

This Official Statement has been prepared on behalf of the State of Oregon Housing and Community Services Department to provide information on the Offered Bonds. Selected information is presented on this cover page for the convenience of the users. To make an informed decision regarding the Offered Bonds, a prospective investor should read this Official Statement in its entirety. Capitalized terms used on the cover page have the meanings given in this Official Statement.

## NEW ISSUE

**\$123,920,000\***  
**State of Oregon**  
**Housing and Community Services Department**  
**Mortgage Revenue Bonds**  
**(Single-Family Mortgage Program)**

<b>\$82,920,000*</b>	<b>\$41,000,000*</b>
<b>2018 Series D</b>	<b>2018 Series E</b>
<b>(Non-AMT)</b>	<b>(Non-AMT)</b>
	<b>(Variable Rate)</b>

Dated: Date of Delivery

Base CUSIP: 686087

Due: As set forth on the  
inside cover page

<i>Tax Exemption</i>	In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Department, (1) under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (a) interest on the Series D Bonds and the Series E Bonds (collectively, the "Offered Bonds") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (b) interest on the Offered Bonds maturing on January 1, 2020 is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, <i>however</i> , is included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax imposed, for tax years beginning before January 1, 2018, on such corporations, and (c) interest on the Offered Bonds maturing on or after July 1, 2020 is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax; and (2) under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of Oregon. See "Tax Matters" herein.
<i>Security</i>	The Bonds are special revenue obligations of the State of Oregon and are secured by a pledge of and security interest in all Revenues, as defined in the Indenture, the proceeds of the sale of Bonds, all right, title and interest of the Department in and to the Mortgage Loans and related mortgage notes and mortgages, the Guaranteed Mortgage Securities and all other moneys in the Accounts established by or pursuant to the Indenture. <b>The Bonds are not general obligation indebtedness of the State of Oregon or any political subdivision thereof. Neither the full faith and credit nor the taxing power of the State of Oregon or any political subdivision thereof is pledged to payment of the Bonds.</b>
<i>Interest Payment Dates</i>	Series D Bonds: July 1 and January 1, commencing July 1, 2019.
<i>Denominations</i>	Series E Bonds (the "Variable Rate Bonds"): January 1 and July 1, commencing January 1, 2019.
<i>Redemption</i>	Series D Bonds: \$5,000 or any integral multiple thereof.
<i>Series E Bonds</i>	Variable Rate Bonds in the Weekly Mode: \$100,000 or any integral multiple of \$5,000 in excess thereof.
<i>Optional and Mandatory Tender of Series E Bonds</i>	The Offered Bonds are subject to redemption prior to maturity at the times, under the conditions and at the prices set forth under "The Offered Bonds – Redemption Provisions" herein, including redemption without premium, from certain sources.
	The Variable Rate Bonds will bear interest at the Weekly Rate as described under "The Offered Bonds – General" and "The Offered Bonds – Description of the Variable Rate Bonds" herein. <b>THIS OFFICIAL STATEMENT ONLY DESCRIBES THE VARIABLE RATE BONDS THAT ARE IN THE WEEKLY MODE PERIOD.</b>
	The Variable Rate Bonds in a Weekly Mode Period are subject to optional or mandatory tender for purchase as described under "The Offered Bonds – Description of the Variable Rate Bonds" herein. Variable Rate Bonds tendered but not remarketed by the Remarketing Agent will be purchased, subject to certain conditions precedent, by State Street Bank and Trust Company (the "Bank"), pursuant to the Initial Liquidity Facility. The Initial Liquidity Facility will be a Second Amended and Restated Standby Bond Purchase Agreement, as amended, among the State, acting by and through the Department, U.S. Bank National Association, as Tender Agent, and the Bank. The Initial Liquidity Facility will also provide liquidity for certain other Series of Outstanding Bonds. See "Introduction" herein.
<i>Closing/Settlement Trustee</i>	The Initial Liquidity Facility expires on June 5, 2021, but may be renewed or extended as provided therein. The Initial Liquidity Facility may be terminated prior to its stated expiration date under certain circumstances, and, in some circumstances, such termination may be immediate and without notice to holders of the Variable Rate Bonds. In such event, no funds may be available pursuant to the Initial Liquidity Facility to purchase Variable Rate Bonds and other Bonds covered by the Initial Liquidity Facility. Merrill Lynch, Pierce, Fenner & Smith Incorporated will serve as the initial Remarketing Agent with respect to the Variable Rate Bonds.
<i>Legal Counsel</i>	Expected to be available for delivery through the facilities of DTC, New York, New York, on or about December __, 2018.
	U.S. Bank National Association
	Hawkins Delafield & Wood LLP, Portland, Oregon and New York, New York, Bond Counsel to the Department; Kutak Rock LLP, Omaha, Nebraska, Underwriters' Counsel; Oregon Department of Justice, Salem, Oregon, the Department's Counsel; Norton Rose Fulbright US LLP, Los Angeles, California, Bank Counsel.



