsidy payments do not exceed the deficiency attributable to the vacant units. With respect to the Section 8 Projects receiving subsidies pursuant to the Section 8 Moderate Rehabilitation Program, vacancy payments are only available for a maximum period of 60 consecutive days.

Compliance With Subsidy Contracts. The ACC and the HAP Contract each contain numerous agreements on the part of the Contract Administrator and the owner concerning, among other things, maintenance of the project as decent, safe and sanitary housing and compliance with a number of requirements typical of Federal contracts (such as non-discrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which non-compliance by the owner may result in abatement by HUD or the Contract Administrator, as the case may be, of the payment of the Federal subsidy, in whole or in part.

Housing assistance payments will continue as long as the owner complies with the requirements of the HAP Contract and has leased the assisted units to an eligible tenant or satisfies the criteria for receiving assistance for vacant units. The Contract Administrator, which has primary responsibility for administering each HAP Contract subject to review and audit by HUD, subject to an opportunity by the mortgagor to cure any default under the HAP Contract, may abate housing assistance payments and recover overpayments pending remedy of the default. If the default is not cured, the Contract Administrator may terminate the HAP Contract or take other corrective action, in its discretion or as directed by HUD. HUD has an independent right to determine whether the owner is in default and to take corrective action and apply appropriate remedies.

If HUD determines that the Contract Administrator has failed to fulfill its obligations, HUD may, after notice to the Contract Administrator giving it a reasonable opportunity to take corrective action, require that the Contract Administrator assign to it all rights under the HAP Contract. The Agency has, to date, never been notified by HUD that it has failed to fulfill its obligations with respect to any of the Projects. In recent years, HUD has placed increasing emphasis on assuring that Contract Administrators fulfill their obligations in this respect.

Expiration of Subsidy Contracts. Until 1997, there was substantial uncertainty as to what would happen to Section 8 projects upon the expiration of their HAP Contracts at the end of their terms. HUD's Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, signed into law on October 27, 1997, included within it the "Multifamily Assisted Housing Reform and Affordability Act of 1997" (as amended several times thereafter, the "MAHRA"). Under the so-called Mark-to-Market program established by MAHRA, many FHA-insured Section 8 projects with expiring HAP Contracts are eligible to receive continuing Section 8 assistance through contract renewals. Such Renewal Contracts may have terms from one to twenty years, subject to Congressional appropriations. As noted above, absent such appropriations, there is no assurance that funds will be available under these contracts. Additionally, FHA-insured Section 8 projects with expiring HAP Contracts and above-market rents may be eligible for restructuring plans and, upon restructuring, to receive continuing Section 8 assistance pursuant to contracts subject to Congressional appropriations. These restructuring plans may include partial or full prepayment of mortgage debt intended to reduce Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance, and in certain cases is designed to result in a change from "project-based" to "tenant-based" Section 8 payments. MAHRA provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions or omissions with respect to that project or other Federally assisted projects, or if the poor condition of the project cannot be remedied in a cost-effective manner.

Although the primary focus of the Mark-to-Market Program is projects that have FHA-insured mortgages with terms ranging from 30 to 40 years and which have HAP Contracts with substantially shorter terms, MAHRA contained distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 projects for which the primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. Such projects, including the Section 8 Projects, were, under MAHRA, excluded from restructuring and instead are eligible for renewals at the lesser of (i) existing rents, adjusted by an operating cost adjustment factor established by HUD, (ii) a budget-based rent, or (iii) in the case of certain "moderate rehabilitation" Section 8 assistance contracts, the lesser of (x) existing rents, adjusted by an operating cost factor determined by HUD, (y) existing fair market rents (less any amounts allowed for tenant purchased utilities), or (z) comparable market rents for the market area. Under current HUD policy, existing fair market rents for moderate rehabilitation projects means 120% of HUD's published existing fair market rents.

Although initially exempt from restructuring, the 1999 amendments to MAHRA made Section 8 projects with FHA-insured mortgages for which the primary financing was provided by a unit of state or local government subject to the Mark-to-Market program unless the implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing such financing. The 1999 amendments also provide for a new program for preservation of Section 8 projects that allows increases in Section 8 rent levels for certain Section 8 projects (including Section 236 Projects which also have project-based HAP Contracts) that have below market rents, to market-rate or near market-rate levels.

Contract rents available upon any renewal may be significantly lower than the current Section 8 contract rents in the Section 8 Projects, and the corresponding reduction in housing assistance payments for such Projects would materially adversely affect the ability of the Mortgagors of such Projects to pay the currently scheduled principal and interest on the related Mortgage Loans. Any termination or expiration of HAP Contracts without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a Mortgagor, poor condition of the project or other causes) would also have a material adverse impact on the ability of the related Section 8 Projects to generate revenues sufficient to pay the currently scheduled principal of and interest on the related Mortgage Loans. While MAHRA generally allows mortgagors to renew HAP Contracts (absent certain material adverse conduct or conditions), mortgagors are not required to renew HAP Contracts beyond their initial expiration or the expiration of a renewal term.

A reduction in Section 8 contract rents or the termination or expiration of the HAP Contract (without renewal or replacement with other project-based assistance, or without prepayment, forgiveness, write-down or refinancing as described below), as described in the previous paragraphs, could thus result in a default under the Mortgage Loan for the related Section 8 Project.

The restructuring plans established by MAHRA referred to above, as a general matter, contemplate restructuring FHA-insured mortgage loans on certain Section 8 projects through a nondefault partial or full prepayment of such loans. Nondefault partial or full prepayment or similar forgiveness or write-down of mortgage debt pursuant to a restructuring of these Mortgage Loans could result in the special redemption from recoveries of principal of an allocable portion of certain Bonds at any time with the proceeds the Agency receives from any such prepayment, forgiveness or write-down. In addition, the Mortgagors of these Mortgage Loans could opt to refinance their Mortgage Loans in full, pursuant to Section 223(a) (7) of the National Housing Act, which could also result in the special redemption from recoveries of principal of an allocable portion of certain Bonds at any time with the proceeds the Agency receives from any such refinancing.

Exception Projects Under MAHRA. MAHRA contains distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for certain Section 8 projects which require differentiation from the majority of projects. For example, one is the case noted above, in which primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. A second important group of differentiated projects are those financed under Section 202 of the Housing Act of 1959 that also received Section 8 HAP Contracts when first constructed ("Section 202 Properties"). Such projects are, under MAHRA, excluded from restructuring and mark-down of their rents, and are known as "Exception Projects." Exception Projects are not involuntarily subject to mark-down to market, i.e. the rents may not be reduced below a level upon renewal or prepayment which would not provide the property with funds sufficient to operate the property with a balanced budget. A budget-based analysis is typically performed in connection with the renewal of a HAP Contract for a Section 202 Property. The owner of a Section 202 Property may opt to be renewed under the other renewal options discussed above, but in so doing risks losing the Exception Project designation. For some Section 202 Properties with below market rents this could be a viable option; any contemplation of this would need to be analyzed on a case-by-case basis. Section 202 Properties are Exception Projects and are statutorily eligible for renewals at the lesser of (i) existing rents, adjusted by an OCAF or (ii) a budget-based rent. Recent legislation and regulations facilitate the refinancing of Section 202 Properties. HUD has recently published final Regulations for the refinancing and rehabilitation of financed and constructed projects under Section 202 with Section 8 subsidies.

No Assurance as to Congressional Action. The HAP Contracts for most of the Section 8 Projects expire or have expired prior to the respective maturity dates of the related Mortgage Loans. Since payments received under the HAP Contracts constitute a primary source of revenues for the related Projects, the expiration of the HAP Contracts (without renewal or replacement) – whether Original Contracts or Renewal Contracts – would have a material adverse impact on the ability of the related Projects to generate revenues sufficient to pay the principal of and interest on the related Mortgage Loans. There can be no assurance that the HAP Contracts will be renewed or replaced, or fully funded. Since 1997, MAHRA has been changed in a variety of ways and is always subject to Congressional reconsideration. In the event of the expiration of one or more of the HAP Contracts (without renewal or replacement), there is a likelihood of a default on one or more of the related Mortgage Loans. In the case of Section 8 Projects with FHA Mortgage Loans, the Mortgage Loan(s) would be assigned to FHA for FHA Insurance benefits. Upon receipt of such FHA Insurance benefits or proceeds received from enforcement actions (including foreclosure) of a defaulted Mortgage Loan not subject to supplemental security, the Agency may elect to redeem an allocable portion of certain Bonds.

Late Payments in 2007. During 2007, a revision by HUD in its legal interpretation of its Section 8 renewal contracts led HUD to conclude that it only could stay within appropriated funding levels by amending renewal contracts to more explicitly allow for partial-year funding of those contracts. As a result of the time it took to implement this change, many fiscal 2007 payments were not paid on time. While HUD allowed owners to take steps such as borrowing against project reserves, some owners indicated that the delayed payments caused late fees on mortgages or other bills or interruptions in service at their properties.

HUD now has made the necessary contract changes to allow for partial-year renewal funding, but has told Congress that further improvements are needed in its budgeting, contract management and payment process. If future problems in these systems resulting from partial-year funding or otherwise cause delayed subsidy payments, such delays could jeopardize owners' ability to fulfill their mortgage obligations in a timely fashion, and thus jeopardize amounts available for payment of the Bonds.

Use of Residual Receipts Reserves. Certain of the Projects participating in the Section 8 Program described above may be the subject of HAP Contracts originally entered into pursuant to certain revised HUD regulations that took effect in late 1979 or early 1980 (as applicable), which in each case generally provide for excess operating income exceeding certain owner distribution limits to be held in a reserve account (a "Residual Receipts Account"), to be used only for project purposes during the term of the HAP Contract and to be returned to HUD upon termination of the HAP Contract.

Pursuant to a HUD policy with respect to such Projects, effective for housing assistance payments in November 2012 and thereafter, amounts in the Residual Receipts Account for such a Project in excess of a specified level, equal to $250 multiplied by the number of Section 8 units in the Project, are to be drawn on to fund Section 8 subsidy payments in lieu of HUD-funded payments until the Residual Receipts Account is reduced to such level.

In addition, with respect to any Project subject to a HAP Contract that authorizes HUD to require Residual Receipts Account deposits, the Consolidated Appropriations Act, 2014 provides that amounts in the Residual Receipts Account that are in excess of an amount determined by HUD shall, upon HUD's request, be remitted to HUD so as to be available to fund subsidy payments under the project-based Section 8 Program generally.

Project-Based Voucher Programs. In addition to the project-based Section 8 Program described in the preceding paragraphs, the 1937 Housing Act and the Regulations grant certain state and local housing agencies authority to establish programs ("Project-Based Voucher Programs") pursuant to which they may enter into HAP Contracts to provide assistance to projects that set aside units for lower income families, using up to twenty percent of the funds they receive from HUD under annual contributions contracts for the administration of the housing choice voucher program authorized by Section 8(o) of the 1937 Housing Act (the "Housing Choice Voucher Program"). Under Project-Based Voucher Programs, as under the project-based Section 8 Program described in the preceding paragraphs, HAP Contracts provide for housing assistance payments to owners generally equal to the difference between specified contract rents for covered units in a project and the respective tenants' required contributions. However, under a Project Based Voucher Program, rules concerning the establishment of initial contract rents, the terms of periodic adjustment of contract rents (including whether reduction to levels below the initial rents may occur), the availability of payments for vacant units, and the availability of renewal of a HAP Contract upon expiration of its stated term, differ from the rules applicable to the project-based Section 8 Program described in the preceding paragraphs and depend in part on the policies of the state or local agency operating the Project-Based Voucher Program. A state or local agency's obligations pursuant to a HAP Contract under its Project-Based Voucher Program are subject to the annual appropriation by Congress and obligation by HUD of funds in amounts sufficient to operate the Housing Choice Voucher Program, including the agency's Project-Based Voucher Program. The 2013 Federal Sequestration Order resulted in a reduction of appropriations for the fiscal year ending September 30, 2013 for the Housing Choice Voucher Program. No assurance can be given that Congress will timely appropriate sufficient funds each year for the Housing Choice Voucher Program to enable housing agencies to make housing assistance payments pursuant to such HAP Contracts.

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APPENDIX C

THE EXISTING DEVELOPMENTS

Development Name	PHFA No.	Location (City)	Total Units	LIHTC Units	Note	Original Loan Amount	Outstanding Loan Balance (5/31/26)[1]	Interest Rate[2]	Amortiza-tion Period (Months)[3]	Original Loan Term (Months)[3]	Remaining Loan Term (Months)[4]	Percent Occupied (3/31/26)
1528 West	N-0200	Allentown	49	49	-	$253,769	$252,587	6.300%	420	420	414	100%
Bausman Place Apartments	O-1354	Lancaster	54	54	-	$1,450,000	$1,417,893	6.000%	420	420	414	98%
Beach Run Apartments	O-1329	Fredericksburg	51	51	P	$615,000	$582,848	4.875%	420	420	369	96%
Beaver Heights	N-0056	Bellefonte	40	40	P	$893,600	$708,563	7.500%	360	360	199	100%
Boundary Lofts	O-1349	Cranberry Twp.	68	57	D2	$3,500,000	$3,493,089	6.300%	420	420	415	94%
Cal Bride Place (NSR IV)	N-0159	Pittsburgh	42	42	F	$3,669,234	$3,523,360	4.100%	420	420	386	100%
Canonsburg Senior Lofts	N-0172	Canonsburg	50	42	-	$1,300,000	$1,249,752	4.650%	420	420	383	98%
Carlisle Veterans	N-0121	Carlisle	42	42	P	$1,350,000	$1,280,012	5.625%	420	420	361	88%
Cedarwood Homes	N-0191	Pittsburgh	46	39	F	$1,309,672	$1,297,802	6.500%	420	420	407	100%
Citrus Grove Senior Living	O-1351	Shippensburg	40	40	P	$802,727	$793,366	6.000%	420	420	404	93%
Coal Township	R-0360	Coal Twp.	101	-	E, F	$3,200,000	$2,814,239	5.000%	360	360	276	97%
Edgewoood Center Retirement Res.	N-0192	Pittsburgh	52	44	-	$570,000	$562,692	6.125%	420	420	403	100%
Emerald Hills (Penn Hills)	N-0141	Verona	52	44	-	$500,000	$468,329	4.750%	360	360	315	100%
Evergreen Heights	O-1350	State College	40	40	-	$1,600,000	$1,578,903	6.000%	420	420	403	100%
Grand View Senior Residences	N-0208	Irwin	50	50	P	$1,765,000	$1,748,403	6.000%	420	420	408	100%
Hamburg School	N-0122	Hamburg	50	50	P	$1,575,000	$1,485,615	4.350%	420	420	370	98%
Harbour Village	N-0197	Carlisle	40	40	P	$2,199,158	$2,195,203	6.700%	420	420	418	95%
Hart Rental Phase II	N-0010	Allentown	79	79	-	$1,193,500	$805,409	7.000%	360	360	155	99%
Harvard Beatty	N-0162	Pittsburgh	42	33	P	$1,437,500	$1,385,521	4.100%	420	420	389	100%
Hawkins Village Ph 1	N-0187	Rankin	54	54	P	$1,854,365	$1,824,093	4.750%	420	420	404	94%
Hazelwood Apartments	R-0182	Hazleton	100	-	E, F	$4,790,000	$4,228,788	5.000%	360	360	278	99%
HELP Philadelphia I & II Reimagined	N-0226	Philadelphia	90	90	P	$1,425,000	$1,425,000	7.000%	420	420	420	90%
HELP VI	N-0131	Philadelphia	55	55	F	$754,735	$723,526	4.875%	420	420	381	96%
Homes at Thackston Park II	O-1344	York	50	45	P	$631,908	$620,061	4.375%	420	420	403	94%
Hopper Commons	O-1340	Hollidaysburg	52	52	-	$1,183,243	$1,169,961	5.550%	420	420	406	100%
Jardines Preservation	N-0205	Philadelphia	45	45	P	$950,000	$928,264	5.500%	420	420	393	100%
JMB Gardens	N-0227	Harrisburg	41	41	P	$2,629,813	$2,625,139	6.750%	420	420	418	90%
Kellinger Greene	N-0133	Lewisberry	56	56	-	$2,055,000	$1,928,985	4.500%	360	360	317	96%
Kinder Park IV 4%	N-0158	Woodlyn	57	57	P, D1	$3,532,026	$3,460,152	4.250%	420	420	400	98%
Kinder Park IV 9%	N-0134	Woodlyn	39	39	P, D1	$675,000	$661,964	4.500%	420	420	400	97%
Lenz Court	N-0194	Ambridge	42	42	-	$1,305,872	$1,290,813	5.750%	420	420	406	98%
Letsche	N-0210	Pittsburgh	46	39	P	$1,319,001	$1,312,571	6.690%	420	420	412	98%
Little Lehigh	N-0167	Allentown	50	50	P	$3,050,000	$3,017,208	5.500%	480	420	403	100%
Lombard Commons	N-0173	Dallastown	43	43	-	$977,000	$977,000	6.500%	420	420	420	98%
Mahanoy Elderly	R-0439	Mahanoy City	125	-	E, F, D1	$3,100,000	$2,779,208	4.500%	360	360	292	98%
Meadow View Townhomes	O-1339	Gettysburg	36	36	P	$805,961	$781,399	4.250%	420	420	393	100%
Mellons Orchard	N-0111	Pittsburgh	47	37	P	$1,600,000	$1,493,218	5.125%	360	360	310	85%
Melton Center	N-0137	West Chester	51	51	P	$3,000,000	$2,910,505	4.875%	420	420	389	96%
Misty Ridge Terrace Townhomes	O-1281	Gettysburg	50	50	-	$899,030	$757,196	6.000%	360	360	244	100%
Molly Pitcher Landing	O-1342	Chambersburg	48	48	-	$2,000,000	$1,925,291	4.100%	420	420	388	96%
Monaca Lofts	N-0228	Monaca	39	37	-	$758,000	$757,104	6.750%	420	420	419	95%
Mount Joy Senior Apartments	N-0185	Mount Joy	36	36	-	$1,036,655	$1,014,676	4.625%	360	360	345	100%
Mulberry Mill	O-1341	Bloomsburg	44	44	P, D1	$368,563	$359,102	4.300%	420	420	395	100%
Natrona Hts./Riverview Sen. Living	N-0138	Natrona Heights	30	30	-	$600,000	$576,851	4.750%	360	360	332	100%
Normandy Lofts	O-1362	Shippensburg	48	40	-	$2,325,000	$2,325,000	7.250%	420	420	420	90%
North Negley Residences	N-0140	Pittsburgh	45	38	P	$2,303,828	$2,238,531	4.781%	420	216	188	98%
Red Clay Manor	N-0142	Kennett Square	60	50	P	$2,692,154	$2,597,917	4.875%	420	420	385	98%
Riverton Woods	N-0166	Lemoyne	40	40	P	$1,245,617	$1,218,499	4.875%	420	420	398	100%
Riverview Towers	O-1327	Pittsburgh	190	150	P	$2,844,000	$2,740,501	6.000%	480	480	418	99%
Schwenckfeld Mews	O-1013	Lansdale	63	63	-	$500,000	$343,949	7.250%	360	360	157	98%
Scranton Square	N-0199	Scranton	36	36	P	$422,843	$416,975	5.500%	420	420	404	97%
Sellersville Senior	N-0143	Sellersville	50	50	P	$2,650,000	$2,531,797	4.500%	420	420	379	98%
Sharswood Townhomes Phase II	O-0891	Philadelphia	59	59	-	$297,140	$252,792	6.750%	160	160	126	98%
Sheptskty Arms	N-0212	Pittsburgh	50	50	F	$4,150,000	$4,047,798	4.500%	420	420	397	96%
Silver Spring Gardens	O-0791	Mechanicsburg	59	59	-	$392,973	$185,338	6.250%	360	360	99	95%
Simpson Gardens II[5]	N-0113	Lansdowne	41	41	-	$580,000	$530,389	5.375%	360	360	311	95%
Simpson Gardens II[5]	N-0113	Lansdowne	-	-	-	$190,000	$135,417	5.000%	120	120	71	95%
Sparrows Way	N-0145	York	23	23	P	$945,000	$903,894	4.625%	420	420	381	100%
Stone Bridge Senior Housing	N-0115	State College	50	50	-	$1,090,862	$1,030,070	5.375%	360	360	316	98%
Stone Ridge Commons	N-0114	York	34	34	-	$500,000	$466,680	5.000%	360	360	310	94%
The May Building	N-0347	Pittsburgh	86	66	F	$8,500,000	$8,482,439	6.750%	480	240	236	80%
The Point at Sporting Hill	O-1328	Mechanicsburg	39	39	P	$1,977,500	$1,922,967	4.550%	420	420	394	95%
The Willows at Valley Run Phase II	N-0326	Coatesville	60	60	P	$3,383,450	$3,359,553	6.500%	420	420	410	98%
Trevose Senior Residences	N-0327	Trevose	61	60	-	$966,000	$965,464	7.000%	420	420	419	100%
Village Square on Haverford	N-0190	Philadelphia	32	32	-	$1,552,000	$1,547,098	6.500%	420	420	415	94%
WPRE VI	N-0148	Philadelphia	30	30	P, D1	$950,000	$797,460	4.000%	180	180	142	100%
						Total:	$106,232,188					

(1) Outstanding Loan Balance is as of May 31, 2026 for all Existing Mortgage Loans except the following Loans, which are Permanent-Only Loans that were originated after such date, for which the Outstanding Loan Balance is as of their respective origination dates/Permanent Loan Closing dates, which were as follows: HELP Philadelphia I & II Reimagined – June 29, 2026; and Normandy Lofts – June 17, 2026.

(2) Interest Rate includes an Agency servicing fee of 0.25% per annum that will not be pledged under the Indenture.

(3) Each Existing Mortgage Loan requires level monthly combined payments of interest (at the indicated Interest Rate) and principal in amounts calculated to amortize the Loan's principal balance to zero by the end of the indicated Amortization Period (shown in number of months), measured from the 1st of the month preceding the Loan's first principal payment due date. Original Loan Term is the original number of months to the Loan's maturity date, measured from the 1st of the month preceding the Loan's first principal payment due date. Where the Original Loan Term is shorter than the Amortization Period, the Loan's principal balance will not have fully amortized by its maturity date and the unamortized balance will be due in full on the maturity date.

(4) Remaining Loan Term is the remaining number of months to the Loan's maturity date, measured from the 1st of the month as of the end of which its Outstanding Loan Balance is presented (or in the case of the Loans for HELP Philadelphia I & II Reimagined and Normandy Lofts, measured from July 1, 2026). Except as noted below, each Existing Mortgage Loan may be prepaid, but only in full (not in part) and only with (i) the Agency's prior written approval and (ii) payment of a prepayment fee equal to a declining percentage of outstanding principal balance: 10% if prepaid within the first year after a specified date (the "Referenced Date"), decreasing by 1% per year for the second through tenth years, to zero after the end of the tenth year; and such Referenced Date is the Permanent Loan Closing date (which generally is the month preceding or second month preceding the Loan's first principal payment due date). The same provision applies to the Existing Mortgage Loan for the Coal Township except that Agency consent is not required and the Referenced Date is the Loan's first payment due date. The Existing Mortgage Loans for the Sharswood Townhomes Phase II, Misty Ridge Terrace Townhomes, Beaver Heights and Hart Rental Phase II Developments may be prepaid only with (i) the Agency's prior written approval and (ii) payment of a prepayment fee equal to 5% of outstanding principal balance (which percentage does not decline over time). Prepayment fees to the Agency are not pledged under the Indenture.

(5) This one Existing Development has two Existing Mortgage Loans (secured by one Mortgage) with the respective terms shown in the two table rows for the Development.

E Expired LIHTC: all of the units in these Existing Development were LIHTC Units and the Developments' extended use periods (as described in "THE RENTAL HOUSING PROGRAM—Income Limits and Rent Restrictions under the Code and the Rental Housing Program" in Part 2) now are expired. Each of these Developments remains subject to occupancy and tenant rent restrictions by virtue of being "Fully Section 8" as described in note F below.

F Fully Section 8: all or substantially all of the LIHTC Units (or former LIHTC Units, in the case of the Coal Township, Hazlewood and Mahanoy Elderly Developments) are the subject of HAP Contracts under the Section 8 Program (described in Appendix B to Part 2).

P Partially Section 8: a portion of the LIHTC Units are the subject of HAP Contracts under the Section 8 Program (described in Appendix B to Part 2).

D1 These five Existing Mortgage Loans were delinquent (not more than 30 days) in payment as of May 31, 2026.

D2 This one Existing Mortgage Loans was delinquent (more than 30 days, but not more than 60 days) in payment as of May 31, 2026.

APPENDIX D

CERTAIN GENERAL AGENCY PROGRAM INFORMATION AND OUTSTANDING OBLIGATIONS

This Appendix contains information regarding several of the programs of the Agency (other than its Rental Housing Program) and its method of financing such other programs and provides a schedule with the Agency's outstanding bonds and notes and certain other financial obligations.

Other Programs of the Agency

OTHER MULTIFAMILY HOUSING PROGRAMS

Since its establishment, the Agency has undertaken various programs under which it has provided or currently provides construction and permanent loan financing for rental housing developments.

In addition to financing programs, the Agency administers numerous programs from time to time for other entities. These programs include the performance based Section 8 contract administration program (for HUD), certain underwriting and construction administration programs for DCED and certain rental assistance and support programs for persons with disabilities for the Department of Human Services. Fee income is available to pay the administrative costs associated with these programs, but the Agency generally does not issue debt for these programs.

The Agency previously issued bonds and notes for multifamily projects that were reflected as outstanding bonds and notes on the financial statements of the Agency (as the Series 2026-1 Bonds and any future Parity Obligations under the Indenture will be), but no such other bonds and notes currently remain outstanding. There are numerous multifamily projects which are financed through tax exempt financing as special limited obligation issues (either publicly or privately placed with investors.) These project financings pay fees to the Agency, but the repayment of these loans is not secured by the general revenue of the Agency and, accordingly, they are not reflected as outstanding debt on the Agency's financial statements.

PennHOMES Program

The Agency currently operates the PennHOMES program to provide financing for affordable rental projects throughout the Commonwealth. Many of the projects financed through this program blend a variety of funding sources to ensure economic feasibility including state funding programs, federal funding programs, federal low income housing tax credits and a variety of private and public funds. The Agency administers funds available in the Commonwealth, including federal HOME program funds and certain monies available through the PHARE Program, for properties participating in the PennHOMES Program. In addition, the Agency has set aside other funds to provide deferred loans to qualified projects under this program.

As a result of the American Recovery and Reinvestment Act of 2009 ("ARRA"), Pennsylvania received federal funding for certain projects in its low income housing tax credit program. The Agency provided $226,854,535 in Section 1602 "Exchange Program" funds available though the United States Treasury and $95,050,396 in funding from the Tax Credit Assistance Program administered through HUD, for an aggregate total of 67 projects. Federal funding sources were directly targeted to the programs and properties described and were generally not available for any other Agency purpose.

None of the monies, assets, funds or accounts, including the Capital Reserve Fund, which are pledged to the holders of Parity Obligations under the Indenture may be used or applied to the payment of the Agency's obligations issued to finance the PennHOMES program or other Agency programs. The Act and the bond and note resolutions do, however, require the Agency to submit to the Governor and General Assembly an estimate of funds, if any, expected to be necessary to avoid default in the payment of principal of or interest on such general obligations, and the Act requires the Governor to cause the amount of such deficiency to be placed in the budget of the Commonwealth, in the same manner as deficiencies in the Capital Reserve Fund. See "SECURITY FOR THE PARITY OBLIGATIONS — Capital Reserve Fund" in Part 2 of this Official Statement.

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM

Under the Single Family Mortgage Revenue Bond Program, the Agency purchases mortgage loans from participating lending institutions. The mortgage loans are made to support the acquisition of single family homes by persons and families of low and moderate income, who meet the eligibility requirements of the Internal Revenue Code of 1986, as amended, and other mortgage loans. Loans are purchased by the Agency according to the terms and conditions set forth in origination and sale agreements with the Agency. The Agency services all mortgage loans originated in this program.

As of March 31, 2026, the Agency has issued approximately $21,371,800,970 Single Family Mortgage Revenue Bonds for the purpose of purchasing qualified mortgage loans. Of this amount, approximately $7,610,805,000 was outstanding as of that date. See "OUTSTANDING BONDS AND NOTES OF THE AGENCY" herein for additional information on the outstanding obligations of the Agency.

HOMEOWNERSHIP CHOICE PROGRAMS AND MIXED USE PROGRAMS

The Homeownership Choice Programs ("HCP") were active financing programs between 2001-2011 (now discontinued), through which the Agency committed over $85,000,000 to 89 projects designed to stimulate the production of housing in urban areas, to create positive community impact and scale and to increase development and transformation of distressed urban areas and core communities into attractive places to live throughout the Commonwealth. HCP provided soft financing to support new construction of infill housing, mixed use properties in commercial corridors, and targeted renovation projects in urban communities through partnerships between for profit developers, non-profit groups and local governments. The program is no longer active.

The Agency is currently working on a targeted program, called "ReCLAIM", which leverages support dollars with certain foundations to encourage mixed use property developments. In addition, the General Assembly passed Act 84 of 2016 (as amended) which established a mixed use tax credit program, whereby PHFA sells tax credits and uses the proceeds to fund qualified projects which combine commercial and residential components.

HOMEOWNER PROGRAMS

Over the past decade, the Agency has developed and implemented new programs in response to the needs of its target market of low to moderate income home buyers and homeowners. The main impetus behind the creation of these programs has been to prevent or remedy the effects of unscrupulous lending practices in the home financing market and to target specific funding needs. The Agency may explore various sources of financing for these programs.

The Agency's Renovate and Repair Program ("R & R Program") provides second mortgage financing to homeowners in need of funds for home improvement and repair. It provides sound home equity lending and also ensures that appropriate repairs are made at a reasonable cost. Local community partners and lenders cooperate to originate the loans for qualified homeowners and to administer the funds through the rehabilitation and home improvement contracts. Through March 31, 2026, 1,660 loans have been made for a total of approximately $35.7 million.

The Agency offers a variety of financing programs for home loans which do not participate in the Program. Certain loans are financed through the direct sale of mortgage backed securities ("MBSs"). Many of these loans are eligible for securitization in either GNMA or Fannie Mae MBSs. The Agency has increased its participation in these MBS programs and regularly sells MBSs in the secondary market, retaining the servicing of these loans.

The Agency also offers assistance for home purchase in connection with various employers throughout the Commonwealth.

Additional information regarding Agency programs is available at www.phfa.org.

In addition to its financing programs for homeownership, the Agency administers several programs for homeowner counseling. The funding for these programs, provided through several sources, including PHFA resources, NeighborWorks, the United States Department of Agriculture Rural Development, and HUD, is generally directed to support the efforts of over 100 local counseling agencies serving consumers in all 67 counties of the Commonwealth. The counseling agencies receive training and are certified by the Agency to provide such consumer education and support in foreclosure mitigation, loan restructuring and delinquency remediation assistance, as well as debt counseling, financial education and household finance and budgeting.

HOMEOWNER'S EMERGENCY MORTGAGE ASSISTANCE PROGRAM ("HEMAP")

The Agency administers this state funded program through appropriations from the Commonwealth, HEMAP fund investment earnings and HEMAP loan collections. This program, authorized by 35 P.S. § 1680.401 <u>et seq</u>., provides mortgage assistance payments to homeowners who are in danger of losing their homes through foreclosure, through no fault of their own, and who have a reasonable prospect of resuming mortgage payments within the prescribed time frame. Funds for the operation of this program are provided through appropriations in the Commonwealth (including proceeds of appropriated funds made available through the National Attorneys General Settlement with five of the nation's largest mortgage servicers) and through loan repayments and fund earnings and are not available for payment of any other Agency obligations including the bonds and notes issued by the Agency for its other programs.

Enactment of the Dodd Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank") established funding for foreclosure mitigation efforts directed at unemployed homeowners. The Agency administered these funds in the Commonwealth to assist qualified homeowners consistent with HUD guidelines. The program ended in September, 2011. All mortgage loans have now been assigned to HUD and all funds have now been disbursed under this emergency program.

PENNSYLVANIA HOUSING TRUST FUND ("PHARE")

In November 2010, the General Assembly passed the Pennsylvania Housing Affordability and Rehabilitation Enhancement Program ("PHARE") (Act 105 of 2010), establishing a housing trust fund; which can be used to provide dwellings for rent or purchase to low and moderate-income individuals or families; increase the availability or quality of housing for elderly persons and accessible housing for persons with disabilities; prevent and reduce homelessness; development and rehabilitation of distressed neighborhoods; mortgage or rental assistance including housing counseling, foreclosure prevention and refinancing products; or provide loans or grants to low and moderate income owner occupants for repairs or improvements of their homes. Thereafter, by enacting Act 13 of 2012 ("Impact Fee Act"), certain fees relating to activity in the Marcellus Shale region of the Commonwealth were directed to fund PHARE in certain counties of the Commonwealth. The Agency administers the PHARE funds in eligible communities in accordance with a plan, adopted each calendar year. State and federal legislative initiatives have expanded PHARE funding to include a recently enacted realty transfer tax program surcharge and the federal trust fund being funded through GSE profits and administered by HUD. These programs are not supported by Agency indebtedness. The funds are generally provided as grant funds and the Agency does not issue bonds or incur indebtedness to support these programs.

OUTSTANDING BONDS AND NOTES OF THE AGENCY AND OTHER SUPPLEMENTAL FINANCIAL INFORMATION

As of March 31, 2026, excluding special limited obligations, the Agency had outstanding the following bond and note issues.

Issue	Final Maturity	Outstanding Amount	Original Amount
Single Family Mortgage Revenue Bonds			
Series 2015-116	2045	$995,000	$118,795,000
Series 2015-117	2045	20,135,000	150,240,000
Series 2015-118	2045	27,760,000	231,165,000
Series 2016-119	2046	68,195,000	162,095,000
Series 2016-120	2046	120,420,000	214,265,000
Series 2016-121	2046	150,610,000	254,835,000
Series 2017-122	2047	56,270,000	239,645,000
Series 2017-123	2047	45,895,000	261,390,000
Series 2017-124	2047	117,025,000	206,965,000
Series 2017-125	2047	129,270,000	300,205,000
Series 2018-126	2048	22,990,000	123,175,000
Series 2018-127	2048	69,975,000	173,450,000
Series 2019-128	2049	28,460,000	201,595,000
Series 2019-129	2049	122,000,000	125,000,000
Series 2019-130	2049	107,755,000	174,925,000
Series 2019-131	2049	95,695,000	137,035,000
Series 2020-132	2050	156,545,000	248,870,000
Series 2020-133	2050	167,150,000	212,140,000
Series 2021-134	2051	118,380,000	157,925,000
Series 2021-135	2051	144,495,000	175,570,000
Series 2021-136	2051	246,765,000	294,750,000
Series 2021-137	2051	221,120,000	253,150,000
Series 2022-138	2052	226,305,000	257,760,000
Series 2022-139	2052	252,380,000	297,030,000
Series 2022-140	2052	275,555,000	303,280,000
Series 2023-141	2053	443,420,000	482,500,000
Series 2023-142	2053	431,895,000	458,705,000
Series 2023-143	2053	444,190,000	475,270,000
Series 2024-144	2054	257,435,000	264,680,000
Series 2024-145	2054	440,695,000	449,965,000
Series 2024-146	2054	487,860,000	494,210,000
Series 2024-147	2054	294,175,000	296,855,000
Series 2025-148	2055	326,600,000	326,810,000
Series 2025-149	2055	577,525,000	577,525,000
Series 2025-150	2055	402,235,000	402,235,000
Series 2025-151	2055	275,280,000	275,280,000
Series 2026-152	2056	237,350,000	237,350,000
General Obligation Note – TriState	2034	19,999,999	25,000,000
HQ Building Bond – Series 2018	2037	24,000,000	40,000,000
Total		$7,654,804,999	$10,081,640,000

SUPPLEMENTAL FINANCIAL INFORMATION

The Agency has entered into various interest rate hedge agreements to manage interest rate risks associated with certain variable rate debt obligations. In connection with the sale of certain of its bonds, as outlined below, the Agency has entered into certain swap agreements with various counterparties in order to hedge against increases in variable interest rates on such securities. Under the contracts, generally, the Agency receives payments ranging from 82% of Fallback Rate (SOFR) (as defined by ISDA) with a spread of 41 basis points or 100% of SIFMA. The Agency pays the fixed interest rates shown below. The original principal notional amounts of the agreements are equal to the par amount of the related bond series and generally amortize consistently with the amortization of the Agency's related bonds. In addition, the Agency may generally terminate the swap on certain dates prior to its final scheduled maturity at market, and in certain circumstances (as noted below), the Agency may, at its option, terminate some or all of the swaps at a price of par.

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The following provides certain information relating to the outstanding interest rate hedge agreements (as of March 31, 2026).

Counterparty (S&P/Moody's ratings)	Related Bond Series	Fixed Interest Rate*	Outstanding Notional Amounts	Effective Date (mo/yr)	Termination Date (mo/yr)	Optional Termination begins (mo/yr)	Full Optional Termination begins (mo/yr)**
First National Bank (BBB/Baa1)	HQ Building Bond	3.150%	$24,000,000	03/2018	10/2037	04/2028	04/2028
Wells Fargo Bank (A+/Aa2)	SF MRB 2020-132B	1.7035%	$30,000,000	10/2020	10/2050	10/2028	10/2028
Bank of America (A+/Aa2)	SF MRB 2023-141B	3.845%	$80,000,000	02/2023	10/2050	10/2032	10/2032
Total Outstanding Notional Amount			**$134,000,000**				

* In lieu of exercising available optionality on a swap, the Agency from time to time, may sell-back the optionality to the counterparty in exchange for a reduction of fixed interest rate.

** Optionally callable semiannually hereafter.

The following table shows the providers and expiration dates for the liquidity facilities entered into by the Agency for its variable rate bonds for its Single Family Program.

Pennsylvania Housing Finance Agency
Liquidity Provider Status (as of March 31, 2026)

Issue	Balance	Standby Bond Purchase Agreement (SBPA) Provider (with S&P/Moody's short-term ratings)	SBPA Expiration
Series 2020-132B	$30,000,000	TD Bank (A-1/P-1)	6/20/2030
Series 2023-141B	$80,000,000	Royal Bank of Canada (A-1+/P-1)	2/16/2028
Subtotal Single Family Program	$110,000,000		

APPENDIX E

FINANCIAL STATEMENTS
(AUDITED)

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PENNSYLVANIA HOUSING FINANCE AGENCY

Basic Financial Statements and Supplementary Information

June 30, 2025 and 2024

(With Independent Auditors' Reports Thereon)

CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pennsylvania Housing Finance Agency
Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Pennsylvania Housing Finance Agency (the Agency), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended June 30, 2025 and 2024 and the related notes to the financial statements, which collectively comprise Pennsylvania 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 and fiduciary activities of Pennsylvania Housing Finance Agency, as of June 30, 2025 and 2024 and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennsylvania 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.

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

In performing an audit in accordance with GAAS 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 Pennsylvania 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 Pennsylvania 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, schedules of changes in the Agency's net pension liability and related ratios, the schedules of employer contributions to Agency employees' retirement plan and government excess benefit plan, the schedules of investment returns of Agency employees' retirement plan and government excess benefit plan, and the schedules of changes in total OPEB liability and related ratios as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Pennsylvania Housing Finance Agency

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennsylvania Housing Finance Agency's basic financial statements. The combining balance sheets, the combining statements of revenues, expenses, and changes in net position, and the combining statements of cash flows as of and for the year ended June 30, 2025 and 2024 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining balance sheets, the combining statements of revenues, expenses, and changes in net position, and the combing statements of cash flows as of and for the year ended June 30, 2025 and 2024 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 September 24, 2025, on our consideration of the Pennsylvania 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 Pennsylvania 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 Pennsylvania Housing Finance Agency's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
September 24, 2025

Management's Discussion and Analysis

Introduction

The discussion and analysis provided herein is designed to furnish an objective and easily understandable review of the financial activities of the Pennsylvania Housing Finance Agency ("Agency"). Readers are encouraged to consider the information presented in conjunction with the basic financial statements as a whole, which follow this section.

Understanding the Basic Financial Statements

The basic financial statements are designed to provide a broad overview of the Agency's finances, and include five required statements: The Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position.

The Balance Sheet presents financial information respective of all of the Agency's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position reflect revenue and expenses within a given period in order to measure the success of the Agency's operations during that period and to illustrate how the Agency has funded its costs of operations.

The Statement of Cash Flows is presented using the direct method, which reports cash receipts and cash payments in four major classes of activities: Operating, Noncapital Financing, Capital Financing and Investing. Cash receipts and disbursements are presented within this statement in order to illustrate the net increase or decrease in cash and cash equivalents within a given period.

The Statement of Fiduciary Net Position includes information about the Agency's fiduciary funds held in its defined benefit pension plan. This financial statement presents assets, liabilities and deferred inflows and outflows of resources with the difference reported as net position.

The Statement of Changes in Fiduciary Net Position reflects changes in fiduciary net position of the Agency's fiduciary funds held in its defined benefit pension plan. These changes include additions such as contributions from employers and employees and deductions such as benefit payments and administrative expenses. The net increase (decrease) in fiduciary net position is the difference between these additions and deductions.

The basic financial statements are accompanied by a set of notes. The notes to the basic financial statements provide additional information necessary to acquire a full understanding of the data presented in the basic financial statements and a means to obtain a more comprehensive assessment of factors affecting the Agency's financial condition.

Condensed Summary Balance Sheets *(In thousands)*

	2025	2024	Increase/(Decrease)	
Assets:				
Mortgage loans receivable, net	$ 6,865,837	$ 5,546,908	$ 1,318,929	23.8%
Capital assets, net	56,408	55,285	1,123	2.0%
Other assets	1,289,067	1,853,896	(564,829)	(30.5%)
Total Assets	8,211,312	7,456,089	755,223	10.1%
Deferred Outflows of Resources	23,545	40,550	(17,005)	(41.9%)
Total Assets and Deferred Outflows of Resources	$ 8,234,857	$ 7,496,639	$ 738,218	9.8%
Liabilities:				
Current liabilities	522,996	538,068	(15,072)	(2.8%)
Noncurrent liabilities	6,766,948	6,076,751	690,197	11.4%
Total Liabilities	7,289,944	6,614,819	675,125	10.2%
Deferred Inflows of Resources	54,609	55,191	(582)	(1.1%)
Net Position				
Net Investment in Capital Assets	27,089	23,168	3,921	16.9%
Restricted	224,304	201,980	22,324	11.1%
Unrestricted	638,911	601,481	37,430	6.2%
Total Net Position	890,304	826,629	63,675	7.7%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 8,234,857	$ 7,496,639	$ 738,218	9.8%

Condensed Summary Balance Sheets *(In thousands)*

	2024	2023	Increase/(Decrease)	
Assets:				
Mortgage loans receivable, net	$ 5,546,908	$ 4,633,251	$ 913,657	19.7%
Capital assets, net	55,285	57,026	(1,741)	(3.1%)
Other assets	1,853,896	1,892,737	(38,841)	(2.1%)
Total Assets	7,456,089	6,583,014	873,075	13.3%
Deferred Outflows of Resources	40,550	47,531	(6,981)	(14.7%)
Total Assets and Deferred Outflows of Resources	$ 7,496,639	$ 6,630,545	$ 866,094	13.1%
Liabilities:				
Current liabilities	538,068	504,200	33,868	6.7%
Noncurrent liabilities	6,076,751	5,287,769	788,982	14.9%
Total Liabilities	6,614,819	5,791,969	822,850	14.2%
Deferred Inflows of Resources	55,191	59,557	(4,366)	(7.3%)
Net Position				
Net Investment in Capital Assets	23,168	22,901	267	1.2%
Restricted	201,980	174,602	27,378	15.7%
Unrestricted	601,481	581,516	19,965	3.4%
Total Net Position	826,629	779,019	47,610	6.1%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 7,496,639	$ 6,630,545	$ 866,094	13.1%

Condensed Summary of Revenues, Expenses and Changes in Net Position *(In thousands)*

	2025	2024	Increase/(Decrease)	
Revenues:				
Mortgage loan interest	$ 274,043	$ 199,881	$ 74,162	37.1%
Other operating revenues	227,950	202,563	25,387	12.5%
Federal program awards	832,861	668,177	164,684	24.6%
Total Revenues	1,334,854	1,070,621	264,233	24.7%
Expenses:				
Interest and financing expenses	246,590	178,846	67,744	37.9%
Other operating expenses	191,728	175,988	15,740	8.9%
Federal program expenses	832,861	668,177	164,684	24.6%
Total Expenses	1,271,179	1,023,011	248,168	24.3%
Change in Net Position	63,675	47,610	16,065	(33.7%)
Net Position - Beginning of Year	826,629	779,019	47,610	6.1%
Net Position - End of Year	$ 890,304	$ 826,629	$ 63,675	7.7%

	2024	2023	Increase/(Decrease)	
Revenues:				
Mortgage loan interest	$ 199,881	$ 146,216	$ 53,665	36.7%
Other operating revenues	202,563	168,073	34,490	20.5%
Federal program awards	668,177	625,001	43,176	6.9%
Total Revenues	1,070,621	939,290	131,331	14.0%
Expenses:				
Interest and financing expenses	178,846	123,958	54,888	44.3%
Other operating expenses	175,988	167,130	8,858	5.3%
Federal program expenses	668,177	625,001	43,176	6.9%
Total Expenses	1,023,011	916,089	106,922	11.7%
Change in Net Position	47,610	23,201	24,409	105.2%
Net Position - Beginning of Year	779,019	755,818	23,201	3.1%
Net Position - End of Year	$ 826,629	$ 779,019	$ 47,610	6.1%

Analysis of Overall Financial Position and Results of Operations

Comparison of Years Ended June 30, 2025 and 2024

Assets increased by $755 million from $7.456 billion to $8.211 billion. Mortgage loans receivable increased by $1.319 billion from $5.547 billion to $6.866 billion as a result of the Agency utilizing its mortgage revenue bond program to purchase single family mortgages to further increase its single family program loan portfolio and its balance sheet. The balance of capital assets increased by $1 million when compared to the prior year due to normal operational purchases off-set by annual depreciation. Other assets decreased by $565 million from $1.854 billion to $1.289 billion. The decrease in other assets is primarily attributable to the decrease in cash and cash equivalents and investments of $584 million due to the purchase of single family mortgages and the disbursement of federal funds for programs administered by the Agency. The decrease in cash and cash equivalents and investments was off-set by a $19 million net increase in various asset balances. The net increase of $19 million was a result of the $12 million increase in capitalized mortgage servicing rights, the increase in accrued mortgage loan interest of $5 million due to the increase in the single family mortgage loan portfolio, the increase of $7 million in derivative instruments – interest rate swaps due to the favorable market valuation at June 30, 2025, off-set by the $5 million decrease in mortgages held for sale.

Deferred outflows of resources decreased by $17 million from $40.5 million to $23.5 million. The decrease was a result of the decrease in pension-related deferred outflows of $4 million due to the net difference between projected and actual earnings on investments on the current actuarial valuation, a decrease of $4 million in OPEB-related deferred outflows due to the difference between expected and actual experience and the decrease in the discount rate, and a decrease of $9 million in the accumulated decrease in the fair value of hedging derivatives.

Total liabilities increased by $675 million from $6.615 billion to $7.290 billion. The net increase was mainly due to the increase in bonds and notes payable of $833 million, which came as a result of the issuance of single family mortgage revenue bond series 146, 147, and 148 with total proceeds of $1.130 billion off-set by scheduled and advance debt service of $285 million and the reduction of original issue premium of $12 million. These issuances further the Agency's efforts to increase the size of its single family loan portfolio and its balance sheet by purchasing and holding mortgage loans receivable by utilizing capital provided by single family mortgage revenue bonds. The increase in bonds and notes payable was off-set by a $158 million net decrease in various other liabilities. Other liabilities decreased $187 million due to the disbursement of federal funds held for programs administered by the Agency, a decrease of $9 million in derivative instruments – interest rate swaps due to the favorable market valuation at June 30, 2025, a decrease in the net pension liability of $5 million due to the increase in the valuation of the pension's investments at the valuation date, off-set by an increase in escrow and development reserves of $21 million, this is due to the increase in the number of multifamily properties and single family mortgages serviced by the Agency and the amount of the required reserves, an increase in accrued interest payable of $17 million due to the increase in bonds and notes payable and a $5 million increase in the total OPEB liability.

Deferred inflows of resources decreased by $1 million from $55 million to $54 million. The decrease was due to a decrease of $10 million in OPEB-related deferred inflows, off-set by a $2 million increase in pension-related deferred inflows and a $7 million increase in accumulated increase in the fair value of hedging derivatives.

Total net position as of June 30, 2025 was $890 million, an increase of $64 million, over the total net position of $826 million at June 30, 2024.

Mortgage loan interest increased by $74 million due to the significant increase in the Agency's single family portfolio of mortgage loans. Other operating revenues increased by $25 million, primarily due to an increase in program income and fees of $16 million due to the increase in multifamily program fees, grant funds received and disbursed, and self-insurance fees on single family mortgage loans, along with the increase in the fair value of investments of $12 million, off-set by the decrease in investment income of $3 million.

Interest and financing expenses increased by $68 million due to the increase in bonds and notes payable outstanding during the fiscal year. Other operating expenses increased in total by $16 million largely due to the $10 million increase in origination costs and the amortization of closing costs forgivable second mortgages associated with the single family mortgage loan portfolio, the increase of $4 million in salaries and related benefits, and the $2 million increase in general and administrative expenses.

Federal program awards and expenses increased by $165 million primarily resulting from federal funds disbursed for the American Rescue Plan.

Comparison of Years Ended June 30, 2024 and 2023

Assets increased by $873 million from $6.583 billion to $7.456 billion. Mortgage loans receivable increased by $914 million from $4.633 billion to $5.547 billion as a result of the Agency continuing to utilize its mortgage revenue bond program to purchase single family mortgages to further increase its single family program loan portfolio and its balance sheet. The balance of capital assets decreased by $1.7 million when compared to prior year due to annual depreciation off-set by normal operational purchases. Other assets decreased by $39 million from $1.893 billion to $1.854 billion. The decrease in other assets is primarily attributable to the decrease in investments of $115 million from the return of principal on investments that matured offset by an increase in cash and cash equivalents of $70 million from funds held for single family mortgage loan purchases obtained from the issuance of single family mortgage revenue bonds throughout fiscal year 2024. The remaining $6 million increase in assets is explained by the increase in other noncurrent assets off-set by a decrease in derivative instruments – interest rate swaps, due to the change in market valuation, and mortgages held for sale.

Deferred outflows of resources decreased by $7.0 million from $47.5 million to $40.5 million. The decrease was due to the decrease in pension-related deferred outflows of $7 million a result of the decrease in net investment income during the current valuation period and a decrease of $5 million in the in OPEB-related deferred outflows a result of the increase in the discount rate and the change in the health care trend and mortality assumptions. Off-set by an increase of $5 million in the accumulated decrease in the fair value of hedging derivatives.

Total liabilities increased by $0.823 billion from $5.792 billion to $6.615 billion. The net increase was mainly due to the increase in bonds and notes payable of $958 million, which came as a result of the issuance of single family mortgage revenue bond series 143, 144, and 145 with total proceeds of $1.211 billion, off-set by scheduled debt service and advance debt service of $242 million and the reduction of original issue premium of $11 million. These issuances further the Agency's efforts to increase the size of its single family loan portfolio and its balance sheet by purchasing and holding mortgage loans receivable by utilizing capital provided by the single family mortgage revenue bonds. Escrow and development reserves increased by $23 million, this is primarily due to the increase in the number of multifamily properties serviced by the Agency and the increase required reserves. Accrued interest payable increased by $14 million due to the increase in the balance of bonds and notes payable. Derivative instrument – interest rate swaps increased by $5 million due to the change in market valuation. The remaining decrease of $178 million in total liabilities can be explained by a decrease in other liabilities of $163 million due to the disbursement of federal and state grant funds, a decrease in the total OPEB liability of $8 million due to the current period OPEB liability valuation which utilized a change in assumptions, including an increase in the discount rate, updated health care trend, and updated mortality assumptions, and a decrease in the net pension liability of $7 million due to the decrease in net investment income during the current valuation period.

Deferred inflows of resources decreased by $4.4 million from $59.6 million to $55.2 million. The decrease was due to the decrease of $5 million in accumulated increase in fair value of hedging derivatives and the decrease of $0.3 million in pension-related deferred inflows off-set by the $0.4 million increase in OPEB-related deferred inflows and the $0.5 million increase in unamortized gains on bond refundings.

Total net position as of June 30, 2024 was $827 million, an increase of $48 million, over the total net position of $779 million at June 30, 2023.

Mortgage loan interest increased by $54 million due to the increase in the Agency's single family portfolio of mortgage loans and an increase in the interest rates on Agency owned mortgages due to the current interest rate environment. Other operating revenues increased by $35 million, primarily due to an increase in program income and fees of $15 million due to the increase in grant funds received and disbursed and grant administration revenue earned during the fiscal year, along with the increase in investment income of $22 million resulting from increased funds held coupled with increased interest rates offset by decreases of $1 million in the net increase in fair value of swaps and $1 million in the gain on early extinguishment of debt both due to the interest rate environment and market conditions during the fiscal year.

Interest and financing expenses increased by $55 million due to the increase in bonds and notes payable outstanding during the fiscal year as well as the increase in interest rates on newly issued mortgage revenue bonds. Other operating expenses increased during the year, the increase was $9 million. Other operating expenses in total increased largely due to the increase in program expenses of $20 million resulting from the increase in grant funds received and disbursed, program expenses associated with the administration of various grants, and an increase in the amortization of down payment assistance loans which are forgiven over a period of time. Provision for loan loss and real estate owned increased by $9 million and general and administrative expenses increased by $1 million. These increases were off-set by decreases in salaries and related benefits of $5 million and the net decrease in fair value of investments of $17 million.

Federal program awards and expenses increased by $43 million primarily resulting from federal funds disbursed for the Housing Assistance Fund.

<u>Analysis of Capital Asset Activity</u> *(In thousands)*

	Balances at June 30		Increase/
	2025	**2024**	**(Decrease)**
Nondepreciable Capital Assets:			
Land	$ 2,454	$ 2,454	$ -
Total nondepreciable capital assets	2,454	2,454	-
Depreciable Capital Assets:			
Building	60,685	60,685	-
Furniture, fixtures and equipment	11,822	13,283	(1,461)
Subscription based information technology arrangements	14,523	10,183	4,340
Less accumulated depreciation:			
Building	(16,312)	(15,110)	(1,202)
Furniture, fixtures and equipment	(10,253)	(11,745)	1,492
Subscription based information technology arrangements	(6,511)	(4,465)	(2,046)
Total depreciable capital assets, net	53,954	52,831	1,123
Total Capital Assets, net	$ 56,408	$ 55,285	$ 1,123

	Balances at June 30		Increase/
	2024	**2023**	**(Decrease)**
Nondepreciable Capital Assets:			
Land	$ 2,454	$ 2,454	$ -
Total nondepreciable capital assets	2,454	2,454	-
Depreciable Capital Assets:			
Building	60,685	60,659	26
Furniture, fixtures and equipment	13,283	12,715	568
Subscription based information technology arrangements	10,183	7,127	3,056
Less accumulated depreciation:			
Building	(15,110)	(13,732)	(1,378)
Furniture, fixtures and equipment	(11,745)	(10,195)	(1,550)
Subscription based information technology arrangements	(4,465)	(2,002)	(2,463)
Total depreciable capital assets, net	52,831	56,574	(1,741)
Total Capital Assets, net	$ 55,285	$ 59,028	$ (1,741)

For the year ended June 30, 2025, the decrease in the balance of furniture, fixtures and equipment was primarily attributed to the disposal of information technology equipment and furniture; the increase in subscription-based IT arrangements (SBITA) resulted from the capitalization of costs associated with implementation of a cloud-based Financial Management software; the increases in accumulated depreciation is due to annual depreciation expense.

For the year ended June 30, 2024, the increase in the balance attributable to building resulted from building improvement costs incurred during the fiscal year; the increase in the balance of furniture, fixtures and equipment was primarily attributed to the purchase of information technology equipment; the increase in subscription-based IT arrangements (SBITA) resulted from the capitalization of costs associated with implementation of a cloud-based Human Capital Management software; the increases in accumulated depreciation is due to annual depreciation expense.

Analysis of Long-Term Debt Activity *(In thousands)*

Agency Program	Long-Term Debt at June 30 2025	Long-Term Debt at June 30 2024	Increase (Decrease)
General Activities	$ 25,000	$ 27,000	$ (2,000)
Multifamily Program	-	-	-
Single Family Program	6,410,229	5,575,195	835,034
Total Long-Term Debt	$ 6,435,229	$ 5,602,195	$ 833,034

Agency Program	Long-Term Debt at June 30 2024	Long-Term Debt at June 30 2023	Increase (Decrease)
General Activities	$ 27,000	$ 29,000	$ (2,000)
Multifamily Program	-	5,250	(5,250)
Single Family Program	5,575,195	4,609,752	965,443
Total Long-Term Debt	$ 5,602,195	$ 4,644,002	$ 958,193

Year Ended June 30, 2025

Additions

Additions to Agency bonds and notes payable for the year ended June 30, 2025 included the following:

Date	Single Family Program Bond Series	Original Issue Premium	Total Proceeds	New Mortgage Loan Production Proceeds	Refunding Proceeds	Single Family Program Bond Series Refunded
8/29/24	2024-146	$ 6,819	$ 501,029	$ 501,029	$ -	$ -
12/18/24	2024-147	4,962	301,817	301,817	-	-
2/27/25	2025-148	551	327,360	327,360	-	-
		$ 12,332	$ 1,130,206			

Reductions

Reductions to Agency bonds and notes payable for the year ended June 30, 2025 included the following:

Date	Single Family Program Bond Series Refunded	Refunded Amount	Scheduled Debt Service	Advance Debt Service	Original Issue Premium Reduction
Various	-	$ -	$ 159,118	$ 125,550	$ 12,504
	Total Reductions:	$ -	$ 159,118	$ 125,550	$ 12,504

Year Ended June 30, 2024

Additions

Additions to Agency bonds and notes payable for the year ended June 30, 2024 included the following:

Date	Single Family Program Bond Series	General Obligation Note	Original Issue Premium	Total Proceeds	New Mortgage Loan Production Proceeds	Refunding Proceeds	Single Family Program Bond Series Refunded
11/30/23	2023-143	-	$ 5,784	$ 481,055	$ 481,055	$ -	-
3/28/24	2024-144	-	6,129	270,809	270,809	-	-
6/25/24	2024-145	-	8,912	458,876	458,876	-	-
			$ 20,825	$ 1,210,740			

Reductions

Reductions to Agency bonds and notes payable for the year ended June 30, 2024 included the following:

Date	Single Family Program Bond Series Refunded	Refunded Amount	Scheduled Debt Service	Advance Debt Service	Original Issue Premium Reduction
Various	-	-	125,437	116,070	11,040
	Total Reductions:	$ -	$ 125,437	$ 116,070	$ 11,040

Designated Net Position (In thousands)

The Agency has designated certain amounts of the unrestricted net position of the Agency's various activities and programs for purposes indicated in the following table. These designations of net position are not binding and may be changed by the Agency.

	2025	2024
General Activities:		
Disadvantaged Developers Program	$ 10,000	$ 10,000
Asset building program	2,000	2,000
Home4Good	1,500	1,000
Homebuyer Counseling for education of first-time homebuyers	2,000	2,000
Multifamily Insurance for Agency insured or coinsured developments	10,000	10,000
ReCLAIM (statewide)	1,500	1,500
Total	$ 27,000	$ 26,500
Multifamily Housing Program:		
Penn HOMES Program to lower development costs for apartments	$ 10,000	$ 10,000
Preservation from physical deterioration, financial or social distress	1,500	1,500
Total	$ 11,500	$ 11,500
Single Family Mortgage Loan Program:		
Closing Cost Assistance	$ 3,000	$ 2,000
Neighboorhood Homeownership Initiative	5,000	10,000
Total	$ 8,000	$ 12,000
Insurance Program:		
Risk Retention to provide single family mortgage insurance	$118,198	$ 102,482

Additional Information

This discussion and analysis are intended to provide additional information regarding the activities of the Agency. Additional current or historical audited or unaudited financial information may be found at the Agency's website at www.phfa.org.