BofA Merrill Lynch†

J.P. Morgan

Fidelity Capital Markets

Morgan Stanley

RBC Capital Markets

Wells Fargo Securities

November \_\_, 2018

\* Subject to change.

† Sole underwriter with respect to the Series E Bonds.

# MATURITY SCHEDULE\*

## \$82,920,000 2018 SERIES D BONDS (NON-AMT)

### \$32,860,000 Serial Bonds

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP<sup>†</sup> Number</u>	<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP<sup>†</sup> Number</u>
January 1, 2020	\$ 995,000	%	%		July 1, 2025	\$1,510,000	%	%	
July 1, 2020	1,245,000				January 1, 2026	1,530,000			
January 1, 2021	1,335,000				July 1, 2026	1,550,000			
July 1, 2021	1,380,000				January 1, 2027	1,575,000			
January 1, 2022	1,390,000				July 1, 2027	1,595,000			
July 1, 2022	1,405,000				January 1, 2028	1,615,000			
January 1, 2023	1,420,000				July 1, 2028	1,640,000			
July 1, 2023	1,435,000				January 1, 2029	1,665,000			
January 1, 2024	1,455,000				July 1, 2029	1,690,000			
July 1, 2024	1,475,000				January 1, 2030	1,715,000			
January 1, 2025	1,495,000				July 1, 2030	1,745,000			

**\$13,905,000**      %      **Term Bonds due July 1, 2034**      **Price: %**      **CUSIP Number<sup>†</sup>**

**\$36,155,000**      %      **Term Bonds due January 1, 2050 (PAC)**      **Price: %**      **CUSIP Number<sup>†</sup>**

## \$41,000,000 2018 SERIES E BONDS (NON-AMT) (Variable Rate)

**\$41,000,000**      %      **Term Bonds due July 1, 2043**      **Price: %**      **CUSIP Number<sup>†</sup>**

\* Subject to change.

<sup>†</sup> CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence, as part of S&P Global Inc. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The CUSIP numbers have been assigned by an organization not affiliated with the Department and are included for the convenience of the holders of the Offered Bonds. The Department is not responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness on the Offered Bonds or as indicated above.

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

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IN CONNECTION WITH THE OFFER AND SALE OF THE OFFERED BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH TEND TO STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFERED BONDS ABOVE THE LEVELS WHICH WOULD OTHERWISE PREVAIL. SUCH ACTIVITIES, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT**  
**of the**  
**STATE OF OREGON**  
**Housing and Community Services Department**

**Relating to**  
**\$123,920,000\***  
**Mortgage Revenue Bonds**  
**(Single-Family Mortgage Program)**

<b>\$82,920,000*</b>	<b>\$41,000,000*</b>
<b>2018 Series D</b>	<b>2018 Series E</b>
<b>(Non-AMT)</b>	<b>(Non-AMT)</b>
	<b>(Variable Rate)</b>