PENNSYLVANIA HOUSING FINANCE AGENCY

Balance Sheets

Years Ended June 30, 2025 and 2024 (in thousands)

ASSETS	**2025**	**2024**
Current assets:		
Cash and cash equivalents	$ 422,656	$ 937,121
Restricted cash and cash equivalents	353,667	361,928
Investments	4,998	44,755
Restricted investments	11,030	1,000
Accrued investment interest receivable	2,965	3,972
Mortgage loans receivable, net	163,813	145,909
Accrued mortgage loan interest receivable	28,963	23,630
Mortgages held for sale	44,189	49,214
Other current assets	4,259	4,015
Total Current Assets	1,036,540	1,571,544
Noncurrent Assets:		
Investments	151,448	308,009
Restricted investments	184,081	59,355
Mortgage loans receivable, net	6,702,024	5,400,999
Derivative instrument - interest rate swaps	9,712	2,442
Real estate owned	9,595	10,607
Capital assets, net	56,408	55,285
Other noncurrent assets	61,504	47,848
Total Noncurrent Assets	7,174,772	5,884,545
TOTAL ASSETS	8,211,312	7,456,089
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related deferred outflows	12,919	17,361
Pension-related deferred outflows	10,626	14,457
Accumulated decrease in fair value of hedging derivatives	-	8,732
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,545	40,550
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,234,857	$ 7,496,639

See accompanying notes to the financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Balance Sheets

Years Ended June 30, 2025 and 2024 (in thousands)

LIABILITIES	2025	2024
Current Liabilities:		
Accounts payable and accrued expenses	$ 2,460	$ 3,320
Bonds and notes payable, net	174,363	156,803
Accrued interest payable	65,674	48,161
Escrow deposits and development reserves	104,626	92,455
Software-based IT arrangements	886	2,625
Other current liabilities	174,987	234,704
Total Current Liabilities	522,996	538,068
Noncurrent Liabilities:		
Bonds and notes payable, net	6,260,866	5,445,392
Derivative instrument - interest rate swaps	-	8,732
Development reserves	124,475	114,947
Total OPEB liability	89,502	84,962
Net pension liability	28,146	33,040
Software-based IT arrangements	3,433	2,492
Other noncurrent liabilities	260,526	387,186
Total Noncurrent Liabilities	6,766,948	6,076,751
TOTAL LIABILITIES	7,289,944	6,614,819
DEFERRED INFLOWS OF RESOURCES		
OPEB-related deferred inflows	39,969	49,891
Pension-related deferred inflows	2,829	889
Unamortized gains on bond refundings	2,099	1,969
Accumulated increase in fair value of hedging derivatives	9,712	2,442
TOTAL DEFERRED INFLOWS OF RESOURCES	54,609	55,191
NET POSITION		
Net investment in capital assets	27,089	23,168
Restricted	224,304	201,980
Unrestricted	638,911	601,481
TOTAL NET POSITION	890,304	826,629
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 8,234,857	$ 7,496,639

See accompanying notes to financial statements.

Years Ended June 30, 2025 and 2024 (in thousands)

	2025	2024
Operating Revenues:		
Interest income on mortgage loans	$ 274,043	$ 199,881
Program income and fees	159,685	143,590
Investment income	51,595	54,568
Net increase in fair value of investments	11,447	-
Gain on early extinguishment of debt	5,223	4,405
Total Operating Revenues	501,993	402,444
Operating Expenses:		
Interest expense on bonds and notes	237,362	169,883
Financing expenses	9,228	8,963
Program expenses	113,133	102,824
Salaries and related benefits	45,437	41,223
General and administrative	28,948	26,032
Net decrease in fair value of investments	-	637
Recoveries for loan loss and real estate owned	4,210	5,272
Total Operating Expenses	438,318	354,834
Operating Income	63,675	47,610
Non-operating Revenue		
Federal program awards	832,861	668,177
Non-operating Expense		
Federal program expense	832,861	668,177
Change in Net Position	63,675	47,610
Net Position - beginning of year	826,629	779,019
Net Position - end of year	$ 890,304	$ 826,629

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY
Statements of Cash Flows
Years Ended June 30, 2025 and 2024 (in thousands)

	2025	2024
Cash Flows From Operating Activities		
Receipts of mortgage loan payments	$ 340,888	$ 289,690
Receipts of fees and other income	159,685	143,590
Receipts of interest on mortgages	268,665	192,648
Payments of escrow and reserves	(166,525)	(140,309)
Payments for mortgages and purchases	(1,652,067)	(1,202,237)
Payments for salaries and related benefits	(42,956)	(42,697)
Payments for goods, services and other	(172,563)	(147,226)
Net Cash Used In Operating Activities	(1,264,873)	(906,541)
Cash Flows From Noncapital Financing Activities		
Proceeds from the issuance of bonds and notes	1,130,206	1,210,740
Payments for retirement of bonds and notes	(282,668)	(239,507)
Payments of bonds and notes interest	(213,788)	(150,692)
Payments of financing costs	(9,228)	(8,963)
Receipts of federal program awards	832,861	668,177
Payments of federal program awards	(832,861)	(668,177)
Net Cash Provided By Noncapital Financing Activities	624,522	811,578
Cash Flows From Capital Financing Activities		
Purchases of capital assets	(4,920)	(3,331)
Payments for retirement of capital financing bond	(2,000)	(2,000)
Interest paid on capital debt	(838)	(902)
Net Cash Used In Capital Financing Activities	(7,758)	(6,233)
Cash Flows From Investing Activities		
Proceeds from the sale or maturity of investments	124,604	201,015
Investment interest receipts	52,647	54,325
Purchases of investments	(51,868)	(83,824)
Net Cash Provided By Investing Activities	125,383	171,516
Net (Decrease) Increase In Cash and Cash Equivalents	(522,726)	70,320
Cash and cash equivalents, beginning of year	1,299,049	1,228,729
Cash and cash equivalents, end of year	$ 776,323	$ 1,299,049

See accompanying notes to financial statements.

Years Ended June 30, 2025 and 2024 (in thousands)

	2025	2024
Reconciliation of Operating Income to Net Cash Used In Operating Activities:		
Operating Income	$ 63,675	$ 47,610
Investment income recognized	(51,595)	(54,568)
Net change in fair value of investments	(11,447)	637
Interest expense on bonds and notes	237,362	169,883
Financing expenses	9,228	8,963
Provision for loan loss and real estate owned	4,210	5,272
Depreciation and amortization	3,796	5,072
Gain on early extinguishment of debt	(5,223)	(4,405)
Changes in Assets and Liabilities:		
Mortgage loans receivable, net	(1,320,217)	(929,573)
Mortgage loans interest receivable	(5,378)	(7,233)
Real estate owned, net	1,012	409
Other assets	(6,089)	2,030
Accounts payable and accrued expenses	(860)	(465)
Escrow deposits and development reserves	21,699	23,450
Other liabilities	(205,046)	(173,623)
Net Cash Used In Operating Activities	$ (1,264,873)	$ (906,541)

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Fiduciary Net Position

June 30, 2025 and 2024 (in thousands)

	2025	2024
	Pennsylvania Housing Finance Agency Employees' Retirement Plan *	**Pennsylvania Housing Finance Agency Employees' Retirement Plan ***
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,049	$ 5,301
Accrued income and other receivables	$ 100	$ 150
Total Current Assets	7,149	5,451
Noncurrent Assets:		
Investments	116,021	106,321
Total Noncurrent Assets	116,021	106,321
TOTAL ASSETS	123,170	111,772
NET POSITION		
Restricted for: PHFA Employee's Retirement Plan	123,170	111,772
TOTAL NET POSITION	$ 123,170	$ 111,772

* December 31, 2024 and 2023 year-end, see note 13

PENNSYLVANIA HOUSING FINANCE AGENCY
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2025 and 2024 (in thousands)

	2025	2024
	Pennsylvania Housing Finance Agency Employees' Retirement Plan *	**Pennsylvania Housing Finance Agency Employees' Retirement Plan ***
ADDITIONS		
Contributions:		
Employers	$ 4,682	$ 4,310
Employees	418	388
Total Contributions	5,100	4,698
Investment earnings:		
Net increase in fair value of investments	14,414	13,602
Interest, dividends, and other	884	3,853
Total Investment Earnings	15,298	17,455
Total additions:	20,398	22,153
DEDUCTIONS		
Benefit payments, including refunds of member contributions	9,000	8,451
Total Deductions	9,000	8,451
Net Increase in fiduciary net position	11,398	13,702
Net position - beginning	111,772	98,070
Net position - ending	$ 123,170	$ 111,772

* December 31, 2024 and 2023 year-end, see note 13
See accompanying notes to financial statements.

1. Organization

The Pennsylvania Housing Finance Agency ("Agency") was created by the General Assembly of the Commonwealth of Pennsylvania ("Commonwealth") in 1972 to provide affordable housing for older adults, persons and families of modest means and persons with disabilities. Pursuant to the Housing Finance Agency Law, Act of 1959, P. L. 1688, No. 620 ("Act"), as amended, the Agency is authorized and empowered, among other things, to finance the construction and rehabilitation of housing units for persons and families of low and moderate income, persons with special needs or the elderly, including those who receive assistance from federal government programs.

The Act was amended to authorize the Agency to make or purchase mortgage loans used to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences and to finance the construction and rehabilitation of housing units without requiring the housing units to be subsidized or assisted by a federal government program. The initial legislation and subsequent amendments grant the Agency the power to issue debt in order to finance its programs and operations. Debt obligations issued under the provisions of the Act are not a debt or liability of the Commonwealth or any of its political subdivisions or a pledge of the faith and credit of the Commonwealth or of any of its political subdivisions. Additional powers have been provided by the General Assembly over the years to expand the Agency's authority and to encourage related community activities.

The Board of the Agency sets policy and oversees the organization's operations. The Board has 14 members. The Secretary of Banking and Securities (chair), the Secretary of Community and Economic Development, the Secretary of Human Services and the State Treasurer serve by virtue of their offices. Four members of the Board serve at the pleasure of the majority and minority leaders of the State Senate and House of Representatives. Six private citizen members are appointed by the Governor, confirmed by the State Senate, and serve for staggered six-year terms or until their successors are appointed.

The Agency is a component unit of the Commonwealth, as defined by the Governmental Accounting Standards Board ("GASB") – the source of generally accepted accounting principles used by State and Local governments in the United States. The Agency's financial information is discretely presented in the Commonwealth's financial statements, but the Agency is not considered part of the Commonwealth's primary government.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Agency presents its financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), as established by GASB. For financial reporting purposes, the Agency is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-Agency transactions have been eliminated.

Fiduciary Statements

The Pennsylvania Housing Finance Agency Employees' Retirement Plan is accounted for as a fiduciary activity and disclosed on the Agency's statements of fiduciary net position and statements of changes in fiduciary net position.

The statements of fiduciary net position provide information about the Agency's fiduciary activity: Pennsylvania Housing Finance Agency Employees' Retirement Plan at the end of its fiscal year.

The statements of changes in fiduciary net position provide information about the additions and deductions of the Agency's fiduciary activity: Pennsylvania Housing Finance Agency Employees' Retirement Plan in order to measure the results of the fiduciary activity's operations at the end of its fiscal year.

The fiduciary activity and its results are not presented within the Agency's business-type activities.

Description of Programs

The Agency accounts for its lending and operating activities in various programs based upon management designations and for ease of accountability, summarized as follows:

General Activities – Consists of a group of accounts used to record income and expenses that are not directly pledged to or associated with the programs described below, and includes activity related to various Agency programs and initiatives, including loan servicing and the payment of expenses related to the Agency's administrative functions.

Multifamily Housing Program ("Multifamily Program") – Records the activity related to financing the construction, rehabilitation or operational expenses of multifamily rental housing developments generally designed for persons or families of low and moderate income or the elderly.

Single Family Mortgage Loan Program ("Single Family Program") – Records the activity related to providing capital for the purchase and servicing of mortgage loans for owner-occupied single-family residences for persons or families of low and moderate income.

Insurance Program – The Agency provides primary mortgage insurance coverage through this program to cover the risk of mortgage default for certain single-family borrowers.

Homeowners' Emergency Mortgage Assistance Program ("HEMAP") – Created by Act 91 of 1982 (as later amended) by the Pennsylvania General Assembly to provide emergency mortgage assistance loans to mortgagors facing foreclosure due to circumstances beyond their control. HEMAP's primary operating revenues are derived from funding received from the Commonwealth and from program repayments and income from investments, and are reported as a component of Program Income and Fees within the Agency's financial statements.

Fair Value Application and Measurement

Fair value is applied to assets and liabilities that the Agency holds primarily for the purpose of income or profit and that have a present service capacity based solely on their ability to generate cash or to be sold to generate cash. The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based upon valuation inputs used to measure the fair value of the respective asset or liability. Level 1 inputs include quoted prices in active markets for identical assets; Level 2 inputs include observable inputs other than quoted prices included in Level 1 inputs; Level 3 inputs include unobservable inputs.

Cash and Cash Equivalents

Cash includes currency on hand and currency equivalents that may be accessed immediately or near-immediately. Cash equivalents are defined as short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash. Agency cash and cash equivalents consist of demand deposit checking and savings accounts, cash held in trust and money market funds.

Investments

Investments are reported at fair value, determined by reference to published market prices and quotations. Changes in fair values are recognized separately within the Statement of Revenues, Expenses and Changes in Net Position.

Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments consist of cash, cash equivalents and investments restricted primarily by escrow agreements, bond resolutions, debt servicing agreements, creditor agreements or other contractual agreements. The Agency collects mortgage payments on behalf of mortgagees for whom the Agency acts as a servicer. The Agency holds monies from multifamily property owners and single-family homeowners for payments of real estate taxes, property insurance and operating reserves, and has recorded a corresponding liability related to these balances. The Agency maintains certain balances of cash, cash equivalents and investments, restricted as to their use, in order to comply with bond debt capital reserve and self-insurance requirements and certain investor or creditor covenants.

Mortgage Loans Receivable, Net
Mortgage loans receivable consist primarily of single family and multifamily loans. The current portion of mortgage loans receivable represents the contractual amount due within the forthcoming year.

Mortgage loans that the Agency has the ability and intent to hold for the foreseeable future are deemed to be held for investment and are valued at amortized cost. Amortized cost includes the balances of principal outstanding, unamortized premiums and discounts and capitalized origination costs and fees. Mortgage loans held-for-investment also have an allowance for loan loss applied as needed.

Mortgage loans that the Agency has the ability and intent to sell within the foreseeable future are deemed to be held for sale and are reported at the lower of cost or fair value, determined on an individual basis by loan type as of the date of the financial statements. Mortgage loans held for sale include loans subject to investor purchase commitments (committed loans) and loans held on a speculative basis (uncommitted loans). Fair value of committed loans is based upon commitment prices; fair value of uncommitted loans is based upon the market in which the mortgage banking activity operates. Amounts, if any, by which cost exceeds fair value are included within an allowance for loan loss.

The allowance for loan loss represents an adjustment applied to the balances of mortgage loans receivable in order to reflect amounts deemed collectible, using management's best estimate of probable losses inherent in the portfolio and evaluation of the underlying loans and their likelihood of becoming real estate owned. The allowance for loan loss is based upon the Agency's best information available under the circumstances, including the estimated market values of the properties representing collateral, mortgage insurance coverage on the collateral, the financial condition of the respective borrower, government guarantees and the economy as a whole.

Mortgage servicing rights/servicing release premiums are amortized over the life of the related loans using the effective interest method, and include servicing rights associated with both mortgages owned by the Agency and mortgages sold by the Agency for which servicing rights were retained. Mortgage servicing rights retained for underlying loans sold by the Agency are reported at the lower of amortized cost or fair value.

Troubled Debt Restructuring
A troubled debt restructuring occurs when a creditor, for economic or legal reasons related to a debtor's financial difficulties, grants a concession to a debtor experiencing financial difficulties that the creditor would not otherwise consider. Regardless of the form of concession granted by the creditor to the debtor in a troubled debt restructuring, the creditor's objective is to assist the

debtor in a difficult situation – the creditor expects to receive a return on investment or increase the probability of receipt of payment by granting the concessions than by not granting them. When conducted in a prudent manner, modifications of problem loans can serve the interests of both the creditor and the debtor and can lead to improved loan performance and reduced credit risk. In some instances, loan modifications are mandated by federal insurance programs. The Agency engages in troubled debt restructuring activities by affording modifications to the terms and interest rates of certain mortgage loans.

Real Estate Owned
Real estate owned represents single-family real estate acquired as a result of foreclosure, acceptance of a deed in lieu of foreclosure or other defaults of nonperforming mortgage loans. Balances of real estate owned approximate net realizable value, based upon actual recoveries for similar asset disposals resulting from anticipated mortgage insurance settlement proceeds or estimated sales prices less costs to sell. Net realizable values of real estate owned also include an allowance for losses attributable to potentially foregone interest and corporate and escrow advances.

Capital Assets
Capital assets are valued at historical cost. The Agency capitalizes assets with an initial cost of $1 (one-thousand dollars) or more. Depreciation is calculated using the straight-line method over the estimated useful lives, which are 5 years for furniture, fixtures and equipment and 45 years for the Agency's building. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded.

Other Assets
Other assets include federal and Pennsylvania grant and program funding receivable and prepaid expenses.

Deferred Outflows of Resources
Deferred outflows of resources include OPEB-related deferred outflows, which result from the Agency's post-employment healthcare benefits plan ("OPEB Plan"); pension-related deferred outflows, which result from the Agency's Employees' Retirement Plan ("Pension Plan") and Governmental Excess Benefit Plan ("Excess Plan") (collectively "Pensions" or "Pension Plans"); and the accumulated decrease in fair value of hedging derivatives. OPEB-related and Pension-related deferred outflows of resources represent differences between expected and actual experience, changes in assumptions and amounts resulting from contributions made during the Agency's fiscal year subsequent to the OPEB Plan's or Pension Plan's measurement dates. Deferred outflows of resources are recognized over a closed period and are amortized over the remaining average service life of all active and inactive employees who are provided OPEB or Pensions through the aforementioned plans.

Bonds and Notes Payable, Net
The Agency issues bonds and notes to provide capital for its mortgage programs and other uses consistent with its mission. The resultant debt is a general obligation of the Agency, and is secured and payable by the respective mortgage loans, investments, other assets and revenues within the respective programs or accounts established by the associated bond indentures. Bonds and notes payable are stated at their outstanding balances plus any unamortized premiums less any unamortized discounts. The current portion of bonds and notes payable represents the scheduled principal payable within the forthcoming year.

Escrow Deposits and Development Reserves
Escrow deposits represent balances of receipts from Single Family Program homeowners and Multifamily Program developments for anticipated payments of real estate taxes, property insurance and mortgage insurance. Development reserves represent cash held on behalf of owners of multifamily properties for repairs and replacement, property improvements, supportive services and potential operating deficits experienced by Multifamily Program developments.

Derivative Instruments – Interest Rate Swaps
The Agency enters into interest rate swap agreements (“swaps”) with various counterparties to hedge the interest rate exposure associated with variable rate debt and to reduce overall borrowing costs. Swaps are structured whereby the Agency pays a fixed interest rate to a counterparty in exchange for the same counterparty paying to the Agency a variable interest rate, which is established based upon a common market index.

Swaps are reported at fair value and are classified as either hedging derivatives, amended hedging derivatives or investment derivatives. Hedging derivatives include swaps with critical terms that have not changed since their inception. Amended hedging derivatives include swaps with critical terms that have since been amended. The changes in fair values of hedging derivatives and amended hedging derivatives are reported as accumulated decrease in fair values of hedging derivatives on the Balance Sheet, which equal the values of the corresponding swaps. Investment derivatives include swaps that are not considered to be effective hedges; the changes in fair values of investment derivatives are reported as a net increase or decrease in the fair value of swaps and recognized as a revenue or expense.

Total OPEB Liability
The Agency is required to measure and disclose amounts relating to total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense and the fiduciary net position of the Agency’s OPEB Plan. The Agency does not fund its OPEB liability; rather, the Agency provides health insurance for its retirees on a pay-as-you-go basis, therefore, the OPEB Plan has no fiduciary net position.

Net Pension Liability

Net pension liability represents the portion of the present value of projected benefit payments attributed to past periods of service to be provided through the Agency's Pensions to current active and inactive employees less the fiduciary net position of the Pensions. It represents the Agency's total pension liability less the fiduciary net position available to pay that liability. Investments included within fiduciary net position are reported at fair value.

Other Liabilities

Other liabilities consist mainly of unearned revenues, unearned federal funding, amounts due to Pennsylvania State Employees Retirement System ("SERS") and accrued expenses.

Deferred Inflows of Resources

Deferred inflows of resources include net unamortized gains (losses) on bond refundings, which are amortized over the shorter of the remaining life of the old debt or the life of the new debt; OPEB Plan-related and Pension Plan-related deferred Inflows, which represent the difference between projected and actual earnings on investments within the Agency's Pensions, are recognized over a closed period and are amortized over a 5-year period, the difference between expected and actual experience, and changes in assumptions are recognized over a closed period and are amortized over the remaining average service life of all active and inactive employees who are provided OPEB or Pensions through the aforementioned plans; and the accumulated increase in fair value of hedging derivatives, which represents the anticipated future utilization of the value of interest rate swap agreements deemed to be effective hedging derivatives.

Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of assets with constraints placed on their use by laws, regulations, Agency bond resolutions or external groups, such as creditors or grantors.

Unrestricted – Consists of assets that do not meet the definition of Net Investment in Capital Assets or Restricted. This component includes assets designated for specific purposes by the actions of the Board.

When both restricted and unrestricted resources are available, it is the Agency's policy to use restricted resources to the extent allowed and only use unrestricted resources when needed.

Classification of Revenues and Expenses

Operating revenues include all revenue from mortgage and loan activity, mortgage servicing, investment income and gains on the sale of pooled loans via the Government National Mortgage Association ("GNMA") and the Federal National Mortgage Association ("FNMA"). Operating revenues also include amounts received for the grant programs, which includes administrative fees for the oversight of award distribution, monitoring of subrecipients and reporting to federal and Commonwealth agencies and allocations for the costs of required independent annual audits of federal awards expended. The costs of mortgage loan servicing, investment and grant programs are reported as operating expenses.

Non-operating revenues and expenses include federal program awards and the corresponding direct program costs for which those awards are received and recognized, and consist primarily of pass-through amounts related to the Agency's role as contract administrator of the U.S. Department of Housing and Urban Development's ("HUD") Section 8 subsidy program.

Interest Income on Mortgage Loans

Interest received for mortgage loans is based upon the constant yield method. Interest accrues on performing and nonperforming loans for up to 150 days or until the underlying obligation is satisfied or the associated property is sold, foreclosed-upon or transferred to another entity.

Investment Income

Investment income includes net receipts and payments associated with swaps deemed to be investment derivatives, gains or losses on sales of investments and investment interest income.

The Agency participates in the GNMA and FNMA mortgage backed securities programs, whereby GNMA or FNMA guarantees securities that are issued by the Agency and backed by pools of mortgage loans. Gains on sales of MBSs are recorded at the time of settlement and represent the difference between the sale price of the MBSs and the carrying value of the underlying pool of mortgages backing them.

Pension and Other Postemployment Benefits Expense

Pension expense and other postemployment benefit expense are reported as salaries and related benefits and represent the estimated cost of the benefits earned by employees during the period, with the addition or subtraction of amounts that are deferred and amortized into expense over time as required by GAAP.

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

Debt Issuance Costs, Discounts and Other Related Costs
Costs related to bond and note issuance are expensed when incurred. Bond discounts and premiums are amortized over the lives of the corresponding bonds using the effective interest method. Net swap agreement payments are recorded as a component of interest expense on bonds and notes.

Adopted Accounting Standards
In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. This standard updates the recognition and measurement guidance for compensated absences aligning them under a unified model.

The Agency adopted the requirements of the guidance effective July 1, 2023 and has applied the provisions of this standard to the beginning of the period of adoption. The adoption of GASB 101 standard resulted in no change to the Agency's accrual of compensated absences.

In December 2023, GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. This standard did not have an impact on the Agency's financial statement disclosures.

Accounting Standards Issued But Not Yet Adopted
GASB issued the following Statements that will become effective in future reporting periods. Management is currently evaluating the potential impact on the Agency's financial statements.

- GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, effective for the Agency's fiscal year ending June 30, 2026.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024, effective for the Agency's fiscal year ending June 30, 2026.

June 30, 2025 and 2024 (in thousands)

3. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash and cash equivalents are reported at fair value, measured by Level 1 inputs based upon quoted prices in active markets. The Agency maintains a policy whereby cash and cash equivalents must be held in insured depositories satisfactory to the Agency. Balances of cash and equivalents at June 30, 2025 and 2024 were as follows:

	2025	2024
Cash	$ 754,077	$ 1,278,009
Money market accounts	22,246	21,040
Total carrying amount of cash and cash equivalents	$ 776,323	$ 1,299,049
Bank balance of cash and cash equivalents	$ 780,204	$ 1,301,197

Custodial Credit Risk

The Agency assumes levels of custodial credit risk for its cash and cash equivalents with financial institutions. Custodial credit risk is the risk that, in the event of a bank failure, the Agency's cash and cash equivalents may not be returned. The Agency has not established a formal custodial credit risk policy for its cash and cash equivalents.

At June 30, 2025 and 2024, the book value of the Agency's cash deposits equaled $754,077 and $1,278,009 respectively, with corresponding bank balances equal to $757,957 and $1,280,157, respectively, of which $756,456 and $1,278,656, respectively, was uninsured but collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania by securities held by the pledging financial institution, its trust department or agent, but not in the Agency's name.

At June 30, 2025 and 2024, the fair value of the Agency's money market accounts, reported as cash equivalents, equaled $22,246 and $21,040, respectively, with corresponding bank balances equal to $22,247 and $21,040, respectively. These do not expose the Agency to custodial credit risk because they represent investments in open-end mutual funds and are held in the name of the Agency by a party other than the issuer of the security.

Investments

Commonwealth of Pennsylvania statutes and contractual provisions contained within the Agency's bond trust indentures govern the investment policies of the Agency. The Housing Finance Agency Law, 1959, Dec. 3, P.L. 1688 as amended Dec. 5, 1972, P.L.1259, No. 282 and bond indentures provide the authority to invest all Agency funds. In compliance with the Act and bond indentures, it is the policy of the Agency to invest in securities that provide suitable returns, preserve principal, meet liquidity needs and further the mission of the Agency.

June 30, 2025 and 2024 (in thousands)

Fair Value

Fair value of the Agency's investments are measured by Level 2 inputs based upon quoted prices for identical or similar assets in markets that are not active or other observable inputs such as interest rates and yield curves observable at commonly quoted intervals. Balances of the Agency's investments at June 30, 2025 and 2024 were as follows:

	2025	**2024**
Investment	**Level 2**	**Level 2**
Federal Agricultural corporate bonds	$ 32,752	$ 54,471
Federal Farm Credit Bank bonds	81,669	75,184
Federal Home Loan Bank bonds	67,311	115,759
Federal Home Loan Mortgage Corp corporate bonds	32,951	28,252
FNMA corporate bonds	17,013	21,556
FNMA multifamily pools	14,988	14,507
GNMA IO strips	2,523	2,800
GNMA mortgage-backed securities	27,094	29,897
Tennessee Valley Authority bonds	75,256	70,693
	$ 351,557	$ 413,119

In addition to the amounts listed above, the Agency held money market accounts with a fair value of $22,246 and $21,040 at June 30, 2025 and 2024, respectively, reported as cash equivalents.

Credit Risk

The Agency mitigates its credit risk by limiting investments to those permitted in its deposit and investment policies, diversifying the investment portfolio and prequalifying firms with which the Agency conducts its investment activities.

The credit quality ratings of the Agency's investments for the years ended June 30, 2025 and 2024, as determined by Moody's Investors Service, are shown below. Amounts reported therein are comprised of securities implicitly guaranteed by the U.S. Government. At June 30, 2025 and 2024, $29,617 and $32,697, respectively, of U.S. Government Agency mortgage-backed securities and IO strips, which are explicitly guaranteed by the U.S. Government, were not considered to have credit risk and, therefore, are not included in the summary.

June 30, 2025 and 2024 (in thousands)

Investment	Fair Value at June 30 2025	2024	Credit Rating
Federal Agricultural corporate bonds	$ 32,752	$ 54,471	N/A
Federal Farm Credit Bank bonds	81,669	75,184	Aa1
Federal Home Loan Bank bonds	67,311	115,759	Aa1
Federal Home Loan Mortgage Corp corporate bonds	32,951	28,252	Aa1
FNMA corporate bonds	17,013	21,556	Aa1
FNMA multifamily pools	14,988	14,507	Aa1
Tennessee Valley Authority bonds	75,256	70,693	Aa1
Total	$ 321,940	$ 380,422	

Money market accounts with fair values of $22,246 and $21,040 at June 30, 2025 and 2024 respectively, that were held by the Agency and reported as cash equivalents were rated as follows by Moody's or Standard and Poor's (S&P) Investors Service:

Moody's / S&P's Rating	Fair Value 2025	2024
AAA	$ 22,247	$ 21,040

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, the Agency will not be able to recover the value of the investment. The Agency has not established a formal custodial credit risk policy for its investments. All of the Agency's investment balances are in book-entry form in the Agency's name and are held by bank trust departments, acting as the counterparty; accordingly, these investments are not subject to custodial credit risk.

Concentration of Credit Risk
Concentration risk is the risk of loss attributed to the magnitude of the Agency's investment in a single investment issuer. The Agency has various maximum investment limits both by the type of investment and by issuer to prevent inappropriate concentration of credit risk. At June 30, 2025 and 2024, the Agency had the following concentrations of credit risk:

June 30, 2025 and 2024 (in thousands)

	2025		2024	
Investment Issuer	Fair Value	% of Total Investments	Fair Value	% of Total Investments
Federal Agricultural	$ 32,752	9.32%	$ 54,471	13.18%
Federal Farm Credit Bank	81,669	23.23%	75,184	18.20%
Federal Home Loan Bank	67,311	19.15%	115,759	28.02%
Federal Home Loan Mortgage Corp	32,951	9.37%	28,252	6.84%
FNMA	32,001	9.09%	36,063	8.73%
GNMA	29,617	8.43%	32,697	7.92%
Tennessee Valley Authority	75,256	21.41%	70,693	17.11%
	$ 351,557	100.00%	$ 413,119	100.00%

Interest Rate Risk

The Agency's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Investments in mortgage-backed securities and other fixed income investments are sensitive to interest rate changes. For the years ended June 30, 2025 and 2024, the Agency had investments with the following maturities:

	2025				
		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Government Agency Mortgage-backed Securities	$ 44,605	$ -	$ -	$ 8,464	$ 36,141
U.S. Government Agency Securities	306,952	16,028	36,284	56,248	198,392
	$ 351,557	$ 16,028	$ 36,284	$ 64,712	$ 234,533

	2024				
		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Government Agency Mortgage-backed Securities	$ 47,203	$ -	$ -	$ 7,973	$ 39,230
U.S. Government Agency Securities	365,916	44,755	102,473	51,245	167,443
	$ 413,119	$ 44,755	$ 102,473	$ 59,218	$ 206,673

June 30, 2025 and 2024 (in thousands)

4. Mortgage Loans

Amounts reported as mortgage loans receivable at June 30, 2025 and 2024 consisted of the following:

	2025				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Mortgage loans	$ 10,005	$ 449,441	$ 6,503,619	$ 40,514	$ 7,003,579
Less:					
Allowance for loan losses	6,003	94,878	15,448	21,413	137,742
Mortgage loans receivable	4,002	354,563	6,488,171	19,101	6,865,837
Current portion	-	3,015	157,232	3,566	163,813
Noncurrent portion	$ 4,002	$ 351,548	$ 6,330,939	$ 15,535	$ 6,702,024

	2024				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Mortgage loans	$ 9,571	$ 440,007	$ 5,190,771	$ 45,527	$ 5,685,876
Less:					
Allowance for loan losses	5,743	94,918	14,707	23,600	138,968
Mortgage loans receivable	3,828	345,089	5,176,064	21,927	5,546,908
Current portion	-	2,752	139,178	3,979	145,909
Noncurrent portion	$ 3,828	$ 342,337	$ 5,036,886	$ 17,948	$ 5,400,999

Securitizations, Gains on the Sale of Mortgage-Backed Securities and Mortgages Held for Sale
During the years ended June 30, 2025 and 2024, the Agency securitized mortgage loans with a principal balance of $5,184 and $5,487, respectively, into MBSs through GNMA or directly to FNMA through their cash window. MBSs are either sold to private investors or purchased by the Agency. Ongoing revenue for the Agency is generated from servicing the loans pooled into MBSs, which is reported as program income and fees, and by gains derived from the sale price less the value of the underlying mortgages of the MBSs at the time of settlement. Total gains on the sale of MBSs for the years ended June 30, 2025 and 2024 equaled $42 and $48, respectively. Mortgages held for sale are reported at fair value measured by Level 2 inputs based upon observable quoted prices of similar assets. Mortgages held for sale totaled $44,189 and $49,214 at June 30, 2025 and 2024, respectively.

June 30, 2025 and 2024 (in thousands)

Mortgage Loan Collateral and Insurance Coverage
General Activity mortgage loans receivable represent amounts disbursed through the Agency's Mixed-Use Facility Financing Initiative ("MUFFI"), Homeownership Choice Program ("HCP") and Revised Community Leveraging Assistance Initiative Mortgage ("ReCLAIM"). The loans are not insured, but they are secured by promissory notes and mortgages on the associated properties.

Multifamily Program mortgage loans receivable are not insured, but are collateralized by mortgages on the related projects. The federal government subsidizes certain projects included in the Multifamily Program mortgage loan portfolio.

At June 30, 2025 and 2024, the Agency's Single Family Program mortgage loan servicing portfolio equaled $7.7 billion and $6.5 billion, respectively; this included the balances of mortgage loans reported as assets by the Agency and insured loans that have been sold through MBSs, which are not reported as Agency assets but represent loans for which the Agency purchased and retained servicing rights, see note 6. Single Family Program mortgage loans are secured by liens on the related real property, and private mortgage insurance is generally required on all mortgage loans where the loan principal amount exceeds 80% of the lesser of the purchase price or the initial appraised value of the property. Private mortgage insurance for Single Family Program mortgage loans is provided by commercial companies, the Agency's Insurance Program, certain federal programs through the Federal Housing Administration ("FHA"), United States Department of Veterans Affairs ("VA") and United States Department of Agriculture – Rural Development ("RD"), FNMA and varying other sources. At June 30, 2025 and 2024, insurance coverage associated with Single Family Program mortgage loan servicing portfolio included the following:

	2025		2024	
Commercial Insurance	$ 140,998	1.83%	$ 159,606	2.45%
PHFA Insurance Program	2,701,196	34.97%	1,978,533	30.40%
FHA	2,986,195	38.66%	2,717,207	41.75%
VA	221,685	2.87%	182,545	2.81%
RD	531,390	6.88%	513,770	7.89%
FNMA	204,512	2.65%	225,000	3.46%
Uninsured	937,713	12.14%	730,898	11.23%
Total Single Family Program Servicing	$ 7,723,689	100.00%	$ 6,507,559	100.00%

HEMAP loans are emergency loans provided to mortgagors facing foreclosure, are not insured and are unsecured, being in a second or third lien position; hence, HEMAP loans are not included in the above listing.

Loan Delinquency and Foreclosure
At June 30, 2025 and 2024, no mortgage loans reported within General Activities were either delinquent or in pending foreclosure actions.

June 30, 2025 and 2024 (in thousands)

At June 30, 2025 and 2024, the principal balance of Multifamily Program primary mortgage loans delinquent 91 days or greater for which the Agency was exposed to some level of loss equaled $0 and no Multifamily Program mortgage loans were in pending foreclosure actions.

At June 30, 2025 and 2024, the principal balances of Single Family Program mortgage loans delinquent 91 days or greater for which the Agency was exposed to some level of loss equaled $166,562 and $151,763, respectively. Included within these June 30, 2025 and 2024 balances of loans delinquent 91 days or greater were loans with pending foreclosure actions with aggregate principal balances of $42,864 and $34,481, respectively.

At June 30, 2025 and 2024, the principal balance of HEMAP mortgage loans delinquent 91 days or greater equaled $14,156 and $17,080, respectively.

Allowance for Loan Loss

The allowances for loan losses at June 30, 2025 and 2024 consisted of the following:

	2025				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Beginning balance	$ 5,743	$ 94,918	$ 14,707	$ 23,600	$ 138,968
Loss provision (recoveries)	260	(40)	2,059	(152)	2,127
Net losses	-	-	(1,318)	(2,035)	(3,353)
Ending balance	$ 6,003	$ 94,878	$ 15,448	$ 21,413	$ 137,742

	2024				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Beginning balance	$ 4,867	$ 95,685	$ 14,296	$ 24,553	$ 139,401
Loss provision (recoveries)	876	(767)	4,120	(55)	4,174
Net losses	-	-	(3,709)	(898)	(4,607)
Ending balance	$ 5,743	$ 94,918	$ 14,707	$ 23,600	$ 138,968

Amounts reported as provision for loan loss and real estate owned on the statement of revenues, expenses and changes in net position for the years ended June 30, 2025 and 2024 consisted of the following:

June 30, 2025 and 2024 (in thousands)

	2025					
	General Activities	Multifamily Program	Single Family Program	Insurance Program	HEMAP	Total
Loss (recoveries) provision	$ 260	$ (40)	$ 2,059	$ -	$ (152)	$ 2,127
Change in self-insured reserve	-	-	-	2,098	-	2,098
Change in value of REOs	-	-	(765)	-	-	(765)
Accrued interest losses	-	182	-	-	-	182
Change in repurchase reserve	-	-	568	-	-	568
Recoveries for loan loss and real estate owned	$ 260	$ 142	$ 1,862	$ 2,098	$ (152)	$ 4,210

	2024					
	General Activities	Multifamily Program	Single Family Program	Insurance Program	HEMAP	Total
Loss (recoveries) provision	$ 876	$ (767)	$ 4,120	$ -	$ (55)	$ 4,174
Change in self-insured reserve	-	-	-	385	-	385
Change in value of REOs	-	-	(1,239)	-	-	(1,239)
Accrued interest losses	-	180	-	-	-	180
Change in repurchase reserve	-	-	1,772	-	-	1,772
Recoveries for loan loss and real estate owned	$ 876	$ (587)	$ 4,653	$ 385	$ (55)	$ 5,272

Mortgage-Backed Security Repurchase Reserve

Mortgage loans securitized into MBSs through either GNMA or FNMA (“securitized loans”) are not included in the Agency’s financial statements. If a borrower fails to make a timely payment on a mortgage loan, the Agency must use its own funds to ensure that holders of Agency-issued MBSs receive timely payment. In circumstances of significant borrower delinquency, the Agency will repurchase a securitized loan from its respective MBS. Repurchased mortgage loans are included in the Agency’s financial statements; as a result, the risk of loss, net of mortgage insurance, associated with these loans is considered in management's routine evaluation of the allowances for loan losses and the Agency has, therefore, established a repurchase reserve for these securitized loans. Securitized loans repurchased by the Agency totaled $3,662 and $4,319 for the years ended June 30, 2025 and 2024, respectively, and the Agency’s repurchase reserve for securitized loans equaled $2,633 and $2,356 at June 30, 2025 and 2024, respectively.

5. Real Estate Owned by the Agency

Real estate owned by the Agency included 121 properties with a net realizable value of $9,595 at June 30, 2025 and 116 properties with a net realizable value of $10,607 at June 30, 2024.

6. Mortgage Servicing Rights/Service Release Premiums

The Agency pays a fee to its participating lenders for the release of mortgage servicing rights associated with each mortgage loan it purchases for its Single Family Mortgage Loan Program. During the years ended June 30, 2025 and 2024, the Agency capitalized mortgage servicing rights/service release premiums totaling $15,105 and $13,699, respectively. Amortization and disposition of mortgage servicing rights/servicing release premiums totaled $4,519 and $4,641 for the years ended June 30, 2025 and 2024, respectively.

June 30, 2025 and 2024 (in thousands)

Unamortized mortgage servicing rights, relating to loans sold by the Agency for which the Agency retained the servicing rights, totaling $7,316 and $8,280 were outstanding at June 30, 2025 and 2024, respectively. Mortgage servicing rights are included within mortgage loans receivable, net on the balance sheets.

Service release premiums, relating to loans purchased by the Agency, totaling $58,579 and $45,488 were outstanding at June 30, 2025 and 2024, respectively. Service release premiums are included within other noncurrent assets on the balance sheets.

7. Capital Assets

Capital assets activity for the years ended June 30, 2025 and 2024 and a summary of balances were as follows:

	July 1, 2024	Additions	Disposals	June 30, 2025
Nondepreciable Capital Assets:				
Land	$ 2,454	$ -	$ -	$ 2,454
Total nondepreciable capital assets	2,454	-	-	2,454
Depreciable Capital Assets:				
Building	60,684		-	60,684
Furniture, fixtures and equipment	13,285	580	(1,241)	12,624
Subscription-based information technology arrangements	10,183	4,341	-	14,524
Less accumulated depreciation:				
Building	(15,110)	(1,202)	-	(16,312)
Furniture, fixtures and equipment	(11,746)	(549)	1,241	(11,054)
Subscription-based information technology arrangements	(4,466)	(2,045)	-	(6,511)
Total depreciable capital assets, net	52,830	1,125	-	53,955
Total Capital Assets, net	$ 55,284	$ 1,125	$ -	$ 56,409

June 30, 2025 and 2024 (in thousands)

	July 1, 2023	Additions	Disposals	June 30, 2024
Nondepreciable Capital Assets:				
Land	$ 2,454	$ -	$ -	$ 2,454
Total nondepreciable capital assets	2,454	-	-	2,454
Depreciable Capital Assets:				
Building	60,659	25	-	60,684
Furniture, fixtures and equipment	12,715	250	(480)	12,485
Subscription-based information technology arrangements	7,127	3,056	-	10,183
Less accumulated depreciation:				
Building	(13,732)	(1,378)	-	(15,110)
Furniture, fixtures and equipment	(10,195)	(1,230)	480	(10,945)
Subscription-based information technology arrangements	(2,002)	(2,464)	-	(4,466)
Total depreciable capital assets, net	54,572	(1,741)	-	52,831
Total Capital Assets, net	$ 57,026	$ (1,741)	$ -	$ 55,285

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 totaled $3,796 and $5,071, respectively.

8. Bonds and Notes Payable

The Agency issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Multifamily Program and Single Family Program are used to fund Multifamily and Single Family mortgage loans. General Activities long-term debt is used to finance the Agency's headquarters in Harrisburg, Pennsylvania.

Interest on bonds and notes payable is payable semi-annually. Interest rates on variable rate debt reset on a quarterly, monthly or weekly basis. Interest paid on indexed floating-rate tax-exempt bonds is closely correlated with the Securities Industry and Financial Markets Association Municipal Swap ("SIFMA") rate. At June 30, 2025, variable interest rates payable ranged from 2.00% to 4.04%. At June 30, 2024, variable interest rates payable ranged from 3.85% to 4.88%.

June 30, 2025 and 2024 (in thousands)

The aggregate principal amounts of bonds and notes payable outstanding at June 30, 2025 and 2024 maturity dates and corresponding interest rates at June 30, 2025 are illustrated in the following table.

	Interest Rates at June 30, 2025			Amounts Outstanding at June 30,	
Bond Series	**Variable**	**Fixed**	**Maturity Date**	**2025**	**2024**
General Activities:					
Headquarters Bonds *	404 bps	-	2037	$ 25,000	$ 27,000
Single Family Program:					
Bonds Payable					
Series 2013 - 116	-	3.30-3.45%	2026	2,225	4,600
Series 2015 - 117	-	3.45-3.90%	2035	21,940	24,620
Series 2015 - 118	-	3.20-3.80%	2040	30,650	36,600
Series 2016 - 119	-	2.60-3.50%	2041	71,145	78,090
Series 2016 - 120	-	2.15-3.50%	2046	124,235	131,995
Series 2016 - 121	-	2.10-3.50%	2046	153,260	163,930
Series 2017 - 122	-	2.85-4.00%	2046	60,660	69,805
Series 2017 - 123	-	2.90-4.00%	2039	48,865	56,185
Series 2017 - 124	-	2.20-4.00%	2042	121,125	128,790
Series 2017 - 125	-	2.375-3.70%	2047	133,055	140,405
Series 2018 - 126	-	2.90-4.00%	2048	24,355	27,195
Series 2018 - 127	-	2.70-3.55%	2033	75,025	79,550
Series 2018 - 128	-	3.50-4.75%	2034	34,685	51,640
Series 2019 - 129	-	2.10-3.40%	2049	122,000	122,000
Series 2019 - 130	-	1.55-4.00%	2049	113,970	126,465
Series 2019 - 131	-	1.80-3.50%	2049	99,585	107,050
Series 2020 - 132 * **	200 bps	1.25-3.50%	2051	164,100	180,270
Series 2020 - 133	-	1.75-5.00%	2050	173,055	184,530
Series 2021 - 134	-	0.80-5.00%	2049	122,830	131,740
Series 2021 - 135	-	1.57-5.00%	2051	149,005	157,770
Series 2021 - 136	-	1.80-5.00%	2051	253,950	266,275
Series 2021 - 137	-	1.90-5.00%	2051	225,700	234,585
Series 2022 - 138 **	-	2.50-5.00%	2052	231,660	243,570
Series 2022 - 139 **	-	3.35-5.00%	2052	269,465	282,990
Series 2022 - 140 **	-	3.59-5.156%	2052	282,585	294,200
Series 2023 - 141 * **	-	3.10-5.75%	2053	455,175	473,125
Series 2023 - 142 **	-	3.40-5.50%	2053	441,415	454,890
Series 2023 - 143 **	-	4.70-6.458%	2053	452,050	474,725
Series 2024 - 144	-	3.75-6.00%	2054	261,240	264,680

June 30, 2025 and 2024 (in thousands)

Bond Series	Interest Rates at June 30, 2025 Variable	Fixed	Maturity Date	Amounts Outstanding at June 30, 2025	2024
Series 2024 - 145	-	3.90-6.00%	2054	446,345	449,965
Series 2024 - 146	-	3.875-6.25%	2054	492,205	-
Series 2024 - 147	-	3.20-6.25%	2054	296,405	-
Series 2025 - 148	-	3.00-6.25%	2055	326,810	-
Total Single Family Program Bonds Payable				6,280,775	5,442,235
Notes Payable from Direct Borrowings					
General Obligation Note	-	2.75%	2034	20,417	21,250
2009 Purchase Agreement	-	-	-	-	2,500
Total Single Family Program Notes Payable				20,417	23,750
Unamortized bond premiums				109,037	109,210
Total bonds and notes payable				6,435,229	5,602,195
Current portion				174,363	156,803
Noncurrent portion				$ 6,260,866	$ 5,445,392

bps - basis points
* - All or a portion of the balances of these bonds payable include variable rate demand obligations, discussed in detail in the following section of this note.

** - The bond series includes direct placement bonds under the SF indenture which are secured on parity with all other outstanding bonds under the same SF Indenture and there are no terms of the SF Indenture that are unique to those direct placement bonds.

Collateralized Borrowing

The Agency has an agreement with FHLB for collateralized borrowings in an amount equal to the market value of pledged securities less an applicable collateral discount for the security type (the “FHLB Agreement”). Such pledged securities are held in a collateral trustee account at US Bank. Borrowed amounts under the FHLB Agreement bear an interest rate that is applicable to the tenor and structure of the borrowing. Borrowing tenors available under the FHLB Agreement range from overnight to a 30 year term along with varying amortization structures such as fully amortizing or principal due at maturity. Amounts drawn under the FHLB Agreement bear interest at similar or identical rates charged by the FHLB to its member banks. The total borrowing capacity at June 30, 2025 and 2024 was $66,441 and $63,023. As of June 30, 2025 and 2024, the Agency had $0, of short-term debt outstanding with the FHLB.

June 30, 2025 and 2024 (in thousands)

Assets Pledged for Collateral

The Agency has bonds outstanding under its 1982 single family bond indenture (the "SF Indenture"). The bonds issued and outstanding under the SF Indenture are general obligation bonds backed by the full faith and credit of the Agency and payable from and secured by a pledge of revenues (defined to include principal and interest due on all mortgage loans financed by such bonds, exclusive of fees payable for servicing the mortgage loans), as well as a pledge of the mortgage loans and a pledge of all amounts and investments on deposit in funds and accounts established by the SF Indenture. Such pledges are subject to the rights of the Trustee (U.S. Bank Trust Company , NA) and the Agency with respect to rights or the exercise of remedies upon events of default, defeasance, administration of the mortgage loans, the use of moneys for the making of new mortgage loans, the making of investments and the redemption of bonds, requirements of tax code, and the release of certain moneys to the Agency for its general use, all as set forth in the SF Indenture.

Variable Rate Demand Obligations

The balances of certain Single Family Program bonds payable include variable rate demand obligations ("VRDO"). Interest rates on these VRDO's reset on a weekly basis, and VRDO's may be redeemed at the holder's option. Standby purchase agreements are utilized in the event these VRDO's are unable to be successfully remarketed and/or become held by the standby purchase agreement provider as a term loan to the Agency. Details of certain Agency VRDO standby purchase agreements at June 30, 2025 were as follows:

Bond Issue	Liquidity Provider at June 30, 2025	Effective Date	Expiration Date	Bond Balance Outstanding at June 30, 2025
2020-132B	TD Bank	9/29/2020	6/20/2030	30,000
2023-141B	RBC Bank	2/17/2023	2/16/2028	80,000
			Total	$ 110,000

There were no failed remarketings or resultant liquidity draws during the years ended June 30, 2025 and 2024. Upon the occurrence of a failed remarketing, the liquidity providers would be afforded the opportunity to exercise term-out provisions embedded within the standby purchase agreements, which call for payment of debt service on an accelerated basis at a rate of interest higher than the existing weekly mode. The provisions of each term-out agreement and potential debt service requirements at June 30, 2025, if the term-out agreements were exercised and assuming a term-out commencement date of July 1, 2025, respectively, were as follows:

June 30, 2025 and 2024 (in thousands)

Liquidity Provider	Term-Out Provisions	Payment Date	Interest Rate	Principal	Interest	Total Payment
TD Bank	SOFR + 2%	10/1/2025	6.33%	$ 3,000	$ 950	$ 3,950
		4/1/2026	6.33%	3,000	855	3,855
		10/1/2026	6.33%	3,000	760	3,760
		4/1/2027	6.33%	3,000	665	3,665
		10/1/2027	6.33%	3,000	570	3,570
		4/1/2028	6.33%	3,000	475	3,475
		10/1/2028	6.33%	3,000	380	3,380
		4/1/2029	6.33%	3,000	285	3,285
		10/1/2029	6.33%	3,000	190	3,190
		4/1/2030	6.33%	3,000	95	3,095
				$ 30,000	$ 5,225	$ 35,225
RBC Bank	10% 5yr term out	10/1/2025	10.00%	$ 16,000	$ 4,000	$ 20,000
		4/1/2026	10.00%	16,000	3,200	19,200
		10/1/2026	10.00%	16,000	2,400	18,400
		4/1/2027	10.00%	16,000	1,600	17,600
		10/1/2027	10.00%	16,000	800	16,800
				$ 80,000	$ 12,000	$ 92,000

Debt Service Requirements

The approximate principal and interest payments required on all outstanding bonds and notes over the next five years and thereafter at June 30, 2025 were as follows:

June 30, 2025

Fiscal	General Activities		Single Family Program - Bonds - Direct Placements		Single Family Program - Bonds		Single Family Program - Notes Payable from Direct Borrowings		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 2,000	$ 991	$ 35,360	$ 18,324	$ 136,170	$ 238,404	$ 833	$ 558	$ 174,363	$ 258,277
2027	2,000	908	37,215	16,916	144,915	233,428	833	534	184,963	251,786
2028	2,000	828	38,845	15,431	143,160	228,323	833	513	184,838	245,095
2029	2,000	743	38,840	13,879	144,820	223,196	833	488	186,493	238,306
2030	2,000	660	38,765	12,292	143,185	218,031	833	465	184,783	231,448
2031-2035	10,000	2,065	168,565	36,986	830,105	1,011,474	16,250	1,718	1,024,920	1,052,243
2036-2040	5,000	259	23,245	16,847	950,855	859,873	-	-	979,100	876,979
2041-2045	-	-	46,075	13,953	1,036,560	659,576	-	-	1,082,635	673,529
2046-2050	-	-	49,655	4,560	1,132,975	441,380	-	-	1,182,630	445,940
2051-2055	-	-	4,270	79	1,117,790	156,244	-	-	1,122,060	156,323
2056-2060	-	-	-	-	19,405	498	-	-	19,405	498
	$ 25,000	$ 6,454	$ 480,835	$ 149,267	$ 5,799,940	$ 4,270,427	$ 20,417	$ 4,276	$ 6,326,192	$ 4,430,424

June 30, 2025 and 2024 (in thousands)

Early Extinguishment of Debt

During the years ended June 30, 2025 and 2024, the Agency redeemed principal amounts of certain bonds and notes totaling $125,550 and $116,070, respectively, prior to their scheduled maturity. The early extinguishments were enabled by the refunding proceeds resulting from the issuance of certain single family mortgage revenue bonds and through the use of mortgage prepayments received from borrowers. The early extinguishments of debt resulted in net gains for the years ended June 30, 2025 and 2024 totaling $5,223 and $4,405, respectively. Gains or losses on early extinguishments of debt arise because of the immediate recognition of original issuance discounts or premiums that would have otherwise been amortized over the life of the related bond issues had they not been retired prior to scheduled maturity.

Current Refunding

Year Ended June 30, 2025

During the year ended June 30, 2025, the Agency did not have any bond refundings.

Year Ended June 30, 2024

During the year ended June 30, 2024, the Agency did not have any bond refundings.

Hedging Derivative Instrument Payments and Hedged Debt

Debt service requirements of the Agency's outstanding variable rate debt and net swap payments of the associated derivative instruments at June 30, 2025 are displayed in the following schedule. The following incorporates variable rate values at June 30, 2025, which are subject to change in future periods. The net swap payment equals the difference between the fixed rate of interest paid to the counterparties and the variable rate of interest received by the Agency. See note 9 Derivatives for further information relative to derivative instruments.

June 30, 2025				
Fiscal Year Ending June 30	Hedged Variable Rate Bond Principal	Hedged Variable Rate Bond Interest	Net Swap Payments	Total
2026	2,000	4,773	1,822	8,595
2027	2,000	4,688	1,804	8,492
2028	2,000	4,604	1,649	8,253
2029	2,000	4,524	1,768	8,292
2030	2,000	4,436	1,750	8,186
2031-2035	10,000	20,966	8,475	39,441
2036-2040	5,000	19,153	8,076	32,229
2041-2045	9,810	17,121	6,834	33,765
2046-2050	87,830	13,826	4,588	106,244
2051-2055	12,360	221	505	13,086
2056-2060	-	-	-	-
	$ 135,000	$ 94,312	$ 37,271	$ 266,583

Conduit Debt Obligations
During the year ended June 30, 2025, the Agency issued First and Market, Maple Village, New Pennley Revitalization, Skyview Park, and TC5 LP special limited obligation multifamily housing development bonds in order to provide financing for the construction or preservation of affordable multifamily housing. The bonds are secured by the properties financed and are payable from income generated by the properties.

Conduit debt issued in prior years with balances outstanding at June 30, 2025 and 2024 include:

> Awbury View Apartments, Bedford Dwellings, Belmont Specialty, Bennett Place, Berkshire Gardens, Breslyn House Apartments, Bethlehem Townhouses Series A and B, Brinton Manor/Towers Apartments, Cambridge Square Series 2023 A and B, Cap Fund Securitization Rev Bonds Series 2005A, Carl Mackley Apartments, Carson Towers Apartments, Chester County Preservation Initiative, City's Edge, Connelly Manor, Country Commons Apartments, Donora Towers, Four Freedoms House and Philip Murray House, Foxwood Manor Apartments, Glen Hazel RAD, Greenview Garden Apartments, Hanover Village Preservation, Harlan Sharswood Redevelopment, Hershey Plaza Apartments, John Fox Towers, Keystone Terrace Associates, Lehigh Park Apartments, Liberty House Preservation, Linden Terrace, Manchester Redevelopment, Mary Field Sr Apartments, Methodist Towers Series A and B, Mid City Apartments, Monument Village Series A, Norris Homes Phase V, North Central CNI, Northside Residences III, Parkview Knoll Apartments, Pleasant Valley Apartments, Presbyterian Portfolio, Rafael Porrata-Doria Place, Redeemer Village, Sandy Hill, Sharswood Place III Part 1, 2, and 3, Sharpsburg Towers, Sheptytsky Arms Apartments, Urban Allied Portfolio Series M1 and M2, Wister Townhouses, and York Towne House Apartments special limited obligation multifamily housing development bonds in order to provide financing for the construction or preservation of affordable multifamily housing. The bonds are secured by the properties financed and are payable from income generated by the properties.

The bonds discussed above represent conduit debt obligations and do not constitute a debt, guarantee or pledge of the faith and credit of the Agency. Accordingly, they have not been reported in the accompanying basic financial statements. At June 30, 2025 and 2024, conduit debt outstanding aggregated $612,850 and $802,425, respectively.

Bond Covenants
Significant bond covenants of the Agency include a capital reserve requirement and a self-insurance requirement for the Single Family Program bonds. The capital reserve requirement for the Single Family Program bonds obliges the Agency to maintain a balance of funds equal to at least 3% of the aggregate principal amount of all Single Family Program bonds outstanding plus one million dollars, of which one million dollars is required to be invested in securities having a maturity of a year or less. The self-insurance requirement for the Single Family Program bonds

June 30, 2025 and 2024 (in thousands)

obliges the Agency to maintain a balance of funds equal to the following percentages of outstanding principal amounts of mortgage loans funded from the following respective series:

Series I and J:	2.00%
Series K:	1.10%
Series L through Series 2006-96:	2.00%

The Agency is not expected to fund or maintain the self-insurance requirement under the Single Family Program bond indenture in any amount with respect to any series of bonds issued after November 2006.

The Agency was in compliance with its bond covenant requirements at June 30, 2025 and 2024.

Bonds Authorized But Not Yet Issued

On December 19, 2024, the Agency Board authorized the issuance of Single Family Mortgage Revenue bonds Series 150 in an amount not to exceed $550,000. Proceeds are expected to be used for purchasing new single family mortgage loans.

9. Derivatives

In order to both reduce the Agency's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, the Agency entered into pay-fixed receive-variable interest rate swap agreements. The objective of the swaps is to hedge against changes in the cash flows of the associated variable rate bonds series.

Swaps are deemed either hedging derivative instruments or investment derivative instruments based upon the effectiveness of the agreements to hedge against interest rate exposure associated with variable rate debt. The regression analysis method is used to determine whether the swaps are an effective hedge.

The fair values of both hedging derivative instruments and investment derivative instruments are reported as Derivative Instruments – Interest Rate Swaps. The changes in fair values of hedging derivative instruments are reported within Deferred Outflows or Inflows of Resources; the changes in fair values of investment derivative instruments are reported as either an investment revenue or expense. Fair values are obtained from mark-to-market calculations prepared by a valuation provider and approximate the current economic value using market indexes, interest rates and cash flow models.

Changes in the fair value of the interest rate swaps are countered by reductions or increases in total interest payments required under variable rate bonds. Given that payments on the Agency's variable rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value.

June 30, 2025 and 2024 (in thousands)

Each of the Agency's swaps requires the Agency to post collateral in the event the Agency's rating falls below a certain rating threshold. As of and for the years ended June 30, 2025 and 2024, the Agency was not required to post collateral for any of its swaps.

The Agency's swaps utilize SIFMA and SOFR Fallback Rate - 1M reference rates.

Fair Value

Interest rate swaps are reported at fair value, reflecting the nonperformance risk of the Agency relating to the liability and the nonperformance risk of the bank counterparty relating to the asset, measured by Level 2 inputs based on observable values other than quoted prices, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and other market-corroborated inputs.

Balances of the fair values of the Agency's interest rate swaps at June 30, 2025 and 2024 were as follows:

2025

Interest Rate Swap Type	General Activities	Multifamily Program	Single Family Program	Total
Hedging Derivatives	$ 683	$ -	$ 9,029	$ 9,712

2024

Interest Rate Swap Type	General Activities	Multifamily Program	Single Family Program	Total
Hedging Derivatives	$ 1,312	$ -	$ (7,602)	$ (6,290)

Total interest rate swaps include $9,712 and $2,442 of derivative instrument – interest rate swap assets and $0 and $(8,732) of derivative instrument – interest rate swap liabilities at June 30, 2025, and 2024, respectively.

Hedging Derivative Instruments

The change in fair value of the Agency's hedging derivative instruments for the years ended June 30, 2025 and 2024 equaled $16,002 and $(10,208), respectively, and is accounted-for within the accumulated increase in fair value of hedging derivatives and accumulated decrease in fair value of hedging derivatives on the Balance Sheets. The terms and other information respective of the Agency's hedging derivative instruments outstanding at June 30, 2025 and 2024 are detailed in the following schedule:

June 30, 2025 and 2024 (in thousands)

Bond Series	Effective Date	Maturity Date	Fixed Rate Paid	Variable Rate Received	Current Notional Amount	2024 Fair Value	Change In Fair Value	2025 Fair Value
2018-BLDG	3/2018	10/2037	3.150%	SOFR Fallback Rate - 1M	$ 25,000	$ 1,311	$ (628)	$ 683
2020-132B	10/2020	10/2050	1.704	SIFMA Swap Index	30,000	1,130	6,870	8,000
2023-141B	2/2023	10/2050	3.845	SIFMA Swap Index	80,000	(8,731)	9,760	1,029
				Total:	$ 135,000	$ (6,290)	$ 16,002	$ 9,712

SIFMA Swap Index = the Securities Industry and Financial Markets Association Municipal Swap Index is a 7 day high-grade market index comprised of tax-exempt VRDOs with certain characteristics.