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, inside cover page and Appendices hereto, is to set forth information in connection with the sale by the State of Oregon (the “State”) of its Mortgage Revenue Bonds (Single-Family Mortgage Program), 2018 Series D (the “Series D Bonds”) and 2018 Series E (the “Series E Bonds” or the “Variable Rate Bonds”). The Series D Bonds and the Series E Bonds are referred to herein collectively as the “Offered Bonds.” The Offered Bonds are being issued pursuant to Sections 286A.001 to 286A.195, inclusive, and 456.515 to 456.725, inclusive, of the Oregon Revised Statutes ( “ORS”), as amended (the “Act”), and a Trust Indenture dated as of May 1, 1988, as amended and restated (the “Indenture”), by and between the State, acting by and through the Oregon Housing and Community Services Department (the “Department”), and U.S. Bank National Association, a national banking association organized under the laws of the United States, as trustee (the “Trustee”).

The Offered Bonds are being issued pursuant to two Housing Finance Bond Declarations to be approved by and filed in the Office of the State Treasurer (each, a “Bond Declaration” and, collectively, the “Bond Declarations”). Capitalized terms not otherwise herein defined are used as defined in the Indenture or in the Bond Declarations.

As of October 1, 2018, the Department had issued 233 Series of Bonds under the Indenture in an aggregate principal amount of \$5,965,014,502, of which Bonds with an aggregate principal balance of \$788,120,000 were Outstanding as of such date. The Outstanding prior Series of Bonds, the Offered Bonds and any additional Bonds which may be issued in the future under the Indenture (collectively referred to as the “Bonds”) are and will be on a parity, equally and ratably secured by the Indenture.

The Series E Bonds will bear interest as described herein at an initial rate determined at or prior to delivery and at rates determined weekly thereafter (the “Weekly Mode Period”). See “THE OFFERED BONDS – Description of the Variable Rate Bonds – Interest Provisions” herein. Subject to the requirements of the applicable Bond Declaration, the Department may elect to change the manner in which the interest rate on any or all of the Variable Rate Bonds is determined (each a “Mode,” and a change from one Mode to another Mode, a “Mode Change” with respect to the Variable Rate Bonds to which it applies) or to convert all or part of the Variable Rate Bonds to bear interest at a fixed rate or a rate determined pursuant to an index (a “Conversion” with respect to the Variable Rate Bonds to which it applies). The Variable Rate Bonds will be subject to mandatory tender for purchase in the event of a Mode Change or a Conversion. **THIS OFFICIAL STATEMENT ONLY DESCRIBES VARIABLE RATE BONDS THAT ARE IN THE WEEKLY MODE PERIOD.**

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\* Subject to change.

Except as otherwise provided herein, so long as the Variable Rate Bonds are in a Weekly Mode Period, the owners of any Variable Rate Bonds are entitled to tender such Variable Rate Bonds for purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon satisfaction of the terms and conditions described herein. The Variable Rate Bonds are also subject to mandatory tender for purchase under certain circumstances described herein. Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as the initial remarketing agent for the Variable Rate Bonds (the “Remarketing Agent”).

The Department will provide an instrument pursuant to the applicable Bond Declaration which provides liquidity support for the purchase of Variable Rate Bonds in the Weekly Mode Period that are tendered for purchase and not remarketed in accordance with the terms of such Bond Declaration. Such instrument will include the initial Liquidity Facility (the “Initial Liquidity Facility”) with respect to the Variable Rate Bonds, which will be a Second Amended and Restated Standby Bond Purchase Agreement, as amended, by and among the State, acting by and through the Department, U.S. Bank National Association, as Tender Agent, and State Street Bank and Trust Company (the “Bank”), which will be effective with respect to the Variable Rate Bonds on their date of delivery (the “Effective Date”), and any Alternate Liquidity Facility, Non-Conforming Liquidity Facility or Self-Liquidity (each a “Liquidity Facility”). If the Initial Liquidity Facility expires and is not extended or renewed, the Variable Rate Bonds in the Weekly Mode Period are subject to mandatory tender for purchase. On the Effective Date, the Initial Liquidity Facility will provide liquidity for the Variable Rate Bonds and the State’s Outstanding Mortgage Revenue Bonds (Single-Family Mortgage Program), 2015 Series C, 2016 Series B, 2016 Series C, 2017 Series C and 2018 Series B (collectively, the “Initial Liquidity Facility Covered Bonds”).