SOFR (Secured Overnight Financing Rate) Fallback Rate - 1M = the sum of the compounded SOFR calculated in arrears and the spread adjustment

Credit Risk

At June 30, 2025 and 2024, the Agency was exposed to $0 and $264, respectively, of credit risk with respect to its hedging derivatives. The Agency's swaps rely upon the performance of counterparties. If interest rates rise and the total fair value of swaps with any counterparty becomes positive, the Agency may be exposed to credit risk on those agreements – the risk that the counterparty fails to perform according to contractual obligations.

Basis Risk and Interest Rate Risks

The Agency is exposed to basis risk to the extent the changes in the rates associated with the Agency's variable rate bonds do not exactly offset the changes in the index rates associated with the corresponding swaps. The Agency is exposed to interest rate risk on all of its swaps. As the SIFMA Swap indexes decrease, the Agency's net payments on the swaps increase.

Rollover Risk

Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt, thereby creating unhedged variable rate debt. No swaps exposed the Agency to rollover risk at June 30, 2025.

Termination Risk

The Agency maintains the option to terminate its swaps at any time, while the Agency or the counterparty may terminate a swap if either party fails to perform under the terms of the agreement. If a swap has a negative fair value at the time of termination, the Agency would be liable to the counterparty for an amount equal to that negative fair value. In certain instances, the Agency has embedded par termination rights within its swaps; these termination rights enable the Agency to trigger partial or whole termination of the associated swaps without liability for negative fair value.

Amended Hedging Derivative Instruments

The Agency can exchange exercisable options, which are embedded within effective hedging derivative instruments, in efforts to take advantage of the economic benefits associated with reducing the semiannual fixed rate payments to counterparties for certain swaps. The Agency did not exchange any exercisable options during the years ended June 30, 2025 and 2024.

The aforementioned options were embedded within the respective swaps at the time the swap agreements were initiated and were reflected in the fixed rate payable by the Agency to the respective counterparties. Exchanging the exercisable options amended the respective swap agreements by reducing the fixed rate paid to the counterparty, thereby changing the critical terms of the associated swaps. GAAP dictates that such changes trigger a termination of hedge accounting. In the instance of a termination event, amounts representing the accumulated decrease in the fair value of hedging derivatives and reported as a deferred outflow are to be recognized immediately as an item of income or expense, depending on the fair value of the swap at the time of termination. The balances recognized as an item of income or expense, respective of the amended swaps, are then amortized and recognized as a component of interest expense over the lives of the underlying hedgable items in order to recoup the effects of termination events over time. Amortization of the effects of termination events for the years ended June 30, 2025 and 2024 equaled $0.

There was no activity related to amended hedging derivative instruments during the years ended June 30, 2025 and 2024.

Investment Derivative Instruments

Certain balances of variable rate bonds associated with certain swaps were either redeemed in total or refunded by fixed-rate bonds; therefore, the associated swaps are no longer a hedge against variable rate debt. As a result, these swaps are deemed investment derivative instruments. The Agency did not have any interest rate swaps classified as investment derivative instruments as June 30, 2025.

10. Subscription-Based Information Technology Arrangements

The Agency has entered into subscription-based information technology arrangements (SBITAs) for a cloud-based mortgage servicing system for the Agency’s single family portfolio of loans, a cloud-based interactive document repository for the Agency’s single family loan purchase documentation, a cloud-based application and payment processing system to administer the Pennsylvania Housing Assistance Fund (PAHAF), Microsoft’s cloud-powered productivity platform, and a cloud-based HR and Financial Management software. The SBITA arrangements expire at various dates through 2033 and provide for renewal options.

As of June 30, 2025 and June 30, 2024, SBITA assets and the related accumulated amortization totaled $14,524 and $10,183 and $6,511 and $4,465, respectively.

June 30, 2025 and 2024 (in thousands)

The future subscription payments under SBITA agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	951	52	1,003
2027	866	47	913
2028	382	22	404
2029	382	22	404
2030 and Thereafter	1,912	109	2,021
Total:	$ 4,493	$ 252	$ 4,745

Some SBITA arrangements require variable payments based on the number of transactions, loans, or volume of payments disbursed and are not included in the measurement of the SBITA liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments were incurred. During the years ended June 30, 2025 and June, 30, 2024, the Agency made variable payments as required by SBITA agreements totaling $1,544 and $1,028, respectively.

June 30, 2025 and 2024 (in thousands)

11. Liabilities

Liability activity for the years ended June 30, 2025 and 2024 was as follows:

2025

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accounts payable and accrued expenses	$ 3,320	$ 18,570	$ 19,430	$ 2,460	$ 2,460
Bonds payable, net	5,578,445	1,130,207	293,840	6,414,812	173,530
Notes payable	23,750	-	3,333	20,417	833
Accrued interest payable	48,161	246,847	229,334	65,674	65,674
Derivative Instrument - interest rate swaps	8,732	9,605	18,337	-	-
Escrow deposits and Development Reserves	207,402	410,596	388,897	229,101	104,626
Net Pension Liability	33,040	-	4,894	28,146	-
Total OPEB Liability	84,962	-	(4,540)	89,502	-
SBITAs	5,117	2,198	2,996	4,319	886
Other liabilities					
Accrued vacation and sick leave	4,464	-	-	4,464	450
Bond rebate	1,288	1,909	409	2,788	-
Borrower suspense accounts	4,093	17,140	18,525	2,708	2,708
Commonwealth grants	67,381	77,906	69,976	75,311	66,699
Federal grants	349,862	678,416	807,943	220,335	85,443
Other grants	7,543	10,490	10,047	7,986	7,002
GNMA/FNMA payables	9,485	50,396	52,421	7,460	7,460
Pennsylvania SERS	4,154	512	-	4,666	-
PHFA Insurance Program Claims	3,131	17,787	15,902	5,016	-
Project receipts	15,818	4,109	1,555	18,372	1,264
Unearned revenue	93	5	-	98	-
Other	154,578	84,370	152,639	86,309	3,961
Total Other Liabilities	621,890	943,040	1,129,417	435,513	174,987
Total	$ 6,614,819	$ 2,761,063	$ 2,085,938	$ 7,289,944	$ 522,996

June 30, 2025 and 2024 (in thousands)

	2024				
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Current Portion**
Accounts payable and accrued expenses	$ 3,785	$ 20,611	$ 21,076	3,320	$ 3,320
Bonds payable, net	4,616,430	1,210,740	248,725	5,578,445	153,470
Notes payable	27,572	-	3,822	23,750	3,333
Accrued interest payable	34,276	179,069	165,184	48,161	48,161
Derivative Instrument - interest rate swaps	3,570	35,541	30,379	8,732	-
Escrow deposits and Development Reserves	183,952	364,144	340,694	207,402	92,455
Net Pension Liability	39,723	-	6,683	33,040	-
Total OPEB Liability	92,761	-	7,799	84,962	-
SBITAs	5,256	825	964	5,117	2,625
Other liabilities					
Accrued vacation and sick leave	3,667	797	-	4,464	406
Bond rebate	280	1,008	-	1,288	-
Borrower suspense accounts	3,330	18,783	18,020	4,093	4,093
Commonwealth grants	64,627	71,496	68,742	67,381	57,901
Federal grants	674,160	596,716	921,014	349,862	151,424
Other grants	4,813	9,399	6,669	7,543	6,545
GNMA/FNMA payables	10,357	55,758	56,630	9,485	9,485
Pennsylvania SERS	3,769	385	-	4,154	-
PHFA Insurance Program Claims	2,824	1,955	1,648	3,131	-
Project receipts	11,918	3,900	-	15,818	1,163
Unearned revenue	257	4	168	93	-
Other	4,642	154,145	4,209	154,578	3,687
Total Other Liabilities	784,644	914,346	1,077,100	621,890	234,704
Total	$ 5,791,969	$ 2,725,276	$ 1,902,426	$ 6,614,819	$ 538,068

12. Restricted Net Position

The Single Family Programs' June 30, 2025 and 2024 net position restrictions equaling $194,084 and $169,733, respectively, are restricted pursuant to the Agency's obligations to HUD and its bondholders; provisions are present within the Single Family Program bond indenture. Net position restrictions within HEMAP totaling $30,220 and $32,247 at June 30, 2025 and 2024, respectively, represent amounts restricted for the purpose of making mortgage assistance loans.

13. Pension Plans

Plan Description

Full-time employees of the Agency participate in the Agency Plan or Excess Plan, which are both defined benefit single employer plans with financial reporting years ending December 31. The Pensions do not issue stand-alone statements.

The Agency serves as plan administrator for the Agency Plan and Excess Plan. The Agency Plan and Excess Plan assets are administered through the Pennsylvania Housing Finance Agency Employees' Retirement Plan Trust ("Trust") an irrevocable trust to be used solely for providing benefits to eligible participants in the plans. Assets of the Trust are irrevocable, legally protected from creditors, and are dedicated to providing defined retirement benefits to current and eligible future retirees, in accordance with the terms of the plans.

Benefits Provided

A participant's benefits vest upon the completion of five years of service. Under the provisions of the Pensions, participants with prior military service may receive credit for their time of service providing they contribute funds equivalent to the cost of their pension benefits accumulated during their military service. A participant is eligible for normal retirement after attaining age 65, age 55 and completion of 30 years of service, or at any age after completion of 35 years of service. The normal retirement pension is payable monthly during the participant's lifetime with payments ceasing upon the participant's death.

Employee normal retirement monthly benefits are equal to 2% of an employee's average monthly pay multiplied by the completed years and completed months of service at normal retirement date, where average monthly pay is based on an employee's highest twelve calendar quarters of pay (excluding any lump sum annual and/or sick leave payouts upon retirement for employees hired after 12/31/06). Normal retirement benefits are reduced by 1/6 of 1% per month for each month (2% per year) prior to the employee's normal retirement date. If employment is terminated by reason of total and permanent disability, employees are entitled to a disability pension after three months of disability, regardless of years of service. Disability pension is equal to an employee's pension benefit accrued to date with no reduction for early retirement. If an employee dies while employed by the Agency, the employee's beneficiary will receive a lump sum death benefit payment equal to the actuarial equivalent of the employee's accrued pension as of the date of death. If an employee dies after terminating employment but before retiring, the employee's beneficiary will receive a lump sum death benefit payment equal to the vested accrued pension.

All participants in the Plan who will receive retirement benefits in an amount that is less than the benefits otherwise payable under the terms of the Plan due to limitations on benefits imposed by Internal Revenue Code ("IRC") Section 415 shall automatically participate in the Excess Plan. Participation in the Excess Plan will cease for any year in which the retirement benefits from the Plan do not exceed the limitation imposed by IRC Section 415, provided such funding has been transferred to the Plan. Pension payments under the Excess Plan are paid in the same form as the pension benefits payable under the Plan.

Employees Covered by Benefit Terms
At December 31, the following employees were covered by the benefit terms:

	(not in thousands)	
	2024	**2023**
Inactive employees or beneficiaries currently receiving benefits	264	255
Inactive employees entitled to but not yet receiving benefits	90	85
Active Employees	295	302
	649	642

Contributions
Contribution requirements and benefit provisions of the Pensions are established and may be amended by the Agency Board. The Pensions' funding policy provides for actuarially determined periodic contributions at amounts that will enable sufficient assets to be available to pay benefits when due. Employees hired on or after January 1, 2009 contribute 3% of compensation to the Plan. Employees hired on or before December 31, 2008 do not contribute to the Pensions. Employer and Employee contributions recognized by the Pensions during the reporting periods were $5,100 and $4,698 for the years ended December 31, 2024 and 2023, respectively. The Agency's average contribution rates for the years ended December 31, 2024 and 2023 equaled 21.23% and 21.17% of covered payroll, respectively.

Investments
Policies pertaining to the allocation of investments within the Agency's Pensions are established and may be amended by the Agency's Pension Committee. It is the policy of the Pension Committee to invest pension assets in securities that provide growth and income while maintaining a balanced level of risk tolerance. The following table illustrates the approved asset allocation policy at December 31, 2024 and 2023:

	% Range of Allocation		
Investment Type	**Minimum**	**Target**	**Maximum**
Equity Securities	55%	65%	75%
Fixed Income Securities	25%	35%	45%
Cash Equivalents	0%	0%	20%

June 30, 2025 and 2024 (in thousands)

Permitted securities in which assets of the Agency's Pensions may be invested include any of the following:

Cash Equivalents
- Money market mutual funds
- Short-term money market instruments

Equity Securities
- U.S. common and preferred stocks
- U.S. equity mutual funds
- Equity exchange traded funds
- International equity mutual funds

Fixed Income Securities
- U.S. governments
- U.S. mortgage and asset-backed
- U.S. corporate bonds
- Taxable municipal bonds
- Fixed income mutual funds
- Fixed income exchange-traded funds

At December 31, 2024 and 2023, there were no concentrations of investments in any organization that represented 5% or more of the Pensions' fiduciary net position.

For the years ended December 31, 2024 and 2023, the annual money-weighted rate of return on investments of the Agency's Pensions, net of investment expense, was 14.31% and 18.22%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments comprising the fiduciary net position of the Agency's Pensions are reported at fair value measured by Level 1 inputs based upon quoted market prices.

The fiduciary net position of the Agency's Pensions at December 31, 2024 and 2023 was invested as follows:

	2025	**2024**
Cash Equivalents	$ 7,049	$ 5,301
Equity Securities		
Equity exchange traded funds	43,476	39,621
U.S. and International equity mutual funds	8,076	7,691
U.S. common and preferred stocks	32,070	30,151
Fixed Income Securities		
Fixed income exchange traded funds	1,642	1,544
Fixed income mutual funds	30,757	27,314
Total:	$ 123,070	$ 111,622

June 30, 2025 and 2024 (in thousands)

Actuarial Assumptions

The Agency's net pension liability was measured as of December 31, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

The total pension liability in the December 31, 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Rate
Inflation	3.0%
Salary Increases (average, including inflation)	4.5%
Investment Rate of Return (including inflation)	7.5%
Post-Retirement Cost of Living Increase	0.0%

Mortality rates used in the December 31, 2024 and 2023 actuarial valuation were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the tables for the December 31, 2024 and 2023 actuarial valuations were rates projected using Scale MP 2021 to reflect mortality improvement.

The long-term expected rate of return on the Pensions' investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the years ended December 31, 2024 and 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equity	65.0%	5.5% - 7.5%
Fixed Income	35.0%	1.0% - 3.0%

The discount rate used to measure the total pension liability at December 31, 2024 and 2023 was 7.5%. The Pensions' fiduciary net positions are projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Pensions' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Agency has not completed a recent experience study.

June 30, 2025 and 2024 (in thousands)

Changes in the Net Pension Liability

2024

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at January 1, 2024	$ 144,812	$ 111,772	$ 33,040
Service Cost	1,940	-	1,940
Interest Cost	10,668	-	10,668
Changes for Experience	2,896	-	2,896
Changes of Assumptions	-	-	-
Contributions - Employer	-	4,682	(4,682)
Contributions - Member	-	418	(418)
Net Investment Income	-	15,298	(15,298)
Benefit Payments, including	(9,000)	(9,000)	-
refunds of member contributions	-	-	-
Net Changes	6,504	11,398	(4,894)
Balances at December 31, 2024	$ 151,316	$ 123,170	$ 28,146

2023

	Total Pension Liability (A)	Pension Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at January 1, 2023	$137,793	$ 98,070	39,723
Service Cost	1,863	-	1,863
Interest Cost	10,133	-	10,133
Changes for Experience	3,475	-	3,475
Changes of Assumptions	-	-	-
Contributions - Employer	-	4,310	(4,310)
Contributions - Member	-	388	(388)
Net Investment Loss	-	17,456	(17,456)
Benefit Payments, including			
refunds of member contributions	(8,452)	(8,452)	-
Net Changes	7,019	13,702	(6,683)
Balances at December 31, 2023	$ 144,812	$ 111,772	$ 33,040

June 30, 2025 and 2024 (in thousands)

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

The following presents the net pension liability of the Pensions, calculated using the discount rate of 7.5%, as well as what the Pensions' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan's Net Pension Liability for Calendar Year Ended	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
December 31, 2024	$ 34,772	$ 28,146	$ 6,462
December 31, 2023	$ 42,590	$ 33,040	$ 14,961

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

For the years ended December 31, 2024 and 2023, the Pensions recognized pension expense of $5,558 and $5,346, respectively. At December 31, 2024 and 2023, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024	2023
Deferred Outflows		
Differences between Expected and Actual Experience	$ 9,009	$ 8,167
Changes in Assumptions	217	421
Net Difference Between Projected and Actual Earnings on Investments	-	4,469
Contributions made after measurement date	1,400	1,400
Gross Deferred Outflows	10,626	14,457
Deferred Inflows		
Differences between Expected and Actual Experience	-	58
Changes in Assumptions	559	831
Net Difference Between Projected and Actual Earnings on Investments	2,270	-
Gross Deferred Inflows	2,829	889
Net Deferred Outflows	$ 7,797	$ 13,568

June 30, 2025 and 2024 (in thousands)

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	$ 2,398
2026	3,907
2027	(1,858)
2028	(305)
2029	1,053
Thereafter	1,202
	$ 6,397

14. Postemployment Benefits Other than Pensions

Plan Description

The Agency sponsors a single-employer defined benefit OPEB Plan to provide certain health care benefits to all former employees who are members of the Pension Plan currently receiving retirement income; as a result, eligibility requirements for benefits mirror those of the Pension Plan. The Agency is under no statutory or contractual obligation to provide these postretirement healthcare benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The OPEB Plan's financial reporting years end June 30. The OPEB Plan consists solely of the Agency's commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, therefore no stand-alone financial report is either available or generated for the OPEB Plan.

Benefits Provided

The OPEB Plan provides healthcare benefits to all former employees who are members of the Pension Plan. Specific details of the OPEB Plan include the provision of limited hospitalization, major medical insurance, physician services and prescription drug coverage. Additionally, such benefits are available to members' spouses during the life of the retiree.

Employees Covered by Benefit Terms

At the June 30, 2023 valuation date, the following employees were covered by the benefit terms:

	(not in thousands) 2023
Active Participants	312
Retired Participants	152
	464

Total OPEB Liability

The Agency's total OPEB liability equaling $89,502 and $84,962 at June 30, 2025 and 2024, respectively, were measured as of June 30, 2024 and 2023, respectively, using an actuarial valuation as of June 30, 2023. Update procedures were used to roll forward the total OPEB liability in the actuarial valuation at June 30, 2023 to the measurement date of June 30, 2024.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2024	2023
Salary Increases (average, including inflation)	4.50%	4.50%
Discount Rate	4.21%	4.13%
Retiree' Share of Benefit Costs	10% of the premium for medical and prescription drug coverage. $20 a month per person electing coverage for dental coverage.	10% of the premium for medical and prescription drug coverage. $20 a month per person electing coverage for dental coverage.
Healthcare Cost Trend Rates	7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027; gradually decreasing from 5.4% in 2028 to 4.0% in 2075 and later.	7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026; gradually decreasing from 5.4% in 2027 to 4.1% in 2075 and later.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2024 and 2023.

June 30, 2025 and 2024 (in thousands)

Mortality rates were based upon the PubG-2010 Headcount-Weighted Mortality Table, including rates for contingent survivors, incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement at both June 30, 2024 and June 30, 2023.

The Agency has not completed a recent experience study.

Changes in the Total OPEB Liability

	Total OPEB Liability at June 30	
	2024	**2023**
Beginning Balance	$ 84,962	$ 92,761
Changes for the year:		
Service cost	3,741	4,036
Interest	3,609	3,904
Changes of benefit terms	-	(1,798)
Differences between expected and actual experience	-	(5,893)
Changes in assumptions or other inputs	(388)	(5,558)
Benefit payments	(2,422)	(2,490)
Net Changes	4,540	(7,799)
Ending Balance	$ 89,502	$ 84,962

Changes of benefit terms in 2023 reflects a change in the cost share percentage from 8% in 2022 to 10% in 2023. Changes of assumptions or other inputs reflects a change in the discount rate of 4.09% in 2022, 4.13% in 2023, and to 4.21% in 2024; the mortality and trend assumptions were updated in 2023; the election assumption decreased from 10-% in 2022 to 95% in 2023; and the marriage assumption decreased from 50% in 2022 to 45% in 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate:

Total OPEB Liability at June 30	1% Decrease	Discount Rate	1% Increase
2024	$ 104,203	$ 89,502	$ 77,635
2023	$ 99,184	$ 84,962	$ 73,513

June 30, 2025 and 2024 (in thousands)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate
The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the healthcare cost trend rate:

Total OPEB Liability at June 30	1% Decrease	Healthcare Cost Trend Rate	1% Increase
2024	$ 75,554	$ 89,502	$ 107,287
2023	$ 72,197	$ 84,962	$ 101,203

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the years ended June 30, 2025 and 2024, the Agency recognized OPEB expense of $1,664 and $155, respectively. At June 30, 2025 and 2024, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025	2024
Deferred Outflows		
Differences between Expected and Actual Experience	$ 4,261	$ 5,455
Changes in Assumptions or other inputs	6,053	9,484
Benefit payments made after measurement date	2,605	2,422
Gross Deferred Outflows	12,919	17,361
Deferred Inflows		
Differences between Expected and Actual Experience	6,832	9,982
Changes in Assumptions or other inputs	33,137	39,909
Gross Deferred Inflows	39,969	49,891
Net Deferred Inflows	$ (27,050)	$ (32,530)

June 30, 2025 and 2024 (in thousands)

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

Year Ended June 30	
2026	$ (7,603)
2027	(4,619)
2028	(4,617)
2029	(4,548)
2030	(6,740)
Thereafter	(1,528)
	$ (29,655)

15. Significant Contingencies and Commitments

Federally Assisted Programs

In the normal course of operations, the Agency receives funding from various federal government agencies. These funds are to be used solely for designated purposes. If a grantor determines that funds have not been used for their intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the Agency for its related disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Agency's grant programs is predicated upon the grantors' historical satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Risk Management

The Agency is exposed to various risks of loss from theft of, damage to or the destruction of assets; injuries to staff or visitors; loss related to torts, errors and omissions and employee dishonesty. All risks are managed through the purchase of various commercial insurance policies. The Agency bears a $1 (one-thousand dollar) deductible per claim for commercial property coverage and a $100 (one-hundred thousand dollar) deductible per claim for fidelity bond coverage. There have been no settlements, actual losses in excess of coverage or decreases in insurance coverage within the last three years.

Litigation

In the normal course of business, the Agency may be involved in various claims or suits. In the opinion of the Agency's management, the amount of such losses that might result from claims or suits, if any, would not materially affect the Agency's financial position.

Commitments

Outstanding commitments by the Agency to make or acquire Single Family Mortgage Program and Multifamily Housing Program loans were approximately $371,278 and $69,832 at June 30, 2025 and $441,647 and $66,347 at June 30, 2024.

16. Significant Effects of Subsequent Events

On August 14, 2025, the Agency Board authorized the issuance of Single Family Mortgage Revenue bonds Series 151, 152, and 153 in an amount not to exceed $650,000 for each series. Proceeds are expected to be used for purchasing new single family mortgage loans.

The Agency has evaluated subsequent events through the date the financial statements were available to be issued and determined that there have been no events that have occurred that would require adjustments to the disclosures in the Agency's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSYLVANIA HOUSING FINANCE AGENCY

Schedules of Changes in the Agency's Net Pension Liability and Related Ratios
(unaudited – see accompanying auditors' report)

	December 31									
Total Pension Liability	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Service Cost	$ 1,940	$ 1,863	$ 1,836	$ 1,790	$ 1,814	$ 1,839	$ 1,817	$ 1,795	$ 1,786	$ 1,812
Interest	10,668	10,133	9,770	9,472	8,920	8,482	8,146	7,652	7,318	6,896
Differences Between Expected and Actual Experience	2,896	3,475	1,732	83	3,538	2,676	120	2,489	634	(604)
Changes of Assumptions	-	-	-	228	238	(969)	(222)	(476)	(927)	1,455
Benefit Payments, Including Refunds of Employee Contributions	(9,000)	(8,451)	(7,900)	(7,435)	(6,818)	(5,515)	(5,302)	(4,482)	(4,247)	(3,565)
Net Change in Total Pension Liability	6,504	7,020	5,438	4,138	7,692	6,513	4,559	6,978	4,564	5,994
Total Pension Liability - Beginning	144,812	137,793	132,355	128,217	120,525	114,012	109,453	102,475	97,911	91,917
Total Pension Liability - Ending (a)	$ 151,316	$ 144,812	$ 137,793	$ 132,355	$ 128,217	$ 120,525	$ 114,012	$ 109,453	$ 102,475	$ 97,911
Pensions Fiduciary Net Position										
Contributions - Employer	4,682	4,310	5,065	4,050	4,046	4,881	3,891	3,906	3,989	4,028
Contributions - Employee	418	388	335	283	273	244	209	194	161	123
Net Investment Income	15,298	17,456	(18,773)	15,542	11,547	16,381	(5,167)	12,447	3,879	281
Benefit Payments, Including Refunds of Employee Contributions	(9,000)	(8,451)	(7,900)	(7,435)	(6,818)	(5,515)	(5,302)	(4,482)	(4,247)	(3,565)
Net Change in Pensions Fiduciary Net Position	11,398	13,703	(21,273)	12,440	9,048	15,991	(6,369)	12,065	3,782	867
Pensions Fiduciary Net Position - Beginning	111,772	98,070	119,343	106,903	97,855	81,864	88,233	76,168	72,386	71,519
Pensions Fiduciary Net Position - Ending (b)	123,170	111,772	98,070	119,343	106,903	97,855	81,864	88,233	76,168	72,386
Agency's Net Pension Liability (a) - (b)	$ 28,146	$ 33,040	$ 39,723	$ 13,012	$ 21,314	$ 22,670	$ 32,148	$ 21,220	$ 26,307	$ 25,525
Pensions Fiduciary Net Position as a Percentage of Total Pension Liability	81.40%	77.18%	71.17%	90.17%	83.38%	81.19%	71.80%	80.61%	74.33%	73.93%
Covered Payroll	$ 22,060	$ 20,400	$ 20,059	$ 19,039	$ 18,597	$ 19,236	$ 18,984	$ 18,886	$ 18,114	$ 17,383
Pensions Fiduciary Net Pension Liability as a Percentage of Covered Payroll	127.59%	161.96%	198.03%	68.34%	114.61%	117.85%	169.34%	112.36%	145.23%	146.84%

Notes to Schedules: The change of assumption reflected above for the period ended December 31, 2024 was the result of using the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors, and incorporating scale MP-2021 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2023 was the result of using the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors, and incorporating scale MP-2021 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2022 was the result of using the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors, and incorporating scale MP-2021 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2021 was the result of using the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors, and incorporating scale MP-2021 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2020 was the result of using the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors, and incorporating scale MP-2020 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2019 was the result of incorporating Scale MP-2019 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2018 was the result of incorporating Scale MP-2018 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2017 was the result of incorporating Scale MP-2017 to reflect mortality improvement, the change of assumption reflected above for the period ended December 31, 2016 was the result of incorporating Scale MP-2016 to reflect mortality improvement, and the change of assumption reflected above for the period ended December 31, 2015 was the result of incorporating Scale MP-2015 to reflect mortality improvement.

Year	Actuarially Determined Contribution	Contributions From Agency	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contribution as a % of Payroll
2015	3,865,384	4,027,033	(161,649)	17,383,488	22.24%
2016	3,823,254	3,989,443	(166,189)	18,114,356	21.11%
2017	3,821,037	3,906,123	(85,086)	18,886,398	20.23%
2018	3,989,468	3,890,511	98,957	18,983,564	21.02%
2019	4,174,097	4,880,916	(706,819)	19,236,376	21.70%
2020	4,243,847	4,045,599	198,248	18,597,333	22.82%
2021	4,333,089	4,050,353	282,736	19,038,566	22.76%
2022	4,110,100	5,065,172	(955,072)	20,058,903	20.49%
2023	4,317,733	4,310,139	7,594	20,400,152	21.17%
2024	4,663,872	4,682,419	(18,547)	22,059,547	21.14%

Notes to Schedules:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates –

Actuarial cost method: Aggregate
Amortization method: N/A
Remaining amortization period: N/A
Asset valuation method: Smoothed value with a corridor of 80% to 120% of market value
Inflation: 3.0%
Salary increases: 4.5%
Investment rate of return: 7.5%
Retirement age: Normal retirement age
Mortality: Years 2015 through 2019 incorporated the Adjusted RP-2014 White Collar Mortality Table to reflect mortality improvement. Year 2020 used the Pri-2012 White Collar Mortality Table including rates for contingent survivors, incorporated Scale MP-2019 to reflect mortality improvement. Year 2021 used the PubG-2010 Mortality Table including rates for disabled retirees and contingent survivors, incorporated Scale MP-2020 to reflect mortality improvement. Year 2022 through 2024 used the PubG-2010 Mortality Table including rates for disabled retirees and contingent survivors, incorporated Scale MP-2021 to reflect mortality improvement.