The Initial Liquidity Facility expires on June 5, 2021 but is subject to renewal at the option of the Bank as provided therein. The Initial Liquidity Facility may be terminated prior to its stated expiration under certain circumstances. **In some circumstances such termination may be immediate and without notice to owners of the Variable Rate Bonds, in which case no funds will be available under the Initial Liquidity Facility to purchase Initial Liquidity Facility Covered Bonds (including the Variable Rate Bonds) that are tendered and not remarketed. The Department is not responsible for any failure of the Bank to purchase Initial Liquidity Facility Covered Bonds (including the Variable Rate Bonds) that are tendered or deemed tendered and not remarketed, and such an occurrence does not constitute an Event of Default under the Indenture. See “THE INITIAL LIQUIDITY FACILITY” below and Appendix C attached hereto.**

Under the Indenture, the State carries out a program authorized by the Act (the “Program”) by issuing Bonds to provide funds to the Department to make, purchase or otherwise finance mortgage loans relating to single family owner-occupied housing in the State (the “Mortgage Loans”), to purchase Guaranteed Mortgage Securities secured or backed by such Mortgage Loans (the “Guaranteed Mortgage Securities”), to make deposits in various accounts established under the Indenture and to pay the costs of issuing Bonds. Under the Program, Mortgage Loans, including Mortgage Loans underlying Guaranteed Mortgage Securities, are required to be made to qualified persons (the “Eligible Borrowers”).

Certain of the Mortgage Loans, including Mortgage Loans underlying Guaranteed Mortgage Securities financed with the proceeds of Bonds, must comply with conditions for exclusion of interest on such Bonds from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the “Code”). Mortgage Loans and Guaranteed Mortgage Securities are financed pursuant to agreements between the Department and financial institutions meeting the criteria established for the Program (the “Mortgage Lenders”).

Each Bond Declaration authorizes the issuance of the related series of the Offered Bonds to (1) purchase newly-originated Mortgage Loans and (2) make deposits into certain Accounts under the Indenture.

Upon the issuance of the Offered Bonds, the Department expects to make available approximately \$123,053,583\* to purchase newly-originated Mortgage Loans and to provide closing cost or down payment assistance. Actions taken by the Department with respect to the investment of the proceeds of the Offered Bonds and the

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\* Subject to change.

disposition of the earnings therefrom are required to comply with certain conditions for the exclusion of interest on the Offered Bonds from gross income for purposes of federal income taxation under the Code. Information relating to the exclusion of interest on the Offered Bonds from gross income for purposes of federal income taxation is contained under the caption “TAX MATTERS” herein.

Brief descriptions of the Offered Bonds, the Department, the security for the Bonds, the Program and the Indenture are included in this Official Statement. A summary of certain mortgage insurance and security guaranty programs, the financial statements of the Department, a summary of certain provisions of the Initial Liquidity Facility, information concerning the Bank, information regarding DTC and its book-entry system, the proposed form of Continuing Disclosure Certificate, the redemption price table for certain redemptions, the projected percentages of initial principal balance outstanding and projected weighted average lives for the PAC Bonds (as defined below) and the Form of Proposed Approving Opinion of Bond Counsel are included as Appendices A, B, C, D, E, F, G, H and I, respectively. All references herein to the Indenture, the Bond Declarations, the Initial Liquidity Facility, the Offered Bonds and other documents are qualified in their entirety by reference to such instruments, documents and agreements, copies of which are available for inspection at the office of the Department.