Annual money-weighted rate of return, net of investment expense:

Year ended December 31	Rate
2024	14.06%
2023	18.22%
2022	(15.97%)
2021	14.86%
2020	12.10%
2019	20.18%
2018	(5.96%)
2017	16.32%
2016	5.34%
2015	0.42%

PENNSYLVANIA HOUSING FINANCE AGENCY
Schedules of Changes in Total OPEB Liability and Related Ratios
(in thousands) (unaudited – see accompanying auditors' report)

	June 30									
Total OPEB Liability	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Service Cost	$ 3,741	$ 4,036	$ 7,170	$ 5,996	$ 5,590	$ 5,087	$ 4,976	$ 6,143	$ 4,498	$ 4,230
Interest	3,609	3,904	2,899	2,909	2,792	2,801	2,748	3,003	3,197	3,023
Changes in Benefit Terms	-	(1,798)	-	-	-	-	-	(2,591)	-	-
Differences Between Expected and Actual Experience	-	(5,892)	-	5,428	-	4,641	-	(21,717)	-	(6,396)
Changes of Assumptions	(388)	(5,558)	(42,079)	10,201	2,144	(5,264)	(19)	(5,137)	17,252	3,252
Benefit Payments	(2,422)	(2,490)	(2,287)	(1,791)	(1,570)	(1,747)	(1,521)	(1,561)	(1,384)	(1,149)
Net Change in Total OPEB Liability	4,540	(7,798)	(34,297)	22,743	8,956	5,518	6,184	(21,860)	23,563	2,960
Total OPEB Liability - Beginning	84,962	92,760	127,057	104,314	95,358	89,840	83,656	105,516	81,953	78,993
Total OPEB Liability - Ending	$ 89,502	$ 84,962	$ 92,760	$ 127,057	$ 104,314	$ 95,358	$ 89,840	$ 83,656	$ 105,516	$ 81,953
Covered-Employee Payroll	$ 24,807	$ 24,807	$ 21,006	$ 21,006	$ 20,944	$ 20,944	$ 20,204	$ 20,204	$ 18,523	$ 18,523
Total OPEB Liability as a Percentage of Covered-Employee Payroll	360.79%	342.49%	441.59%	604.86%	498.06%	455.30%	444.66%	414.06%	596.66%	442.44%

Notes to Schedules:

Changes of assumptions include updated mortality tables and the effects of changes in the discount rate and health care cost trend rate each period. The following are the discount rates and health care cost trend rates used in each measurement period:

(in thousands) (unaudited – see accompanying auditors' report)

Year	Discount Rate	Healthcare Cost Trend Rate
2024	4.21%	7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027; gradually decreasing from 5.4% in 2028 to 4.0% in 2075 and later
2023	4.13%	7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026; gradually decreasing from 5.4% in 2027 to 4.1% in 2075 and later
2022	4.09%	6.5% in 2022, 6.0% in 2023, 5.5% in 2024 – 2025; gradually decreasing to 5.4% in 2026 to 3.9% in 2075 and later
2021	2.18%	5.5% in 2021 – 2023; gradually decreasing to 4.0% in 2075 and later
2020	2.66%	5.5% in 2019 – 2023; gradually decreasing to 4.0% in 2075 and later

(in thousands) (unaudited – see accompanying auditors' report)

Year	Discount Rate	Healthcare Cost Trend Rate
2019	2.79%	5.5% in 2019 – 2021; gradually decreasing to 3.8% in 2075 and later
2018	2.98%	6.0% in 2018; 5.5% in 2019 - 2021; gradually decreasing to 3.8% in 2075 and later
2017	3.13%	6.0% in 2017; 5.5% in 2018 - 2023; gradually decreasing to 3.9% in 2075 and later
2016	2.71%	6.5% in 2016; 6.0% in 2017; 5.5% in 2018 - 2020; gradually decreasing to 3.8% in 2075 and later
2015	4.00%	6.0% in 2015; 5.5% in 2016 - 2020; gradually decreasing to 3.8% in 2075 and later

SUPPLEMENTARY INFORMATION

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2025 (in thousands)

ASSETS	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current assets:							
Cash and cash equivalents	$ (57,317)	$ 162,683	$ 226,567	$ 68,037	$ 22,686	$ -	$ 422,656
Restricted cash and cash equivalents	22,825	94,626	236,216	-	-	-	353,667
Investments	4,998	-	-	-	-		4,998
Restricted investments	-	-	11,030	-	-	-	11,030
Accrued investment interest receivable	303	75	2,587	-	-	-	2,965
Mortgage loans receivable, net	-	3,015	157,232	-	3,566	-	163,813
Accrued mortgage loan interest receivable	-	70	28,639	-	254	-	28,963
Mortgages held for sale	-	-	44,189	-	-	-	44,189
Other current assets	4,257	2	-	-	-	-	4,259
Total Current Assets	(24,934)	260,471	706,460	68,037	26,506	-	1,036,540
Noncurrent Assets:							
Investments	95,285	-	-	56,163	-	-	151,448
Restricted investments	-	7,015	177,066	-	-	-	184,081
Mortgage loans receivable, net	4,002	351,548	6,330,939	-	15,535	-	6,702,024
Derivative instrument - interest rate swaps	683	-	9,029	-	-	-	9,712
Real estate owned	-	-	9,595	-	-	-	9,595
Capital assets, net	56,408	-	-	-	-	-	56,408
Intra-agency receivables	286,405	27,701	-	-	-	(314,106)	-
Other noncurrent assets	10,111	-	61,483	-	-	(10,090)	61,504
Total Noncurrent Assets	452,894	386,264	6,588,112	56,163	15,535	(324,196)	7,174,772
TOTAL ASSETS	427,960	646,735	7,294,572	124,200	42,041	(324,196)	8,211,312
DEFERRED OUTFLOWS OF RESOURCES							
OPEB-related deferred outflows	12,919	-	-	-	-	-	12,919
Pension-related deferred outflows	10,626	-	-	-	-	-	10,626
Accumulated decrease in fair value	-						
of hedging derivatives	-	-	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,545	-	-	-	-	-	23,545
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 451,505	$ 646,735	$ 7,294,572	$ 124,200	$ 42,041	$ (324,196)	$ 8,234,857

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2025 (in thousands)

LIABILITIES	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current Liabilities:							
Accounts payable and accrued expenses	$ 1,996	$ -	$ 96	$ -	$ 368	$ -	$ 2,460
Bonds and notes payable, net	2,000	-	172,363	-	-	-	174,363
Accrued interest payable	63	-	65,611	-	-	-	65,674
Escrow deposits and development reserves	800	35,638	68,188	-	-	-	104,626
Software-based IT arrangements	886	-	-	-	-	-	886
Other current liabilities	153,348	253	21,386	-	-	-	174,987
Total Current Liabilities	159,093	35,891	327,644	-	368	-	522,996
Noncurrent Liabilities:							
Bonds and notes payable, net	23,000	-	6,237,866	-	-	-	6,260,866
Derivative instrument - interest rate swaps	-	-	-	-	-	-	-
Development reserves	-	124,475	-	-	-	-	124,475
Intra-agency payables	-	-	314,106	-	-	(314,106)	-
Total OPEB liability	89,502	-	-	-	-	-	89,502
Net pension liability	28,146	-	-	-	-	-	28,146
Software-based IT arrangements	3,433	-	-	-	-	-	3,433
Other noncurrent liabilities	9,140	244,021	-	6,002	11,453	(10,090)	260,526
Total Noncurrent Liabilities	153,221	368,496	6,551,972	6,002	11,453	(324,196)	6,766,948
TOTAL LIABILITIES	312,314	404,387	6,879,616	6,002	11,821	(324,196)	7,289,944
DEFERRED INFLOWS OF RESOURCES							
OPEB-related deferred inflows	39,969	-	-	-	-	-	39,969
Pension-related deferred inflows	2,829	-	-	-	-	-	2,829
Unamortized gains on bond refundings	-	-	2,099	-	-	-	2,099
Accumulated increase in fair value of hedging derivatives	683	-	9,029	-	-	-	9,712
TOTAL DEFERRED INFLOWS OF RESOURCES	43,481	-	11,128	-	-	-	54,609
NET POSITION							
Net investment in capital assets	27,089	-	-	-	-	-	27,089
Restricted	-	-	194,084	-	30,220	-	224,304
Unrestricted	68,621	242,348	209,744	118,198	-	-	638,911
TOTAL NET POSITION	95,710	242,348	403,828	118,198	30,220	-	890,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 451,505	$ 646,735	$ 7,294,572	$ 124,200	$ 42,041	$ (324,196)	$ 8,234,857

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Operating Revenues:						
Interest income on mortgage loans	$ -	$ 5,701	$ 268,143	$ -	$ 199	$ 274,043
Program income and fees	144,291	222	-	15,031	141	159,685
Investment income	15,441	58	32,071	3,017	1,008	51,595
Increase (decrease) in fair value of investments	5,505	171	6,019	(248)	-	11,447
Gain on early extinguishment of debt	-	-	5,223	-	-	5,223
Total Operating Revenues	165,237	6,152	311,456	17,800	1,348	501,993
Operating Expenses:						
Interest expense on bonds and notes	830	-	236,532	-	-	237,362
Financing expenses	34	-	9,194	-	-	9,228
Program expenses	80,066	161	32,906	-	-	113,133
Salaries and related benefits	42,893	-	-	-	2,544	45,437
General and administrative	18,013	440	9,512	-	983	28,948
Provision (recoveries) for loan loss and real estate owned	260	142	1,862	2,098	(152)	4,210
Total Operating Expenses	142,096	743	290,006	2,098	3,375	438,318
Operating Income (Loss)	23,141	5,409	21,450	15,702	(2,027)	63,675
Non-operating Revenue						
Federal program awards	230,939	598,131	3,791	-	-	832,861
Non-operating Expense						
Federal program expense	230,939	598,131	3,791	-	-	832,861
Income (Loss) Before Transfers	23,141	5,409	21,450	15,702	(2,027)	63,675
Intra-agency transfers	(6,228)	(89)	6,303	14	-	-
Change in Net Position	16,913	5,320	27,753	15,716	(2,027)	63,675
Net Position - beginning of year	78,797	237,028	376,075	102,482	32,247	826,629
Net Position - end of year	$ 95,710	$ 242,348	$ 403,828	$ 118,198	$ 30,220	$ 890,304

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Year Ended June 30, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Cash Flows From Operating Activities						
Receipts of mortgage loan payments	$ 60	$ 10,407	$ 324,494	$ -	$ 5,927	$ 340,888
Receipts from fees and other income	144,291	222	-	15,031	141	159,685
Receipts from interest on mortgages	-	5,699	262,767	-	199	268,665
(Payments) receipts of escrows and reserves	(192,302)	20,204	5,800	(227)	-	(166,525)
Payments for mortgages and purchases	(494)	(20,023)	(1,628,758)	-	(2,792)	(1,652,067)
Payments for salaries and related benefits	(42,956)	-	-	-	-	(42,956)
Payments for goods, services and other	(96,017)	(602)	(72,473)	-	(3,471)	(172,563)
Net Cash (Used In) Provided By Operating Activities	(187,418)	15,907	(1,108,170)	14,804	4	(1,264,873)
Cash Flows From Noncapital Financing Activities						
Proceeds from the issuance of bonds and notes	-	-	1,130,206	-	-	1,130,206
Payments for retirement of bonds and notes	-	-	(282,668)	-	-	(282,668)
Payments for bonds and notes interest	-	-	(213,788)	-	-	(213,788)
Payments of financing costs	(34)	-	(9,194)	-	-	(9,228)
Receipts (repayments) of program advances	(7,806)	(89)	7,881	14	-	-
Receipts of federal program awards	230,939	598,131	3,791	-	-	832,861
Payments of federal program awards	(230,939)	(598,131)	(3,791)	-	-	(832,861)
Net Cash Provided By (Used In) Noncapital Financing Activities	(7,840)	(89)	632,437	14	-	624,522
Cash Flows From Capital Financing Activities						
Purchases of capital assets	(4,920)	-	-	-	-	(4,920)
Payments for retirement of capital financing bond	(2,000)	-	-	-	-	(2,000)
Payments for interest on capital financing bond	(838)	-	-	-	-	(838)
Net Cash Used In Capital Financing Activities	(7,758)	-	-	-	-	(7,758)
Cash Flows From Investing Activities						
Proceeds from the sale or maturity of investments	89,776	-	34,828	-	-	124,604
Receipts of investment interest	17,105	(302)	31,774	3,017	1,053	52,647
Payments for purchases of investments	(35)	(18)	(35,083)	(16,732)	-	(51,868)
Net Cash Provided By (Used in) Investing Activities	106,846	(320)	31,519	(13,715)	1,053	125,383
Net (Decrease) Increase In Cash and Cash Equivalents	(96,170)	15,498	(444,214)	1,103	1,057	(522,726)
Cash and cash equivalents, beginning of year	61,678	241,811	462,783	68,037	21,629	1,299,049
Cash and cash equivalents, end of period	$ (34,492)	$ 257,309	$ 18,569	$ 69,140	$ 22,686	$ 776,323

See accompanying independent auditors’ report.

PENNSYLVANIA HOUSING FINANCE AGENCY
Combining Statement of Cash Flows
Year Ended June 30, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:						
Operating Income (Loss)	$ 23,141	$ 5,409	$ 21,450	$ 15,702	$ (2,027)	$ 63,675
Investment income recognized	(15,441)	(58)	(32,071)	(3,017)	(1,008)	(51,595)
Net change in fair value of investments	(5,505)	(171)	(6,019)	248	-	(11,447)
Interest expense on bonds and notes	830	-	236,532	-	-	237,362
Financing expenses	34	-	9,194	-	-	9,228
Provision (recoveries) for loan loss and real estate owned	260	142	1,862	2,098	(152)	4,210
Depreciation and amortization	3,796	-	-	-	-	3,796
Gain on early extinguishment of debt	-	-	(5,223)	-	-	(5,223)
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	(433)	(9,616)	(1,313,146)	-	2,978	(1,320,217)
Mortgage loans interest receivable	-	(2)	(5,376)	-	-	(5,378)
Real estate owned, net	-	-	1,012	-	-	1,012
Other assets	7,573	(1)	(13,661)	-	-	(6,089)
Accounts payable and accrued expenses	(237)	-	(625)	-	2	(860)
Escrow deposits and development reserves	114	15,082	6,503	-	-	21,699
Other liabilities	(201,550)	5,122	(8,602)	(227)	211	(205,046)
Net Cash (Used In) Provided By Operating Activities	$ (187,418)	$ 15,907	$ (1,108,170)	$ 14,804	$ 4	$ (1,264,873)

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2024 (in thousands)

ASSETS	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current assets:							
Cash and cash equivalents	$ (32,131)	$ 157,177	$ 723,512	$ 66,934	$ 21,629	$ -	$ 937,121
Restricted cash and cash equivalents	93,809	84,634	183,485	-	-	-	361,928
Investments	36,897	-	2,879	4,979			44,755
Restricted investments	-	-	1,000	-	-	-	1,000
Accrued investment interest receivable	1,967	(285)	2,290	-	-	-	3,972
Mortgage loans receivable, net	-	2,752	139,178	-	3,979	-	145,909
Accrued mortgage loan interest receivable	-	68	23,263	-	299	-	23,630
Mortgages held for sale	-	-	49,214	-	-	-	49,214
Other current assets	4,014	1	-	-	-	-	4,015
Total Current Assets	104,556	244,347	1,124,821	71,913	25,907	-	1,571,544
Noncurrent Assets:							
Investments	147,622	6,826	118,861	34,700	-	-	308,009
Restricted investments	-	-	59,355	-	-	-	59,355
Mortgage loans receivable, net	3,828	342,337	5,036,886	-	17,948	-	5,400,999
Derivative instrument - interest rate swaps	1,312	-	1,130	-	-	-	2,442
Real estate owned	-	-	10,607	-	-	-	10,607
Capital assets, net	55,285	-	-	-	-	-	55,285
Intra-agency receivables	284,827	27,701	-	-	-	(312,528)	-
Other noncurrent assets	9,654	-	47,822	-	-	(9,628)	47,848
Total Noncurrent Assets	502,528	376,864	5,274,661	34,700	17,948	(322,156)	5,884,545
TOTAL ASSETS	607,084	621,211	6,399,482	106,613	43,855	(322,156)	7,456,089
DEFERRED OUTFLOWS OF RESOURCES							
OPEB-related deferred outflows	17,361	-	-	-	-	-	17,361
Pension-related deferred outflows	14,457	-	-	-	-	-	14,457
Accumulated decrease in fair value of hedging derivatives	-	-	8,732	-	-	-	8,732
TOTAL DEFERRED OUTFLOWS OF RESOURCES	31,818	-	8,732	-	-	-	40,550
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 638,902	$ 621,211	$ 6,408,214	$ 106,613	$ 43,855	$ (322,156)	$ 7,496,639

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2024 (in thousands)

LIABILITIES	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current Liabilities:							
Accounts payable and accrued expenses	$ 2,233	$ -	$ 721	$ -	$ 366	$ -	$ 3,320
Bonds and notes payable, net	2,000	-	154,803	-	-	-	156,803
Accrued interest payable	71	-	48,090	-	-	-	48,161
Escrow deposits and development reserves	686	30,084	61,685	-	-	-	92,455
Software-based IT arrangements	2,625	-	-	-	-	-	2,625
Other current liabilities	212,205	410	22,089	-	-	-	234,704
Total Current Liabilities	219,820	30,494	287,388	-	366	-	538,068
Noncurrent Liabilities:							
Bonds and notes payable, net	25,000	-	5,420,392	-	-	-	5,445,392
Derivative instrument - interest rate swaps	-	-	8,732	-	-	-	8,732
Development reserves	-	114,947	-	-	-	-	114,947
Intra-agency payables	-	-	312,528	-	-	(312,528)	-
Total OPEB liability	84,962	-	-	-	-	-	84,962
Net pension liability	33,040	-	-	-	-	-	33,040
Software-based IT arrangements	2,492	-	-	-	-	-	2,492
Other noncurrent liabilities	142,699	238,742	-	4,131	11,242	(9,628)	387,186
Total Noncurrent Liabilities	288,193	353,689	5,741,652	4,131	11,242	(322,156)	6,076,751
TOTAL LIABILITIES	508,013	384,183	6,029,040	4,131	11,608	(322,156)	6,614,819
DEFERRED INFLOWS OF RESOURCES							
OPEB-related deferred inflows	49,891	-	-	-	-	-	49,891
Pension-related deferred inflows	889	-	-	-	-	-	889
Unamortized gains on bond refundings	-	-	1,969	-	-	-	1,969
Accumulated increase in fair value of hedging derivatives	1,312	-	1,130	-	-	-	2,442
TOTAL DEFERRED INFLOWS OF RESOURCES	52,092	-	3,099	-	-	-	55,191
NET POSITION							
Net investment in capital assets	23,168	-	-	-	-	-	23,168
Restricted	-	-	169,733	-	32,247	-	201,980
Unrestricted	55,629	237,028	206,342	102,482	-	-	601,481
TOTAL NET POSITION	78,797	237,028	376,075	102,482	32,247	-	826,629
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 638,902	$ 621,211	$ 6,408,214	$ 106,613	$ 43,855	$ (322,156)	$ 7,496,639

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2024 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Operating Revenues:						
Interest income on mortgage loans	$ -	$ 4,059	$ 195,633	$ -	$ 189	$ 199,881
Program income and fees	131,986	549	1	10,908	146	143,590
Investment income	22,759	77	28,433	2,301	998	54,568
Gain on early extinguishment of debt	-	-	4,405	-	-	4,405
Total Operating Revenues	154,745	4,685	228,472	13,209	1,333	402,444
Operating Expenses:						
Interest expense on bonds and notes	897	164	168,822	-	-	169,883
Financing expenses	-	-	8,963	-	-	8,963
Program expenses	78,869	2,061	21,894	-	-	102,824
Salaries and related benefits	40,504	-	-	-	719	41,223
General and administrative	16,909	542	7,436	-	1,145	26,032
Decrease in fair value of investments	(969)	128	1,312	166	-	637
(Recoveries) provision for loan loss and real estate owned	876	(587)	4,653	385	(55)	5,272
Total Operating Expenses	137,086	2,308	213,080	551	1,809	354,834
Operating Income (Loss)	17,659	2,377	15,392	12,658	(476)	47,610
Non-operating Revenue						
Federal program awards	114,563	551,316	2,298	-	-	668,177
Non-operating Expense						
Federal program expense	114,563	551,316	2,298	-	-	668,177
Income (Loss) Before Transfers	17,659	2,377	15,392	12,658	(476)	47,610
Intra-agency transfers	(4,777)	(379)	5,156	-	-	-
Change in Net Position	12,882	1,998	20,548	12,658	(476)	47,610
Net Position - beginning of year	65,915	235,030	355,527	89,824	32,723	779,019
Net Position - end of year	$ 78,797	$ 237,028	$ 376,075	$ 102,482	$ 32,247	$ 826,629

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Year Ended June 30, 2024 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Cash Flows From Operating Activities						
Receipts of mortgage loan payments	$ 66	$ 17,987	$ 265,855	$ -	$ 5,782	$ 289,690
Receipts from fees and other income	131,986	549	1	10,908	146	143,590
Receipts from interest on mortgages	-	4,061	188,398	-	189	192,648
(Payments) receipts of escrows and reserves	(171,452)	26,789	4,434	(80)	-	(140,309)
Payments for mortgages and purchases	(375)	(31,185)	(1,167,369)	-	(3,308)	(1,202,237)
Payments for salaries and related benefits	(42,697)	-	-	-	-	(42,697)
Payments for goods, services and other	(88,935)	(2,576)	(52,746)	-	(2,969)	(147,226)
Net Cash (Used In) Provided By Operating Activities	(171,407)	15,625	(761,427)	10,828	(160)	(906,541)
Cash Flows From Noncapital Financing Activities						
Proceeds from the issuance of bonds and notes	-	-	1,210,740	-	-	1,210,740
Payments for retirement of bonds and notes	-	(5,250)	(234,257)	-	-	(239,507)
Payments for bonds and notes interest	-	(256)	(150,436)	-	-	(150,692)
Payments of financing costs	-	-	(8,963)	-	-	(8,963)
Receipts (repayments) of program advances	(10,519)	(379)	10,898	-	-	-
Receipts of federal program awards	114,563	551,316	2,298	-	-	668,177
Payments of federal program awards	(114,563)	(551,316)	(2,298)	-	-	(668,177)
Net Cash Provided By (Used In) Noncapital Financing Activities	(10,519)	(5,885)	827,982	-	-	811,578
Cash Flows From Capital Financing Activities						
Purchases of capital assets	(3,331)	-	-	-	-	(3,331)
Payments for retirement of capital financing bond	(2,000)	-	-	-	-	(2,000)
Payments for interest on capital financing bond	(902)	-	-	-	-	(902)
Net Cash Used In Capital Financing Activities	(6,233)	-	-	-	-	(6,233)
Cash Flows From Investing Activities						
Proceeds from the sale or maturity of investments	185,993	5,001	10,021	-	-	201,015
Receipts of investment interest	22,963	603	27,454	2,301	1,004	54,325
Payments for purchases of investments	(62,934)	(17)	(14,714)	(6,159)	-	(83,824)
Net Cash (Used in) Provided By Investing Activities	146,022	5,587	22,761	(3,858)	1,004	171,516
Net Increase (Decrease) In Cash and Cash Equivalents	(42,137)	15,327	89,316	6,970	844	70,320
Cash and cash equivalents, beginning of year	103,815	226,484	817,681	59,964	20,785	1,228,729
Cash and cash equivalents, end of period	$ 61,678	$ 241,811	$ 906,997	$ 66,934	$ 21,629	$ 1,299,049

See accompanying independent auditors' report.

PENNSYLVANIA HOUSING FINANCE AGENCY
Combining Statement of Cash Flows
Year Ended June 30, 2024 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:						
Operating Income (Loss)	$ 17,659	$ 2,377	$ 15,392	$ 12,658	$ (476)	$ 47,610
Investment income recognized	(22,759)	(77)	(28,433)	(2,301)	(998)	(54,568)
Net change in fair value of investments	(969)	128	1,312	166	-	637
Interest expense on bonds and notes	897	164	168,822	-	-	169,883
Financing expenses	-	-	8,963	-	-	8,963
Provision for loan loss and real estate owned	876	(587)	4,653	385	(55)	5,272
Depreciation	5,072	-	-	-	-	5,072
Early extinguishment of debt	-	-	(4,405)	-	-	(4,405)
Loss on disposal of capital assets	(1)	-	-	-	-	(1)
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	(308)	(13,198)	(918,540)	-	2,474	(929,572)
Mortgage loans interest receivable	-	2	(7,235)	-	-	(7,233)
Real estate owned, net	-	-	409	-	-	409
Other assets	13,939	27	(11,936)	-	-	2,030
Accounts payable and accrued expenses	114	-	4	-	(583)	(465)
Escrow deposits and development reserves	(85)	17,098	6,437	-	-	23,450
Other liabilities	(185,842)	9,691	3,130	(80)	(522)	(173,623)
Net Cash (Used In) Provided By Operating Activities	$ (171,407)	$ 15,625	$ (761,427)	$ 10,828	$ (160)	$ (906,541)

See accompanying independent auditors' report.

CliftonLarsonAllen LLP
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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*

Board of Directors
Pennsylvania Housing Finance Agency
Harrisburg, Pennsylvania

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 financial statements of the business-type activities and fiduciary activities of Pennsylvania Housing Finance Agency (the Agency), as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise Pennsylvania Housing Finance Agency's basic financial statements, and have issued our report thereon dated September 24, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pennsylvania 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pennsylvania Housing Finance Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Pennsylvania 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 were not identified.

Board of Directors
Pennsylvania Housing Finance Agency

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pennsylvania 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
September 24, 2025

Global

INDEPENDENT NETWORK MEMBER

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APPENDIX F

FINANCIAL STATEMENTS
(UNAUDITED)

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PENNSYLVANIA HOUSING FINANCE AGENCY

BASIC FINANCIAL STATEMENTS (UNAUDITED)

NINE MONTHS ENDED MARCH 31, 2026

CONTENTS

Management's Discussion and Analysis

Introduction

The discussion and analysis provided herein is designed to furnish an objective and easily understandable review of the financial activities of the Pennsylvania Housing Finance Agency ("Agency"). Readers are encouraged to consider the information presented in conjunction with the basic financial statements, which follow this section.

Understanding the Basic Financial Statements

The basic financial statements are designed to provide a broad overview of the Agency's finances and include three required statements: The Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Balance Sheet presents financial information respective of all the Agency's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position reflect revenue and expenses within a given period to measure the success of the Agency's operations during that period and to illustrate how the Agency has funded its costs of operations.

The Statement of Cash Flows is presented using the direct method, which reports cash receipts and cash payments in four major classes of activities: Operating, Noncapital Financing, Capital Financing, and Investing. Cash receipts and disbursements are presented within this statement to illustrate the net increase or decrease in cash and cash equivalents within a given period.

The basic financial statements are accompanied by a set of notes. The notes to the basic financial statements provide additional information necessary to acquire a full understanding of the data presented in the basic financial statements and a means to obtain a more comprehensive assessment of factors affecting the Agency's financial condition.

Condensed Summary Balance Sheet *(In thousands)*

	March 31, 2026	June 30, 2025	Increase/(Decrease)	
Assets:				
Mortgage loans receivable, net	$ 7,696,044	$ 6,865,837	$ 830,207	12.1%
Capital assets, net	51,998	56,408	(4,410)	(7.8%)
Other assets	2,081,696	1,289,067	792,629	61.5%
Total Assets	9,829,738	8,211,312	1,618,426	19.7%
Deferred Outflows of Resources	23,545	23,545	-	0.0%
Total Assets and Deferred Outflows of Resources	$ 9,853,283	$ 8,234,857	$ 1,618,426	19.7%
Liabilities:				
Current liabilities	636,997	522,996	114,001	21.8%
Noncurrent liabilities	8,200,120	6,766,948	1,433,172	21.2%
Total Liabilities	8,837,117	7,289,944	1,547,173	21.2%
Deferred Inflows of Resources	53,738	54,609	(871)	(1.6%)
Net Position				
Net Investment in Capital Assets	24,369	27,089	(2,720)	(10.0%)
Restricted	262,274	224,304	37,970	16.9%
Unrestricted	675,785	638,911	36,874	5.8%
Total Net Position	962,428	890,304	72,124	8.1%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 9,853,283	$ 8,234,857	$ 1,618,426	19.7%

Condensed Summary of Revenues, Expenses and Changes in Net Position *(In thousands)*

	Nine months ended March 31, 2026	Nine months ended March 31, 2025	Increase/(Decrease)	
Revenues:				
Mortgage loan interest	$ 258,145	$ 198,339	$ 59,806	30.2%
Other operating revenues	206,246	196,195	10,051	5.1%
Federal program awards	503,750	647,628	(143,878)	(22.2%)
Total Revenues	968,141	1,042,162	(74,021)	(7.1%)
Expenses:				
Interest and financing expenses	209,296	182,147	27,149	14.9%
Other operating expenses	182,971	162,961	20,010	12.3%
Federal program expenses	503,750	647,628	(143,878)	(22.2%)
Total Expenses	896,017	992,736	(96,719)	(9.7%)
Change in Net Position	72,124	49,426	22,698	(45.9%)
Net Position - Beginning of Year	890,304	826,629	63,675	7.7%
Net Position - End of Period	$ 962,428	$ 876,055	$ 86,373	9.9%

Analysis of Overall Financial Position and Results of Operations

The balance sheet at March 31, 2026 is compared to the balance sheet at June 30, 2025, the prior audited period.

The results of operations for the nine-month period ended March 31, 2026 is compared to the nine-month period ended March 31, 2025.

- **Assets**

Total assets in the preceding condensed summary balance sheet increased by $1.619 billion from $8.211 billion to $9.830 billion. Mortgage loans receivable increased by $830 million from $6.866 billion to $7.696 billion as a result of the Agency utilizing its mortgage revenue bond program to purchase single family mortgages to further increase its single family program loan portfolio and its balance sheet. Other assets increased by $793 million from $1.289 billion to $2.082 billion primarily as a result of the increase in cash and cash equivalents due to cash held for the purchases of single family mortgages from the issuance of single family mortgage revenue bond series 152 on March 30, 2026. Capital assets decreased $4.4 million from $56.4 million to $52.0 million due to the decrease in capital assets and accumulated depreciation resulting from a capital asset inventory count of furniture, fixtures, and equipment where the Agency identified certain capital assets that had reached their useful lives and were no longer operationally efficient. These assets were removed from service and disposed of.

- **Liabilities**

Total liabilities increased by $1.547 million from $7.290 billion to $8.837 billion. The net increase was primarily due to an increase in bonds and notes payable of $1.344 billion, which came as a result of the issuance of single family mortgage revenue bond series 149, 150, 151, and 152. These issuances further the Agency's efforts to increase the size of its single family loan portfolio and its balance sheet by purchasing and holding mortgage loans receivable by utilizing capital provided by the single family mortgage revenue bonds. The remaining net increase in liabilities of $202 million is due to the net increase in other liabilities of $87 million, an increase in accrued interest payable of $92 million where interest is paid bi-annually on April 1st and October 1st, a net increase in escrow deposits and development reserves of $17 million, an increase in accounts payable and accrued expenses of $4 million, and an increase in both Total OPEB liability and Net pension liability of $2 million. These increases are offset by a decrease in subscription-based information technology arrangements of $1 million.

- **Net Position**

For the nine months ended March 31, 2026, the Agency's net position increased $72.1 million compared to an increase of $49.4 million in net position for the same nine-month period ending one year prior.

Mortgage loan interest income earned increased by $59.8 million when compared to the same nine-month period ending one year prior due to the increase in the Agency's single family portfolio of mortgage loans. Other operating revenues increased by $10.1 million when compared to the nine months ending March 31, 2025, due to the increase in program income and fees and the gain on early extinguishment of debt, offset by a decrease in investment income and the net increase in the fair value of investments.

Interest and financing expenses increased by $27.2 million when compared to the same nine-month period ending one year prior due to the increase in bonds outstanding and the issuance of mortgage revenue bond series 149, 150, 151, and 152 during the period. Other operating expenses increased by $20.0 million when compared to the same nine-month period ending one year prior due to an increase in program expenses, salaries and related benefits, general and administrative, and the provision for loan loss and real estate owned.

Federal program revenue and expenses decreased by $143.9 million due to a decrease in the disbursement of multifamily grants administered by the Agency during the nine-month period ending March 31, 2026.

<u>Analysis of Capital Asset Activity</u> *(In thousands)*

	Balances at March 31, 2026	Balances at June 30, 2025	Increase/ (Decrease)
Nondepreciable Capital Assets:			
Land	$ 2,454	$ 2,454	$ -
Total nondepreciable capital assets	2,454	2,454	-
Depreciable Capital Assets:			
Building	60,685	60,685	-
Furniture, fixtures and equipment	3,293	11,822	(8,529)
Subscription based information technology arrangements	13,558	14,523	(965)
Less accumulated depreciation:			
Building	(18,432)	(16,312)	2,120
Furniture, fixtures and equipment	(2,301)	(10,253)	(7,952)
Subscription-based information technology arrangements	(7,259)	(6,511)	748
Total depreciable capital assets, net	49,544	53,954	(4,410)
Total Capital Assets, net	$ 51,998	$ 56,408	$ (4,410)

The Agency's capital asset net balance decreased in the nine months ended March 31, 2026. The majority of the decrease in capital assets and accumulated depreciation resulted from a capital asset inventory count of furniture, fixtures, and equipment where the Agency identified certain capital assets that had reached their useful lives and were no longer operationally efficient. These assets were removed from service and disposed of. No gain or loss was recognized on these disposals, as the furniture, fixtures, and equipment were fully depreciated. There was a decrease in subscription-based information technology arrangements resulting from the termination of a contact, resulting in a loss. The offsetting increase in accumulated depreciation resulted from regular amortization and depreciation expense.

<u>Analysis of Long-Term Debt Activity</u> *(In thousands)*

Agency Program	Long -Term Debt at March 31, 2026	Long -Term Debt at June 30, 2025	Increase (Decrease)
General Activities	$ 24,000	$ 25,000	$ (1,000)
Single Family Program	7,754,962	6,410,229	1,344,733
Total Long-Term Debt	$ 7,778,962	$ 6,435,229	$ 1,343,733

Additions

Additions to Agency bonds and notes payable for the nine-month period ended March 31, 2026 included the following:

Date	Single Family Program Bond Series	General Obligation Bond Series	Original Issue Premium	Total Proceeds	New Mortgage Loan Production Proceeds	Refunding Proceeds	Single Family Program Bond Series Refunded
7/16/2025	2025-149	-	17,888	595,413	595,413	-	-
9/29/2025	2025-150	-	14,018	416,253	416,253	-	-
12/30/2025	2026-151	-	9,873	285,153	285,153	-	-
3/30/2026	2026-152	-	7,697	245,047	245,047	-	-
		Total Additions:	$ 49,476	$ 1,541,866			

Reductions

Reductions to Agency bonds and notes payable for the nine-month period ended March 31, 2026 included the following:

Date	Single Family Program Bond Series Refunded	Refunded Amount	Scheduled Debt Service	Advance Debt Service	Original Issue Premium Amortization
Various	-	-	83,922	84,654	29,557
	Total Reductions:	-	83,922	84,654	29,557

<u>Designated Net Position</u> (in thousands)

The Agency has designated certain amounts of the unrestricted net position of the Agency's various activities and programs for purposes indicated in the following table. These designations of net position are not binding and may be changed by the Agency.

General Activities:		
Disadvantaged Developers Program		$ 10,000
Asset building program		1,500
Home4Good		1,500
Homebuyer Counseling for education of first-time homebuyers		3,000
Mulifamily Insurance for Agency insured or coinsured developments		10,000
ReCLAIM (statewide)		1,500
	Total	$ 27,500
Multifamily Housing Program:		
Multifamily Resiliency Fund		$ 10,000
Preservation from physical deterioration, financial or social distress		1,500
	Total	$ 11,500
Single Family Mortgage Loan Program:		
Closing Cost Assistance		$ 3,000
Neighborhood Homeownership Initiative		5,000
	Total	$ 8,000
Insurance Program:		
Risk Retention to provide single family mortgage insurance		$ 136,293

<u>Additional Information</u>

This discussion and analysis are intended to provide additional information regarding the activities of the Agency. Additional current or historical audited or unaudited financial information may be found at the Agency's website at www.phfa.org.

PENNSYLVANIA HOUSING FINANCE AGENCY

Balance Sheets March 31, 2026 and June 30, 2025 (in thousands)

ASSETS	March 31, 2026	June 30, 2025
Current assets:		
Cash and cash equivalents	$ 1,220,566	$ 422,656
Restricted cash and cash equivalents	250,082	353,667
Investments	10,129	4,998
Restricted investments	7,945	11,030
Accrued investment interest receivable	4,308	2,965
Mortgage loans receivable, net	207,507	163,813
Accrued mortgage loan interest receivable	35,490	28,963
Mortgages held for sale	41,978	44,189
Other current assets	78,275	4,259
Total Current Assets	1,856,280	1,036,540
Noncurrent Assets:		
Investments	165,235	151,448
Restricted investments	174,839	184,081
Mortgage loans receivable, net	7,488,537	6,702,024
Derivative instrument - interest rate swaps	8,769	9,712
Real estate owned	9,902	9,595
Capital assets, net	51,998	56,408
Other noncurrent assets	74,178	61,504
Total Noncurrent Assets	7,973,458	7,174,772
TOTAL ASSETS	9,829,738	8,211,312
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related deferred outflows	12,919	12,919
Pension-related deferred outflows	10,626	10,626
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,545	23,545
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,853,283	$ 8,234,857

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY
Balance Sheets March 31, 2026 and June 30, 2025 (in thousands)

LIABILITIES	**March 31, 2026**	**June 30, 2025**
Current Liabilities:		
Accounts payable and accrued expenses	$ 6,861	$ 2,460
Bonds and notes payable, net	195,538	174,363
Accrued interest payable	157,091	65,674
Escrow deposits and development reserves	97,306	104,626
Software-based IT arrangements	678	886
Other current liabilities	179,523	174,987
Total Current Liabilities	636,997	522,996
Noncurrent Liabilities:		
Bonds and notes payable, net	7,583,424	6,260,866
Development reserves	148,953	124,475
Total OPEB liability	91,502	89,502
Net pension liability	30,146	28,146
Software-based IT arrangements	2,951	3,433
Other noncurrent liabilities	343,144	260,526
Total Noncurrent Liabilities	8,200,120	6,766,948
TOTAL LIABILITIES	8,837,117	7,289,944
DEFERRED INFLOWS OF RESOURCES		
OPEB-related deferred inflows	39,969	39,969
Pension-related deferred inflows	2,829	2,829
Unamortized gains on bond refundings	2,171	2,099
Accumulated increase in fair value of hedging derivatives	8,769	9,712
TOTAL DEFERRED INFLOWS OF RESOURCES	53,738	54,609
NET POSITION		
Net investment in capital assets	24,369	27,089
Restricted	262,274	224,304
Unrestricted	675,785	638,911
TOTAL NET POSITION	962,428	890,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 9,853,283	$ 8,234,857

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Revenues, Expenses and Changes in Net Position

Nine Months Ended March 31, 2026 and 2025 (in thousands)

	Nine Months ended March 31 ,	
	2026	**2025**
Operating Revenues:		
Interest income on mortgage loans	$ 258,145	$ 198,339
Program income and fees	160,090	136,498
Investment income	36,440	45,078
Net increase in fair value of investments	4,917	12,253
Gain on early extinguishment of debt	4,799	2,366
Total Operating Revenues	464,391	394,534
Operating Expenses:		
Interest expense on bonds and notes	198,468	173,280
Financing expenses	10,828	8,867
Program expenses	116,132	99,905
Salaries and related benefits	41,056	37,662
General and administrative	23,477	23,243
Provision for loan loss and real estate owned	2,306	2,151
Total Operating Expenses	392,267	345,108
Operating Income	72,124	49,426
Nonoperating Revenue		
Federal program awards	503,750	647,628
Nonoperating Expense		
Federal program expense	503,750	647,628
Change in Net Position	72,124	49,426
Net Position - beginning of year	890,304	826,629
Net Position - end of period	$ 962,428	$ 876,055

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY
Statements of Cash Flows
Nine Months Ended March 31, 2026 and 2025 (in thousands)

	Nine months ended March 31, 2026	Nine months ended March 31, 2025
Cash Flows From Operating Activities		
Receipts of mortgage loan payments	$ 330,262	$ 251,051
Receipts of fees and other income	160,090	136,498
Receipts of interest on mortgages	251,642	193,563
Payments of escrow and reserves	(22,761)	(186,901)
Payments for mortgages and purchases	(1,088,195)	(1,303,348)
Payments for salaries and related benefits	(35,770)	(33,005)
Payments for goods, services, and other	(194,752)	(128,888)
Net Cash Used In Operating Activities	(599,484)	(1,071,030)
Cash Flows From Noncapital Financing Activities		
Proceeds from the issuance of bonds and notes	1,541,866	1,130,207
Payments for retirement of bonds and notes	(167,576)	(122,287)
Payments of bonds and notes interest	(101,386)	(96,602)
Payments of financing costs	(10,828)	(8,867)
Receipts of federal program awards	503,750	647,628
Payments of federal program awards	(503,750)	(647,628)
Net Cash Provided By Noncapital Financing Activities	1,262,076	902,451
Cash Flows From Capital Financing Activities		
Purchases of capital assets	(681)	(2,404)
Payments for retirement of capital financing bond	(1,000)	(1,000)
Interest paid on capital debt	(866)	(638)
Net Cash Used In Capital Financing Activities	(2,547)	(4,042)
Cash Flows From Investing Activities		
Proceeds from the sale or maturity of investments	24,851	119,769
Investment interest receipts	36,429	46,463
Purchases of investments	(27,000)	(36,695)
Net Cash Provided By Investing Activities	34,280	129,537
Net Increase (Decrease) In Cash and Cash Equivalents	694,325	(43,084)
Cash and cash equivalents, beginning of year	776,323	1,299,049
Cash and cash equivalents, end of period	$ 1,470,648	$ 1,255,965

See accompanying notes to financial statements.

PENNSYLVANIA HOUSING FINANCE AGENCY
Statements of Cash Flows (continued)
Nine Months Ended March 31, 2026 and 2025 (in thousands)

	Nine months ended March 31, 2026	Nine months ended March 31, 2025
Reconciliation of Operating Income to Net Cash Used In Operating Activities:		
Operating Income	$ 72,124	$ 49,426
Investment income recognized	(36,440)	(45,078)
Net change in fair value of investments	(4,917)	(12,253)
Interest expense on bonds and notes	198,468	173,280
Financing expenses	10,828	8,867
Provision for loan loss and real estate owned	2,306	2,151
Depreciation	4,410	2,714
Gain on early extinguishment of debt	(4,799)	(2,366)
Loss on disposal of capital assets	1,149	-
Changes in Assets and Liabilities:		
Mortgage loans receivable, net	(841,153)	(1,053,427)
Mortgage loan interest receivable	(6,503)	(4,776)
Real estate owned, net	(307)	1,340
Other assets	(76,600)	(3,435)
Accounts payable and accrued expenses	4,401	(193)
Escrow deposits and development reserves	17,158	11,425
Other liabilities	60,391	(198,705)
Net Cash Used In Operating Activities	$ (599,484)	$ (1,071,030)

See accompanying notes to financial statements

1. Organization

The Pennsylvania Housing Finance Agency ("Agency") was created by the General Assembly of the Commonwealth of Pennsylvania ("Commonwealth") in 1972 to provide affordable housing for older adults, persons and families of modest means, and persons with disabilities. Pursuant to the Housing Finance Agency Law, Act of 1959, P. L. 1688, No. 620 ("Act"), as amended, the Agency is authorized and empowered, among other things, to finance the construction and rehabilitation of housing units for persons and families of low and moderate income , persons with special needs or the elderly, including those who receive assistance from federal government programs.

The Act was amended to authorize the Agency to make or purchase mortgage loans used to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences and to finance the construction and rehabilitation of housing units without requiring the housing units to be subsidized or assisted by a federal government program. The initial legislation and subsequent amendments grant the Agency the power to issue debt in order to finance its programs and operations. Debt obligations issued under the provisions of the Act are not a debt or liability of the Commonwealth or any of its political subdivisions or a pledge of the faith and credit of the Commonwealth or of any of its political subdivisions. Additional powers have been provided by the General Assembly over the years to expand the Agency's authority and to encourage related community activities.

The Board of the Agency sets policy and oversees the organization's operations. The Board has 14 members. The Secretary of Banking and Securities (chair), the Secretary of Community and Economic Development, the Secretary of Human Services, and the State Treasurer serve by virtue of their offices. Four members of the Board serve at the pleasure of the majority and minority leaders of the State Senate and House of Representatives. Six private citizen members are appointed by the Governor, confirmed by the State Senate, and serve for staggered six-year terms or until their successors are appointed.

The Agency is a component unit of the Commonwealth, as defined by the Governmental Accounting Standards Board ("GASB") – the source of generally accepted accounting principles used by State and Local governments in the United States. The Agency's financial information is discretely presented in the Commonwealth's financial statements, but the Agency is not considered part of the Commonwealth's primary government.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Agency presents its financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), as established by GASB. For financial reporting purposes, the Agency is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-Agency transactions have been eliminated.

Description of Programs

The Agency accounts for its lending and operating activities in various programs based upon management designations and for ease of accountability, summarized as follows:

General Activities – Consists of a group of accounts used to record income and expenses that are not directly pledged to or associated with the programs described below, and includes activity related to various Agency programs and initiatives, including loan servicing and the payment of expenses related to the Agency's administrative functions.

Multifamily Housing Program ("Multifamily Program") – Records the activity related to financing the construction, rehabilitation or operational expenses of multifamily rental housing developments generally designed for persons or families of low and moderate income or the elderly.

Single Family Mortgage Loan Program ("Single Family Program") – Records the activity related to providing capital for the purchase and servicing of mortgage loans for owner-occupied single-family residences for persons or families of low and moderate income.

Insurance Program – The Agency provides primary mortgage insurance coverage through this program to cover the risk of mortgage default for certain single-family borrowers.

Homeowners' Emergency Mortgage Assistance Program ("HEMAP") – Created by Act 91 of 1982 (as later amended) by the Pennsylvania General Assembly to provide emergency mortgage assistance loans to mortgagors facing foreclosure due to circumstances beyond their control. HEMAP's primary operating revenues are derived from funding received from the Commonwealth, from program repayments, and income from investments, and are reported as a component of Program Income and Fees within the Agency's financial statements.

Fair Value Application and Measurement
Fair value is applied to assets and liabilities that the Agency holds primarily for the purpose of income or profit and that have a present service capacity based solely on their ability to generate cash or to be sold to generate cash. The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based upon valuation inputs used to measure the fair value of the respective asset or liability. Level 1 inputs include quoted prices in active markets for identical assets; Level 2 inputs include observable inputs other than quoted prices included in Level 1 inputs; Level 3 inputs include unobservable inputs.

Cash and Cash Equivalents
Cash includes currency on hand and currency equivalents that may be accessed immediately or near-immediately. Cash equivalents are defined as short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash. Agency cash and cash equivalents consist of demand deposit checking and savings accounts, cash held in trust and money market funds.

Investments
Investments are reported at fair value, determined by reference to published market prices and quotations. Changes in fair values are recognized separately within the Statement of Revenues, Expenses and Changes in Net Position.

Restricted Cash, Cash Equivalents and Investments
Restricted cash, cash equivalents, and investments consist of cash, cash equivalents, and investments restricted primarily by escrow agreements, bond resolutions, debt servicing agreements, creditor agreements or other contractual agreements. The Agency collects mortgage payments on behalf of mortgagees for whom the Agency acts as a servicer. The Agency holds monies from multifamily property owners and single-family homeowners for payments of real estate taxes, property insurance and operating reserves, and has recorded a corresponding liability related to these balances. The Agency maintains certain balances of cash, cash equivalents, and investments, restricted as to their use, in order to comply with bond debt capital reserve and self-insurance requirements and certain investor or creditor covenants.

Mortgage Loans Receivable, Net
Mortgage loans receivable consist primarily of single family and multifamily loans. The current portion of mortgage loans receivable represents the contractual amount due within the forthcoming year.

Mortgage loans that the Agency has the ability and intent to hold for the foreseeable future are deemed to be held for investment and are valued at amortized cost. Amortized cost includes the balances of principal outstanding, unamortized premiums and discounts, and capitalized origination costs and fees. Mortgage loans held-for-investment also have an allowance for loan loss applied as needed.

Mortgage loans that the Agency has the ability and intent to sell within the foreseeable future are deemed to be held for sale and are reported at the lower of cost or fair value, determined on an individual basis by loan type as of the date of the financial statements. Mortgage loans held for sale include loans subject to investor purchase commitments (committed loans) and loans held on a speculative basis (uncommitted loans). Fair value of committed loans is based upon commitment prices; fair value of uncommitted loans is based upon the market in which the mortgage banking activity operates. Amounts, if any, by which cost exceeds fair value are included within an allowance for loan loss.

The allowance for loan loss represents an adjustment applied to the balances of mortgage loans receivable in order to reflect amounts deemed collectible, using management's best estimate of probable losses inherent in the portfolio and evaluation of the underlying loans and their likelihood of becoming real estate owned. The allowance for loan loss is based upon the Agency's best information available under the circumstances, including the estimated market values of the properties representing collateral, mortgage insurance coverage on the collateral, the financial condition of the respective borrower, government guarantees, and the economy.

Mortgage servicing rights/servicing release premiums are amortized over the life of the related loans using the effective interest method and include servicing rights associated with both mortgages owned by the Agency and mortgages sold by the Agency for which servicing rights were retained. Mortgage servicing rights retained for underlying loans sold by the Agency are reported at the lower of amortized cost or fair value.

Troubled Debt Restructuring

A troubled debt restructuring occurs when a creditor, for economic or legal reasons related to a debtor's financial difficulties, grants a concession to a debtor experiencing financial difficulties that the creditor would not otherwise consider. Regardless of the form of concession granted by the creditor to the debtor in a troubled debt restructuring, the creditor's objective is to assist the debtor in a difficult situation – the creditor expects to receive a return on investment or increase the probability of receipt of payment by granting the concessions than by not granting them. When conducted in a prudent manner, modifications of problem loans can serve the interests of both the creditor and the debtor and can lead to improved loan performance and reduced credit risk. In some instances, loan modifications are mandated by federal insurance programs. The Agency engages in troubled debt restructuring activities by affording modifications to the terms and interest rates of certain mortgage loans.

Real Estate Owned
Real estate owned represents single-family real estate acquired as a result of foreclosure, acceptance of a deed in lieu of foreclosure or other defaults of nonperforming mortgage loans. Balances of real estate owned approximate net realizable value, based upon actual recoveries for similar asset disposals resulting from anticipated mortgage insurance settlement proceeds or estimated sales prices less costs to sell. Net realizable values of real estate owned also include an allowance for losses attributable to potentially foregone interest and corporate and escrow advances.

Capital Assets
Capital assets are valued at historical cost. The Agency capitalizes assets with an initial cost of $1 (one-thousand dollars) or more. Depreciation is calculated using the straight-line method over the estimated useful lives, which are 5 years for furniture, fixtures, and equipment, 3 years for PC and related equipment, and 45 years for the Agency's building. When capital assets are disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded.

Other Assets
Other assets include federal and Pennsylvania grant and program funding receivable and prepaid expenses.

Deferred Outflows of Resources
Deferred outflows of resources include OPEB-related deferred outflows, which result from the Agency's post-employment healthcare benefits plan ("OPEB Plan"); pension-related deferred outflows, which result from the Agency's Employees' Retirement Plan ("Pension Plan") and Governmental Excess Benefit Plan ("Excess Plan") (collectively "Pensions" or "Pension Plans"); and the accumulated decrease in fair value of hedging derivatives. OPEB-related and Pension-related deferred outflows of resources represent differences between expected and actual experience, changes in assumptions and amounts resulting from contributions made during the Agency's fiscal year subsequent to the OPEB Plan's or Pension Plan's measurement dates. Deferred outflows of resources are recognized over a closed period and are amortized over the remaining average service life of all active and inactive employees who are provided OPEB or Pensions through the aforementioned plans.

Bonds and Notes Payable, Net

The Agency issues bonds and notes to provide capital for its mortgage programs and other uses consistent with its mission. The resultant debt is a general obligation of the Agency, and is secured and payable by the respective mortgage loans, investments, other assets, and revenues within the respective programs or accounts established by the associated bond indentures. Bonds and notes payable are stated at their outstanding balances plus any unamortized premiums less any unamortized discounts. The current portion of bonds and notes payable represents the scheduled principal payable within the forthcoming year.

Escrow Deposits and Development Reserves

Escrow deposits represent balances of receipts from Single Family Program homeowners and Multifamily Program developments for anticipated payments of real estate taxes, property insurance and mortgage insurance. Development reserves represent cash held on behalf of owners of multifamily properties for repairs and replacement, property improvements, supportive services and potential operating deficits experienced by Multifamily Program developments.

Derivative Instruments – Interest Rate Swaps

The Agency enters into interest rate swap agreements (“swaps”) with various counterparties to hedge the interest rate exposure associated with variable rate debt and to reduce overall borrowing costs. Swaps are structured whereby the Agency pays a fixed interest rate to a counterparty in exchange for the same counterparty paying to the Agency a variable interest rate, which is established based upon a common market index.

Swaps are reported at fair value and are classified as either hedging derivatives, amended hedging derivatives or investment derivatives. Hedging derivatives include swaps with critical terms that have not changed since their inception. Amended hedging derivatives include swaps with critical terms that have since been amended. The changes in fair values of hedging derivatives and amended hedging derivatives are reported as accumulated decrease in fair values of hedging derivatives on the Balance Sheet, which equal the values of the corresponding swaps. Investment derivatives include swaps that are not considered to be effective hedges; the changes in fair values of investment derivatives are reported as a net increase or decrease in the fair value of swaps and recognized as a revenue or expense.

Total OPEB Liability

The Agency is required to measure and disclose amounts relating to total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and the fiduciary net position of the Agency’s OPEB Plan. The Agency does not fund its OPEB liability, rather, the Agency provides health insurance for its retirees on a pay-as-you-go basis, therefore, the OPEB Plan has no fiduciary net position.

Net Pension Liability
Net pension liability represents the portion of the present value of projected benefit payments attributed to past periods of service to be provided through the Agency's Pensions to current active and inactive employees less the fiduciary net position of the Pensions. It represents the Agency's total pension liability less the fiduciary net position available to pay that liability. Investments included within fiduciary net position are reported at fair value.

Other Liabilities
Other liabilities consist mainly of unearned revenues, unearned federal funding, amounts due to Pennsylvania State Employees Retirement System ("SERS") and accrued expenses.

Deferred Inflows of Resources
Deferred inflows of resources include net unamortized gains (losses) on bond refundings, which are amortized over the shorter of the remaining life of the old debt or the life of the new debt; OPEB Plan-related and Pension Plan-related deferred Inflows, which represent the difference between projected and actual earnings on investments within the Agency's Pensions, are recognized over a closed period and are amortized over a 5-year period, the difference between expected and actual experience, and changes in assumptions are recognized over a closed period and are amortized over the remaining average service life of all active and inactive employees who are provided OPEB or Pensions through the aforementioned plans; and the accumulated increase in fair value of hedging derivatives, which represents the anticipated future utilization of the value of interest rate swap agreements deemed to be effective hedging derivatives.

Net Position
Net position is classified in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of assets with constraints placed on their use by laws, regulations, Agency bond resolutions or external groups, such as creditors or grantors.

Unrestricted – Consists of assets that do not meet the definition of Net Investment in Capital Assets or Restricted. This component includes assets designated for specific purposes by the actions of the Board.

When both restricted and unrestricted resources are available, it is the Agency's policy to use restricted resources to the extent allowed and only use unrestricted resources when needed.

Classification of Revenues and Expenses
Operating revenues include all revenue from mortgage and loan activity, mortgage servicing, investment income and gains on the sale of pooled loans via the Government National Mortgage Association ("GNMA") and the Federal National Mortgage Association ("FNMA"). Operating revenues also include amounts received for the grant programs, which includes administrative fees for the oversight of award distribution, monitoring of subrecipients and reporting to federal and Commonwealth agencies, and allocations for the costs of required independent annual audits of federal awards expended. The costs of mortgage loan servicing, investment, and grant programs are reported as operating expenses.

Non-operating revenues and expenses include federal program awards and the corresponding direct program costs for which those awards are received and recognized, and consist primarily of pass-through amounts related to the Agency's role as contract administrator of the U.S. Department of Housing and Urban Development's ("HUD") Section 8 subsidy program.

Interest Income on Mortgage Loans
Interest received for mortgage loans is based upon the constant yield method. Interest accrues on performing and nonperforming loans for up to 150 days or until the underlying obligation is satisfied or the associated property is sold, foreclosed-upon or transferred to another entity.

Investment Income
Investment income includes net receipts and payments associated with swaps deemed to be investment derivatives, gains or losses on sales of investments and investment interest income.

The Agency participates in the GNMA and FNMA mortgage backed securities programs, whereby GNMA or FNMA guarantees securities that are issued by the Agency and backed by pools of mortgage loans. Gains on sales of MBSs are recorded at the time of settlement and represent the difference between the sale price of the MBSs and the carrying value of the underlying pool of mortgages backing them.

Pension and Other Postemployment Benefits Expense
Pension expense and other postemployment benefit expense are reported as salaries and related benefits and represent the estimated cost of the benefits earned by employees during the period, with the addition or subtraction of amounts that are deferred and amortized into expense over time as required by GAAP.

Compensated Absences
Employees earn vacation and illness leave benefits. Upon separation of service, employees are compensated for accumulated leave balances, limited by Agency policy. Compensated absence leave is recorded as an accrued expense in the period earned.

Debt Issuance Costs, Discounts and Other Related Costs
Costs related to bond and note issuance are expensed when incurred. Bond discounts and premiums are amortized over the lives of the corresponding bonds using the effective interest method. Net swap agreement payments are recorded as a component of interest expense on bonds and notes.

Accounting Standards Issued but Not Yet Adopted
GASB issued the following Statements that will become effective in future reporting periods. Management is currently evaluating the potential impact on the Agency's financial statements.

- GASB Statement No. 103, *Financial Reporting Model Improvements,* issued April 2024, effective for the Agency's fiscal year ending June 30, 2026.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets,* issued September 2024, effective for the Agency's fiscal year ending June 30, 2026.
- GASB Statement No. 105, *Subsequent Events*, issued December 2025, effective for the Agency's fiscal year ending June 30, 2027.

3. Cash, Cash Equivalents and Investments

The Agency maintains a policy whereby cash and cash equivalents must be held in insured depositories satisfactory to the Agency.

Commonwealth of Pennsylvania statutes and contractual provisions contained within the Agency's bond trust indentures govern the investment policies of the Agency. The Housing Finance Agency Law, 1959, Dec. 3, P.L. 1688 as amended Dec. 5, 1972, P.L. 1259, No. 282 and bond indentures provide the authority to invest all Agency funds. In compliance with the Act and bond indentures, it is the policy of the Agency to invest in securities that provide suitable returns, preserve principal, meet liquidity needs, and further the mission of the Agency.

March 31, 2026 (in thousands)

4. Mortgage Loans Receivable

Amounts reported as mortgage loans receivable at March 31, 2026 and June 30, 2025 consisted of the following:

	March 31, 2026				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Mortgage loans	$ 10,005	$ 544,876	$ 7,240,651	$ 37,017	$ 7,832,549
Less:					
Allowance for loan losses	6,003	94,878	15,448	20,176	136,505
Mortgage loans receivable	4,002	449,998	7,225,203	16,841	7,696,044
Current portion	-	2,581	201,487	3,439	207,507
Noncurrent portion	$ 4,002	$ 447,417	$ 7,023,716	$ 13,402	$ 7,488,537

	June 30, 2025				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Mortgage loans	$ 10,005	$ 449,441	$ 6,503,619	$ 40,514	$ 7,003,579
Less:					
Allowance for loan losses	6,003	94,878	15,448	21,413	137,742
Mortgage loans receivable	4,002	354,563	6,488,171	19,101	6,865,837
Current portion	-	3,015	157,232	3,566	163,813
Noncurrent portion	$ 4,002	$ 351,548	$ 6,330,939	$ 15,535	$ 6,702,024

Securitizations, Gains on the Sale of Mortgage-Backed Securities and Mortgages Held for Sale
During the nine months ended March 31, 2026 and 2025, the Agency securitized mortgage loans with a principal balance of $1,538 and $4,524, respectively, into MBSs through GNMA or directly to FNMA through their cash window. MBSs are either sold to private investors or purchased by the Agency. Ongoing revenue for the Agency is generated from servicing the loans pooled into MBSs, which is reported as program income and fees, and by gains derived from the sale price less the value of the underlying mortgages of the MBSs at the time of settlement. Total gains on the sale of MBSs for the nine months ended March 31, 2026, and 2025 equaled $41 and $35, respectively, reported in Investment income on the Statement of Revenues, Expenses, and Changes in Net Position. Mortgages held for sale are reported at fair value measured by Level 2 inputs based upon observable quoted prices of similar assets. Mortgages held for sale totaled $41,978 and $44,189 at March 31, 2026 and June 30, 2025, respectively.

Mortgage Loan Collateral and Insurance Coverage
General Activity mortgage loans receivable represent amounts disbursed through the Agency’s Mixed-Use Facility Financing Initiative (“MUFFI”), Homeownership Choice Program (“HCP”) and Revised Community Leveraging Assistance Initiative Mortgage (“ReCLAIM”). The loans are not insured, but they are secured by promissory notes and mortgages on the associated properties.

Multifamily Program mortgage loans receivable are not insured, but are collateralized by mortgages on the related projects. The federal government subsidizes certain projects included in the Multifamily Program mortgage loan portfolio.

Single Family Program mortgage loans are secured by liens on the related real property, and private mortgage insurance is generally required on all mortgage loans where the loan principal amount exceeds 80% of the lesser of the purchase price or the initial appraised value of the property. Private mortgage insurance for Single Family Program mortgage loans is provided by commercial companies, the Agency’s Insurance Program, certain federal programs through the Federal Housing Administration (“FHA”), United States Department of Veterans Affairs (“VA”), United States Department of Agriculture – Rural Development (“RD”), FNMA, and varying other sources.