## **THE DEPARTMENT**

The Housing Division of the Department of Commerce of the State (the “Housing Division”) was established by the Act in 1971. On July 1, 1987, the Legislative Assembly dissolved the Department of Commerce and established the Oregon Housing Agency as an independent agency within the Executive Branch of State government and as the successor to the Housing Division. All of the staff and functions of the Housing Division were transferred to the Agency. On July 1, 1991, the Legislative Assembly removed the State Community Services Division from the Department of Human Resources and merged it with the Oregon Housing Agency forming the current entity, the Housing and Community Services Department of the State. The Act empowers the Department to stimulate and increase the supply of housing for persons and families of lower income by acting as a central source of housing data and program information, training and education, planning and technical assistance, and seed money loans. The Act also authorizes up to \$2,500,000,000 in revenue bonds to be outstanding at any time to finance the construction, purchase and rehabilitation of housing for lower-income persons and families. The Department also has authority to issue State general obligation bonds to finance housing for elderly and disabled persons and to distribute federal tax credits for rental housing and homeownership.

From 1977 to October 1, 2018, the State, acting by and through the Department, issued \$9,152,765,544 of bonds and notes consisting of revenue bonds and notes totaling \$8,563,760,544 and bonds representing general obligations of the State totaling \$589,005,000. As of October 1, 2018, \$1,264,669,580 of the Department’s revenue bonds and \$33,515,000 of the Department’s bonds representing general obligations of the State remained outstanding.

ORS 286A.035 requires the Legislative Assembly to establish the amount of bonds that may be issued during each two-year budget period (the “Biennium”) for purposes other than refunding. The total amount of Department’s direct revenue bonds authorized for the 2017-2019 Biennium by chapter 570, Oregon Laws 2017, as amended by chapter 87, Oregon Laws 2018, is \$400,000,000. As of October 1, 2018, the State had issued approximately \$276,800,000 of the Department’s direct revenue bonds in the 2017-2019 Biennium, and had approximately 30.8% of its 2017-2019 Biennium authority remaining, which amount and percentage do not include the Offered Bonds or any other direct revenue bonds expected to be issued after October 1, 2018.

### **Organization**

The Director of the Department is appointed by the Governor. A nine-member Oregon Housing Stability Council (formerly the State Housing Council, the “Council”) is also appointed directly by the Governor and confirmed by the Senate to assist in the development of housing policies for the Department and to submit proposed legislation to the Oregon Legislative Assembly on measures the Council considers necessary to address housing programs. The Chairman of the Council is designated by the Governor. Loans for the purpose of financing a single-family residence in excess of limits established by the Council must first be approved by the Council. The Council also has a responsibility to comment upon and advise the Governor, the Legislative Assembly and governmental agencies

regarding legislation, rules and other actions that affect the cost and supply of housing within the State. The following individuals are the current Council members:

<b><u>Name</u></b>	<b><u>Term Expires</u></b>	<b><u>Occupation</u></b>
Adolph “Val” Valfre, Jr., Chair .....	June 30, 2019	Housing Authority Director, retired
Tricia Tillman .....	June 30, 2018 <sup>†</sup>	Public Health Administrator
Zee Koza .....	June 30, 2019	Mental Health Consultant
Anna Geller .....	June 30, 2020	Housing Developer
Gerardo Sandoval .....	June 30, 2020	University Professor
Charles Wilhoite .....	June 30, 2021	Management Consultant
Sarah DeVries .....	June 30, 2022	Affordable Housing Professional
Claire Hall .....	June 30, 2022	County Commissioner
Mary Li.....	June 30, 2022	County Administrator

The staff of the Department currently consists of 156 persons including professionals with experience in the fields of finance, mortgage underwriting, architecture, planning, economics, site and market analysis, construction inspection and property management. The Department provides services in these fields for its projects and programs and uses professional consulting services in these and other technical fields to supplement its own staff. The Attorney General of the State serves as counsel to the Department. The following individuals are the principal staff members of the Department who are directly involved in administering the Program.