Mortgage-Backed Security Repurchase Reserve
Mortgage loans securitized into MBSs through either GNMA or FNMA (“securitized loans”) are not included in the Agency’s financial statements. If a borrower fails to make a timely payment on a mortgage loan, the Agency must use its own funds to ensure that holders of Agency-issued MBSs receive timely payment. In circumstances of significant borrower delinquency, the Agency will repurchase a securitized loan from its respective MBS. Repurchased mortgage loans are included in the Agency’s financial statements; as a result, the risk of loss, net of mortgage insurance, associated with these loans is considered in management's routine evaluation of the allowances for loan losses and the Agency has, therefore, established a repurchase reserve for these securitized loans. Securitized loans repurchased by the Agency totaled $1,580 and $4,363 for the nine months ended March 31, 2026 and 2025, respectively, and the Agency’s repurchase reserve for securitized loans equaled $2,632 at March 31, 2026 and June 30, 2025.

March 31, 2026 (in thousands)

Allowance for Loan Loss

The allowances for loan losses at March 31, 2026 and 2025 consisted of the following:

	March 31, 2026				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Beginning balance	$ 6,003	$ 94,878	$ 15,448	$ 21,413	$ 137,742
Loss provision	-	-	1,469	358	1,827
Net losses	-	-	(1,469)	(1,595)	(3,064)
Ending balance	$ 6,003	$ 94,878	$ 15,448	$ 20,176	$ 136,505

	March 31, 2025				
	General Activities	Multifamily Program	Single Family Program	HEMAP	Total
Beginning balance	$ 5,743	$ 94,918	$ 14,707	$ 23,600	$ 138,968
Loss provision (recoveries)	-	11	1,521	(57)	1,475
Net losses	-	-	(521)	(1,024)	(1,545)
Ending balance	$ 5,743	$ 94,929	$ 15,707	$ 22,519	$ 138,898

Amounts reported as provision for loan loss and real estate owned on the statement of revenues, expenses and changes in net position for the nine months ended March 31, 2026 and 2025 consisted of the following:

	March 31, 2026					
	General Activities	Multifamily Program	Single Family Program	Insurance Program	HEMAP	Total
Loss provision	$ -	$ -	$ 1,469	$ -	$ 358	$ 1,827
Self-insured losses	-	-	-	315	-	315
Change in value of REOs	-	-	(18)	-	-	(18)
Accrued interest losses	-	105	-	-	-	105
Change in repurchase reserve	-	-	77	-	-	77
Provision for loan loss and real estate owned	$ -	$ 105	$ 1,528	$ 315	$ 358	$ 2,306

March 31, 2026 (in thousands)

	March 31, 2025					
	General Activities	Multifamily Program	Single Family Program	Insurance Program	HEMAP	Total
Loss provision (recoveries)	$ -	$ 11	$ 1,521	$ -	$ (57)	$ 1,475
Self-insured losses	-	-	-	750	-	750
Change in value of REOs	-		(254)			(254)
Accrued interest losses	-	137	-	-	-	137
Change in repurchase reserve	-	-	43		-	43
Provision (recoveries) for loan loss and real estate owr	$ -	$ 148	$ 1,310	$ 750	$ (57)	$ 2,151

5. Real Estate Owned by the Agency

Real estate owned by the Agency included 102 properties with a net realizable value of $9,902 at March 31, 2026, and 121 properties with a net realizable value of $9,595 at June 30, 2025.

6. Bonds and Notes Payable

The Agency issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Multifamily Program and Single Family Program are used to fund Multifamily and Single Family mortgage loans. General Activities long-term debt is used to finance the Agency’s headquarters in Harrisburg, Pennsylvania.

Interest on bonds and notes payable is payable semi-annually. Interest rates on variable rate debt reset on a quarterly, monthly or weekly basis. Interest paid on indexed floating-rate tax-exempt bonds is closely correlated with the Securities Industry and Financial Markets Association Municipal Swap (“SIFMA”) rate. At March 31, 2026, variable interest rates payable ranged from 2.42% to 3.50%. At June 30, 2025, variable interest rates payable ranged from 2.00% to 4.04%.

The aggregate principal amounts of bonds and notes payable outstanding at March 31, 2026 and June 30, 2025, maturity dates and corresponding interest rates at March 31, 2026 are illustrated in the following table.

March 31, 2026 (in thousands)

	Interest rates at March 31, 2026		Maturity	Amounts outstanding at	
Bond Series	**Variable**	**Fixed**	**Date**	**March 31, 2026**	**June 30, 2025**
General Activities:					
Headquarters Bonds *	350 bps	-	2037	$ 24,000	$ 25,000
Single Family Program:					
Bonds Payable					
Series 2015 - 116	-	3.45-3.45%	2026	995	2,225
Series 2015 - 117	-	3.55-3.90%	2035	20,135	21,940
Series 2015 - 118	-	3.35-3.80%	2040	27,760	30,650
Series 2016 - 119	-	2.70-3.50%	2041	68,195	71,145
Series 2016 - 120	-	2.25-3.20%	2040	120,420	124,235
Series 2016 - 121	-	2.20-3.20%	2041	150,610	153,260
Series 2017 - 122	-	3.10-4.00%	2046	56,270	60,660
Series 2017 - 123	-	2.90-4.00%	2039	45,895	48,865
Series 2017 - 124	-	2.30-4.00%	2042	117,025	121,125
Series 2017 - 125	-	2.90-3.70%	2047	129,270	133,055
Series 2018 - 126	-	3.25-4.00%	2048	22,990	24,355
Series 2018 - 127	-	2.85-3.55%	2033	69,975	75,025
Series 2018 - 128	-	3.50-4.75%	2034	28,460	34,685
Series 2019 - 129	-	2.10-3.40%	2049	122,000	122,000
Series 2019 - 130	-	1.60-4.00%	2049	107,755	113,970
Series 2019 - 131	-	1.85-3.50%	2049	95,695	99,585
Series 2020 - 132* **	245 bps	1.45-3.50%	2051	156,545	164,100
Series 2020 - 133	-	1.75-5.00%	2050	167,150	173,055
Series 2021 - 134	-	0.80-5.00%	2049	118,380	122,830
Series 2021 - 135	-	1.57-5.00%	2051	144,495	149,005
Series 2021 - 136	-	1.80-5.00%	2051	246,765	253,950
Series 2021 - 137	-	1.90-5.00%	2051	221,120	225,700
Series 2022 - 138 **	-	2.50-5.00%	2052	226,305	231,660
Series 2022 - 139 **	-	3.35-5.00%	2052	252,380	269,465
Series 2022 - 140 **	-	3.59-5.16%	2052	275,555	282,585

March 31, 2026 (in thousands)

	Interest Rates at March 31, 2026		Maturity	Amounts Outstanding at	
Bond Series	**Variable**	**Fixed**	**Date**	**March 31, 2026**	**June 30, 2025**
Series 2023 - 141* **	242 bps	2.42-5.75%	2053	443,420	455,175
Series 2023 - 142**	-	3.40-5.50%	2053	431,895	441,415
Series 2023 - 143**	-	4.70-6.46%	2053	444,190	452,050
Series 2024 - 144	-	3.75-6.00%	2054	257,435	261,240
Series 2024 - 145	-	3.90-6.00%	2054	440,695	446,345
Series 2024 - 146	-	3.88-6.25%	2054	487,860	492,205
Series 2024 - 147	-	3.20-6.25%	2054	294,175	296,405
Series 2025 - 148	-	2.95-6.25%	2055	326,600	326,810
Series 2025 - 149	-	4.35-6.50%	2055	577,525	-
Series 2025 - 150	-	3.75-6.50%	2055	402,235	-
Series 2025 - 151	-	3.50-6.25%	2055	275,280	-
Series 2026 - 152		3.20-6.25%	2056	237,350	-
Total Single Family Program Bonds Payable				7,610,805	6,280,775
Notes Payable from Direct Borrowings					
General Obligation Note	-	2.75%	2034	20,000	20,417
Total Single Family Program Notes Payable				20,000	20,417
Unamortized bond premiums				124,157	109,037
Total bonds and notes payable				7,778,962	6,435,229
Current portion				195,538	174,363
Noncurrent portion				$ 7,583,424	$ 6,260,866

bps - basis points
* – All or a portion of the balances of these bonds payable include variable rate demand obligations. Interest rates on VRDO's reset on a weekly basis.

** - The bond series includes direct placement bonds under the SF Indenture which are secured on parity with all other outstanding bonds under the same SF Indenture and there are no terms of the SF Indenture that are unique to those direct placement bonds.

7. Restricted Net Position

The Single Family Program's March 31, 2026 and June 30, 2025 net position restrictions equaling $233,548 and $194,084, respectively, are restricted pursuant to the Agency's obligations to HUD and its bondholders; provisions are present within the Single Family Program bond indenture. Net position restrictions within HEMAP totaling $28,726 and $30,220 at March 31, 2026 and June 30, 2025, respectively, represent amounts restricted for the purpose of making mortgage assistance loans.

SUPPLEMENTARY INFORMATION

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

March 31, 2026 (in thousands)

ASSETS	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current assets:							
Cash and cash equivalents	$ (87,839)	$ 82,771	$ 1,125,521	$ 77,242	$ 22,871	$ -	$ 1,220,566
Restricted cash and cash equivalents	7,110	178,217	64,755	-	-	-	250,082
Investments	-	-	10,129	-	-	-	10,129
Restricted investments	4,962	-	1,000	1,983	-	-	7,945
Accrued investment interest receivable	109	815	2,706	678	-	-	4,308
Mortgage loans receivable, net	-	2,581	201,487	-	3,439	-	207,507
Accrued mortgage loan interest receivable	-	254	34,958	-	278	-	35,490
Mortgages held for sale	-	-	41,978	-	-	-	41,978
Other current assets	78,151	65	59	-	-	-	78,275
Total Current Assets	2,493	264,703	1,482,593	79,903	26,588	-	1,856,280
Noncurrent Assets:							
Investments	96,731	6,251	110	62,143	-	-	165,235
Restricted investments	-	-	174,839	-	-	-	174,839
Mortgage loans receivable, net	4,002	447,417	7,023,716	-	13,402	-	7,488,537
Derivative instrument - interest rate swaps	687	-	8,082	-	-	-	8,769
Real estate owned	-	-	9,902	-	-	-	9,902
Capital assets, net	51,998	-	-	-	-	-	51,998
Intra-agency receivables	297,357	27,701	-	-	-	(325,058)	-
Other noncurrent assets	28	-	74,150	-	-	-	74,178
Total Noncurrent Assets	450,803	481,369	7,290,799	62,143	13,402	(325,058)	7,973,458
TOTAL ASSETS	453,296	746,072	8,773,392	142,046	39,990	(325,058)	9,829,738
DEFERRED OUTFLOWS OF RESOURCES							
OPEB-related deferred outflows	12,919	-	-	-	-	-	12,919
Pension-related deferred outflows	10,626	-	-	-	-	-	10,626
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,545	-	-	-	-	-	23,545
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 476,841	$ 746,072	$ 8,773,392	$ 142,046	$ 39,990	$ (325,058)	$ 9,853,283

PENNSYLVANIA HOUSING FINANCE AGENCY
Combining Balance Sheet
March 31, 2026 (in thousands)

LIABILITIES	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current Liabilities:							
Accounts payable and accrued expenses	$ 821	$ 3,073	$ 2,974	$ -	$ (7)	$ -	$ 6,861
Bonds and notes payable, net	2,000	-	193,538	-	-	-	195,538
Accrued interest payable	61	-	157,030	-	-	-	157,091
Escrow deposits and development reserves	-	27,056	70,098	-	152	-	97,306
Software-based IT arrangements	678	-	-	-	-	-	678
Other current liabilities	173,721	4,287	1,515	-	-	-	179,523
Total Current Liabilities	177,281	34,416	425,155	-	145	-	636,997
Noncurrent Liabilities:							
Bonds and notes payable, net	22,000	-	7,561,424	-	-	-	7,583,424
Development reserves	-	148,953	-	-	-	-	148,953
Total OPEB liability	91,502	-	-	-	-	-	91,502
Net pension liability	30,146	-	-	-	-	-	30,146
Software-based IT arrangements	2,951	-	-	-	-	-	2,951
Intra-agency payables	-	-	315,687	-	9,371	(325,058)	-
Other noncurrent liabilities	11,121	315,431	9,091	5,753	1,748	-	343,144
Total Noncurrent Liabilities	157,720	464,384	7,886,202	5,753	11,119	(325,058)	8,200,120
TOTAL LIABILITIES	335,001	498,800	8,311,357	5,753	11,264	(325,058)	8,837,117
DEFERRED OUTFLOWS OF RESOURCES							
OPEB-related deferred inflows	39,969	-	-	-	-	-	39,969
Pension-related deferred inflows	2,829	-	-	-	-	-	2,829
Unamortized gains on bond refundings	-	-	2,171	-	-	-	2,171
Accumulated increase in fair value of hedging derivatives	687	-	8,082	-	-	-	8,769
TOTAL DEFERRED OUTFLOWS OF RESOURCES	43,485	-	10,253	-	-	-	53,738
NET POSITION							
Net investment in capital assets	24,369	-	-	-	-	-	24,369
Restricted	-	-	233,548	-	28,726		262,274
Unrestricted	73,986	247,272	218,234	136,293	-	-	675,785
TOTAL NET POSITION	98,355	247,272	451,782	136,293	28,726	-	962,428
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 476,841	$ 746,072	$ 8,773,392	$ 142,046	$ 39,990	$ (325,058)	$ 9,853,283

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Revenues, Expenses and Changes in Net Position

Nine Months Ended March 31, 2026 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Operating Revenues:						
Interest income on mortgage loans	$ -	$ 4,476	$ 253,532	$ -	$ 137	$ 258,145
Program income and fees	145,058	631	30	14,315	56	160,090
Investment income	8,858	911	22,815	3,200	656	36,440
Net increase in fair value of investments	6,461	(768)	(1,671)	895	-	4,917
Gain on early extinguishment of debt	-	-	4,799	-	-	4,799
Total Operating Revenues	160,377	5,250	279,505	18,410	849	464,391
Operating Expenses:						
Interest expense on bonds and notes	864	-	197,604	-	-	198,468
Financing expenses	43	-	10,785	-	-	10,828
Program expenses	91,863	95	23,797	-	377	116,132
Salaries and related benefits	39,770	-	-	-	1,286	41,056
General and administrative	15,834	219	7,102	-	322	23,477
Provision for loan loss and real estate owned	-	105	1,528	315	358	2,306
Total Operating Expenses	148,374	419	240,816	315	2,343	392,267
Operating (Loss) Income	12,003	4,831	38,689	18,095	(1,494)	72,124
Nonoperating Revenue						
Federal program awards	17,909	483,821	2,020	-	-	503,750
Nonoperating Expense						
Federal program expense	17,909	483,821	2,020	-	-	503,750
Income (Loss) Before Transfers	12,003	4,831	38,689	18,095	(1,494)	72,124
Intra-agency transfers	(9,358)	93	9,265	-	-	-
Change in Net Position	2,645	4,924	47,954	18,095	(1,494)	72,124
Net Position - beginning of year	95,710	242,348	403,828	118,198	30,220	890,304
Net Position - end of period	$ 98,355	$ 247,272	$ 451,782	$ 136,293	$ 28,726	$ 962,428

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Nine Months Ended March 31, 2026 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Cash flows from operating activities:						
Receipts of mortgage loan payments	$ 206	$ 2,875	$ 324,174	$ -	$ 3,007	$ 330,262
Receipts of fees and other income	145,058	631	30	14,315	56	160,090
Receipts of interest on mortgages	-	4,292	247,213	-	137	251,642
(Payments) receipts of escrows and reserves	(8,223)	26,156	(38,858)	(1,988)	152	(22,761)
Payments for mortgages and purchases	(206)	(33,021)	(1,053,571)	-	(1,397)	(1,088,195)
Payments for salaries and related benefits	(35,770)	-	-	-	-	(35,770)
(Payments) receipts for goods, services and other	(167,814)	2,668	(28,419)	-	(1,187)	(194,752)
Net cash (used in) provided by operating activities	(66,749)	3,601	(549,431)	12,327	768	(599,484)
Cash flows from noncapital financing activities:						
Proceeds from the issuance of bonds and notes	-	-	1,541,866	-	-	1,541,866
Payments for retirement of bonds and notes	-	-	(167,576)	-	-	(167,576)
Payments of bonds and notes interest	-	-	(101,386)	-	-	(101,386)
Payments of financing costs	(43)	-	(10,785)	-	-	(10,828)
Receipts (repayments) of program advances	8,992	(93)	(7,684)	-	(1,215)	-
Receipts of federal program awards	17,909	483,821	2,020	-	-	503,750
Payments of federal program awards	(17,909)	(483,821)	(2,020)	-	-	(503,750)
Net cash provided by (used in) noncapital financing activities	8,949	(93)	1,254,435	-	(1,215)	1,262,076
Cash flows from capital financing activities:						
Purchase of capital assets	(681)	-	-	-	-	(681)
Payments for the retirement if capital financing bond	(1,000)	-	-	-	-	(1,000)
Interest paid on capital debt	(866)	-	-	-	-	(866)
Net cash used in capital financing activites	(2,547)	-	-	-	-	(2,547)
Cash flows from investing activities:						
Proceeds from the sale or maturity of investments	5,058	-	19,793	-	-	24,851
Receipts of investment interest	9,052	171	22,696	3,878	632	36,429
Payments for purchases of investments	-	-	(20,000)	(7,000)	-	(27,000)
Net cash provided by (used in) investing activities	14,110	171	22,489	(3,122)	632	34,280
Net increase (decrease) in cash and cash equivalents	(46,237)	3,679	727,493	9,205	185	694,325
Cash and cash equivalents, beginning of year	(34,492)	257,309	462,783	68,037	22,686	776,323
Cash and cash equivalents, end of period	$ (80,729)	$ 260,988	$ 1,190,276	$ 77,242	$ 22,871	$ 1,470,648

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Nine Months Ended March 31, 2026 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Reconciliation of Operating Income (Loss) to						
Net Cash (Used In) Provided By Operating Activities:						
Operating Income (Loss)	$ 12,003	$ 4,831	$ 38,689	$ 18,095	$ (1,494)	$ 72,124
Investment income recognized	(8,858)	(911)	(22,815)	(3,200)	(656)	(36,440)
Net change in fair value of investments	(6,461)	768	1,671	(895)	-	(4,917)
Net change in fair value of swaps	-	-	-	-	-	-
Interest expense on bonds and notes	864	-	197,604	-	-	198,468
Financing expenses	43	-	10,785	-	-	10,828
(Provision) recoveries for loan loss and real estate owned	-	105	1,528	315	358	2,306
Depreciation	4,410	-	-	-	-	4,410
Gain on early extinguishment of debt	-	-	(4,799)	-	-	(4,799)
Loss on disposal of capital assets	1,149	-	-	-	-	1,149
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	-	(95,358)	(747,697)	-	1,902	(841,153)
Mortgage loans interest receivable	-	(184)	(6,319)	-	-	(6,503)
Real Estate Owned, Net	-	-	(307)	-	-	(307)
Other assets	(63,811)	(63)	(12,726)	-	-	(76,600)
Accounts payable and accrued expenses	(1,175)	3,073	2,878	-	(375)	4,401
Escrow deposits and development reserves	(800)	15,896	1,910	-	152	17,158
Other liabilities	(4,113)	75,444	(9,833)	(1,988)	881	60,391
Net Cash (Used In) Provided By Operating Activities	$ (66,749)	$ 3,601	$ (549,431)	$ 12,327	$ 768	$ (599,484)

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2025 (in thousands)

ASSETS	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current assets:							
Cash and cash equivalents	$ (57,317)	$ 162,683	$ 226,567	$ 68,037	$ 22,686	$ -	$ 422,656
Restricted cash and cash equivalents	22,825	94,626	236,216	-	-	-	353,667
Investments	4,998	-	-	-	-	-	4,998
Restricted investments	-	-	11,030	-	-	-	11,030
Accrued investment interest receivable	303	75	2,587	-	-	-	2,965
Mortgage loans receivable, net	-	3,015	157,232	-	3,566	-	163,813
Accrued mortgage loan interest receivable	-	70	28,639	-	254	-	28,963
Mortgages held for sale	-	-	44,189	-	-	-	44,189
Other current assets	4,257	2	-	-	-	-	4,259
Total Current Assets	(24,934)	260,471	706,460	68,037	26,506	-	1,036,540
Noncurrent Assets:							
Investments	95,285	-	-	56,163	-	-	151,448
Restricted investments	-	7,015	177,066	-	-	-	184,081
Mortgage loans receivable, net	4,002	351,548	6,330,939	-	15,535	-	6,702,024
Derivative instrument - interest rate swaps	683	-	9,029				9,712
Real estate owned	-	-	9,595	-	-	-	9,595
Capital assets, net	56,408	-	-	-	-	-	56,408
Intra-agency receivables	286,405	27,701	-	-	-	(314,106)	-
Other noncurrent assets	10,111	-	61,483	-	-	(10,090)	61,504
Total Noncurrent Assets	452,894	386,264	6,588,112	56,163	15,535	(324,196)	7,174,772
TOTAL ASSETS	427,960	646,735	7,294,572	124,200	42,041	(324,196)	8,211,312
DEFERRED OUTFLOWS OF RESOURCES							
OPEB-related deferred outflows	12,919	-	-	-	-	-	12,919
Pension-related deferred outflows	10,626	-	-	-	-	-	10,626
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,545	-	-	-	-	-	23,545
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 451,505	$ 646,735	$ 7,294,572	$ 124,200	$ 42,041	$ (324,196)	$ 8,234,857

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Balance Sheet

June 30, 2025 (in thousands)

LIABILITIES	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Intra-Agency Eliminations	Total
Current Liabilities:							
Accounts payable and accrued expenses	$ 1,996	$ -	$ 96	$ -	$ 368	$ -	$ 2,460
Bonds and notes payable, net	2,000	-	172,363	-	-	-	174,363
Accrued interest payable	63	-	65,611	-	-	-	65,674
Escrow deposits and development reserves	800	35,638	68,188	-	-	-	104,626
Software-based IT arrangements	886	-	-	-	-	-	886
Other current liabilities	153,348	253	21,386	-	-	-	174,987
Total Current Liabilities	159,093	35,891	327,644	-	368	-	522,996
Noncurrent Liabilities:							
Bonds and notes payable, net	23,000	-	6,237,866	-	-	-	6,260,866
Development reserves	-	124,475	-	-	-	-	124,475
Total OPEB liability	89,502	-	-	-	-	-	89,502
Net pension liability	28,146	-	-	-	-	-	28,146
Software-based IT arrangements	3,433	-	-	-	-	-	3,433
Intra-agency payables	-	-	314,106	-	-	(314,106)	-
Other noncurrent liabilities	9,140	244,021	-	6,002	11,453	(10,090)	260,526
Total Noncurrent Liabilities	153,221	368,496	6,551,972	6,002	11,453	(324,196)	6,766,948
TOTAL LIABILITIES	312,314	404,387	6,879,616	6,002	11,821	(324,196)	7,289,944
DEFERRED INFLOWS OF RESOURCES							
OPEB-related deferred inflows	39,969	-	-	-	-	-	39,969
Pension-related deferred inflows	2,829	-	-	-	-	-	2,829
Unamortized losses on bond refundings	-	-	2,099	-	-	-	2,099
Accumulated decrease (increase) in fair value of hedging derivatives	683	-	9,029	-	-	-	9,712
TOTAL DEFERRED INFLOWS OF RESOURCES	43,481	-	11,128	-	-	-	54,609
NET POSITION							
Net investment in capital assets	27,089	-	-	-	-	-	27,089
Restricted	-	-	194,084	-	30,220	-	224,304
Unrestricted	68,621	242,348	209,744	118,198	-	-	638,911
TOTAL NET POSITION	95,710	242,348	403,828	118,198	30,220	-	890,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 451,505	$ 646,735	$ 7,294,572	$ 124,200	$ 42,041	$ (324,196)	$ 8,234,857

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Revenues, Expenses and Changes in Net Position

Nine Months Ended March 31, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Operating Revenues:						
Interest income on mortgage loans	$ -	$ 4,628	$ 193,569	$ -	$ 142	$ 198,339
Program income and fees	125,291	222	-	10,879	106	136,498
Investment income	11,976	2,862	27,483	1,984	773	45,078
Net increase in fair value of investments	6,079	288	5,496	390	-	12,253
Gain on early extinguishment of debt	-	-	2,366	-	-	2,366
Total Operating Revenues	143,346	8,000	228,914	13,253	1,021	394,534
Operating Expenses:						
Interest expense on bonds and notes	632	-	172,648	-	-	173,280
Financing expenses	28	-	8,839	-	-	8,867
Program expenses	76,547	11	23,347	-	-	99,905
Salaries and related benefits	35,882	-	-	-	1,780	37,662
General and administrative	15,111	351	7,112	-	669	23,243
(Recoveries) Provision for loan loss and real estate owned	-	148	1,310	750	(57)	2,151
Total Operating Expenses	128,200	510	213,256	750	2,392	345,108
Operating (Loss) Income	15,146	7,490	15,658	12,503	(1,371)	49,426
Nonoperating Revenue						
Federal program awards	429,239	3,021	215,368	-	-	647,628
Nonoperating Expense						
Federal program expense	429,239	3,021	215,368	-	-	647,628
(Loss) Income Before Transfers	15,146	7,490	15,658	12,503	(1,371)	49,426
Intra-agency transfers	(6,628)	6	6,608	14	-	-
Change in Net Position	8,518	7,496	22,266	12,517	(1,371)	49,426
Net Position - beginning of year	78,797	237,028	376,075	102,482	32,247	826,629
Net Position - end of period	$ 87,315	$ 244,524	$ 398,341	$ 114,999	$ 30,876	$ 876,055

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Nine Months Ended March 31, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Cash flows from operating activities:						
Receipts of mortgage loan payments	$ 111	$ 14,850	$ 231,726	$ -	$ 4,364	$ 251,051
Receipts of fees and other income	125,291	222	-	10,879	106	136,498
Receipts of interest on mortgages	-	4,626	188,795	-	142	193,563
(Payments) Receipts of escrows and reserves	(196,748)	8,191	1,861	(205)	-	(186,901)
Payments for mortgages and purchases	(556)	(24,738)	(1,276,021)	-	(2,033)	(1,303,348)
Payments for salaries and related benefits	(33,005)	-	-	-	-	(33,005)
Payments for goods, services and other	(89,356)	(364)	(36,775)	-	(2,393)	(128,888)
Net cash (used in) provided by operating activities	(194,263)	2,787	(890,414)	10,674	186	(1,071,030)
Cash flows from noncapital financing activities:						
Proceeds from the issuance of bonds and notes	-	-	1,130,207	-	-	1,130,207
Payments for retirement of bonds and notes	-	-	(122,287)	-	-	(122,287)
Payments of bonds and notes interest	-	-	(96,602)	-	-	(96,602)
Payments of financing costs	(28)	-	(8,839)	-	-	(8,867)
Receipts (repayments) of program advances	(8,547)	6	8,527	14	-	-
Receipts of federal program awards	429,239	3,021	215,368	-	-	647,628
Payments of federal program awards	(429,239)	(3,021)	(215,368)	-	-	(647,628)
Net cash provided by (used in) noncapital financing activities	(8,575)	6	911,006	14	-	902,451
Cash flows from capital financing activities:						
Purchases of capital assets	(2,404)	-	-	-	-	(2,404)
Payments for retirement of capital financing bond	(1,000)					(1,000)
Payments for interest on capital financing bond	(638)	-	-	-	-	(638)
Net cash used in capital financing activites	(4,042)	-	-	-	-	(4,042)
Cash flows from investing activities:						
Proceeds from the sale or maturity of investments	88,730	-	31,039	-	-	119,769
Receipts of investment interest	13,693	2,577	27,424	1,984	785	46,463
Payments for purchases of investments	-	(13)	(27,055)	(9,627)	-	(36,695)
Net cash provided by (used in) investing activities	102,423	2,564	31,408	(7,643)	785	129,537
Net (decrease) increase in cash and cash equivalents	(104,457)	5,357	52,000	3,045	971	(43,084)
Cash and cash equivalents, beginning of year	61,678	241,811	906,997	66,934	21,629	1,299,049
Cash and cash equivalents, end of period	$ (42,779)	$ 247,168	$ 958,997	$ 69,979	$ 22,600	$ 1,255,965

PENNSYLVANIA HOUSING FINANCE AGENCY

Combining Statement of Cash Flows

Nine Months Ended March 31, 2025 (in thousands)

	General Activities	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Program	HEMAP	Total
Reconciliation of Operating Income (Loss) to Net Cash (Used In) Provided By Operating Activities:						
Operating Income (Loss)	$ 15,146	$ 7,490	$ 15,658	$ 12,503	$ (1,371)	$ 49,426
Investment income recognized	(11,976)	(2,862)	(27,483)	(1,984)	(773)	(45,078)
Net change in fair value of investments	(6,079)	(288)	(5,496)	(390)	-	(12,253)
Net change in fair value of swaps	-	-	-	-	-	-
Interest expense on bonds and notes	632	-	172,648	-	-	173,280
Financing expenses	28	-	8,839	-	-	8,867
Provision (recoveries) for loan loss and real estate owned	-	148	1,310	750	(57)	2,151
Depreciation	2,714	-	-	-	-	2,714
Gain on early extinguishment of debt	-	-	(2,366)	-	-	(2,366)
Changes in Assets and Liabilities:						
Mortgage loans receivable, net	(445)	(9,888)	(1,045,425)	-	2,331	(1,053,427)
Mortgage loans interest receivable	-	(2)	(4,774)	-	-	(4,776)
Real Estate Owned, Net	-	-	1,340	-	-	1,340
Other assets	3,586	(2)	(7,019)	-	-	(3,435)
Accounts payable and accrued expenses	490	-	(637)	-	(46)	(193)
Escrow deposits and development reserves	149	7,697	3,579	-	-	11,425
Other liabilities	(198,508)	494	(588)	(205)	102	(198,705)
Net Cash (Used In) Provided By Operating Activities	$ (194,263)	$ 2,787	$ (890,414)	$ 10,674	$ 186	$ (1,071,030)

PENNSYLVANIA HOUSING FINANCE AGENCY • MULTIFAMILY HOUSING REVENUE BONDS, SERIES 2026-1A (NON-AMT) AND SERIES 2026-1B (FEDERALLY TAXABLE)

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