*Margaret Solle Salazar* was appointed as the Director of the Department in 2016 by Governor Kate Brown. Prior to joining the Department, she served as the Director of the Portland Field Office of the U.S. Department of Housing and Urban Development (“HUD”). Prior to her appointment as Director of the Portland Field Office, she served as Associate Deputy Assistant Secretary for Multifamily Housing in HUD Headquarters in Washington, D.C. where she managed national preservation and revitalization programs for public and affordable housing. Ms. Salazar started with HUD in 2006 in the San Francisco Regional Office where she served as the Chief of Multifamily Production financing the development of multifamily rental housing units across California, Nevada, and Hawaii. Ms. Salazar began her career as a foundation program officer and housing advocate working with community-based organizations in the San Francisco Bay area. Ms. Salazar holds a Bachelor’s degree from Wesleyan University and a Masters of Public Policy degree from the Goldman School of Public Policy at the University of California, Berkeley.

*Julie Cody* serves as the Department's Housing Finance Division Assistant Director. Ms. Cody has over 20 years of experience in commercial real estate and multi-family housing transactions. Prior to joining the Department in March 2012, she worked as an executive manager with the Portland Development Commission (PDC). While at PDC, in her role as Chief Financial Officer, Ms. Cody assisted the City of Portland in establishing the Portland Housing Bureau. Prior to her work at PDC, Ms. Cody spent 14 years at U.S. Bancorp as Senior Vice President of US Bank's Affordable Housing Investment Division. She also served as the West Regional President of the US Bancorp Community Development Corporation, responsible for managing the Low Income Housing Tax Credit investment portfolio. Ms. Cody has also worked as a consultant for the syndication and management of federal new markets and historic tax credit transactions. She received a Bachelor of Science in Business Administration/Finance from Oregon State University.

*Caleb Yant* serves as the Department’s Chief Financial Officer. Mr. Yant assumed this role in July of 2014. Previously Mr. Yant served as the administrator of the Oregon Affordable Housing Assistance Corporation, a nonprofit associated with the Department that administers federal foreclosure prevention funds from U.S. Treasury. Prior to working for the Department, he worked as a senior finance manager for the University of Phoenix for eight years. Mr. Yant has extensive experience in regulatory compliance, accounting and finance and holds a Master in Business Administration from University of Phoenix and a Bachelor of Science in Business Administration from Oregon State University, with an emphasis in Accounting.

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<sup>†</sup> Serves until reappointed or a successor is appointed by the Governor.



*Robert Larson* serves as the Debt Manager of the Department. Prior to joining the Department in September 1993, Mr. Larson served as a Senior Auditor with the Secretary of State Audits Division. He received his Bachelor of Science in Business Administration from the University of Oregon, majoring in Accounting and Finance, and is a Certified Public Accountant.

*Kim Freeman* serves as the Department's Single Family Housing Manager. Prior to assuming this position in January 2013, Ms. Freeman worked in the Department's Oregon Homeownership Stabilization Initiative Division ("OHSI") as Program Manager for the Loan Refinance Assistance Pilot Project (LRAPP) and the Program Outreach Coordinator. Before joining the Department in May 2012, she spent 15 years as Executive Director of a consumer credit counseling service. Ms. Freeman also has over 12 years of experience serving in various positions in mortgage banking and consumer lending.

*Laurie LeCours* serves as Debt Officer of the Department. Prior to joining the Department in October 2011, Ms. LeCours served as an Accountant with the City of McMinnville, Oregon for 16 years. She also has experience working as a staff accountant in both public accounting and private industry. She received her Bachelor of Science from Linfield College, majoring in Accounting, and is a Certified Public Accountant.

### **Funds and Accounts of the Department**

The Act authorizes the State, through the Department, to carry out certain housing programs and establishes the Elderly and Disabled Housing Fund and the Housing Finance Fund. The Elderly and Disabled Housing Fund consists of all funds relating to programs of the Department financed with general obligation bonds issued by the State. The Housing Finance Fund consists of all funds relating to programs of the Department financed with revenue bonds issued by the State, including the proceeds of revenue bonds and fees and charges received under such programs. The Act specifically provides that the State, through the Department, may enter into agreements with the owners of revenue bonds, such as the Bonds, pledging specific assets of the Housing Finance Fund and providing for the disposition of certain income.

*Program Accounts in the Housing Finance Fund.* The State has entered into indentures of trust securing bonds issued to finance certain programs of the State administered by the Department. Each indenture of trust establishes specific accounts within the Housing Finance Fund which separately secure the bonds issued under such indenture, directs certain income received by the State pursuant to such programs to be deposited in such accounts and pledges assets on deposit in such accounts that are transferred to the trustee as security for bonds issued pursuant to such indenture. Each indenture of trust provides that revenues remaining after the payment of debt service in each year upon satisfaction of certain other conditions may, in the discretion of the Department, be transferred to other accounts within the Housing Finance Fund. The State has entered into separate indentures of trust relating to the Department's Multifamily Housing Revenue Bonds, Housing Revenue Bonds and certain other bonds and notes which have been paid in full and are no longer outstanding. The State has entered into the Indenture relating to the Bonds, and the accounts thereunder are part of the Housing Finance Fund. For information pertaining to accounts relating to the Program, see "FINANCIAL STATEMENTS" herein. The revenues and assets of the Department which are pledged pursuant to the Indenture securing the Bonds and the conditions precedent to the release of excess revenues are more fully described under the caption "SECURITY FOR THE BONDS" herein.

*Combined Program Account in the Housing Finance Fund.* Pursuant to an indenture of trust between the State and U.S. Bank National Association, as successor trustee, dated December 1, 1980 (the "Combined Program Account Indenture"), the Combined Program Account has been established within the Housing Finance Fund. Amounts on deposit in such account are pledged to the payment of the principal or redemption price of and interest on certain bonds issued by the State to the extent that the revenues and assets specifically pledged to such bonds are insufficient to make such payments. Such bonds currently include the Bonds. The Combined Program Account Indenture permits amounts on deposit to be pledged to the payment of bonds and notes to be issued to finance other programs and the establishment of preferences or priorities with respect to particular bonds and notes. The Combined Program Account Indenture also permits amounts on deposit to be expended for the making of deposits into reserve accounts pledged to specific bonds and notes and for the payment of the State's expenses in carrying out and administering its various programs under the Act as defined in the Combined Program Account Indenture. The

Department has agreed to make payments, including any termination payments, under an interest rate exchange agreement in the original notional amount of \$14,950,000, entered into in connection with an issue of multifamily bonds, as expenses under the Combined Program Account to the extent that other funds from which the Department intends to make such payments are insufficient for such purpose. The Department may agree to make payments under future interest rate exchange or other hedging agreements, including any termination payments, as expenses under the Combined Program Account to the extent that other funds available are insufficient for such purpose. The Department may from time to time pledge amounts available under the Combined Program Account for other purposes permitted by the Act and the Combined Program Account Indenture, including as collateral for certain Section 8 rental assistance funds received by the Department from the United States Department of Housing and Urban Development. Amounts on deposit in the Combined Program Account may be invested in obligations which are legal for investment of the funds of the State, including loans which the Department is permitted to make or purchase pursuant to the Act. The Department anticipates that funding for the Combined Program Account will be from interest income on funds on deposit in the Combined Program Account and transfers from the accounts securing the Bonds. As of October 1, 2018, the unaudited balance in the Combined Program Account was \$18,556,965. There can be no assurance that sufficient moneys will be available in the Combined Program Account if such moneys should be required for the payment of principal of or interest on the Bonds.

### **SECURITY FOR THE BONDS**

Under the Indenture, the Bonds are secured by a pledge of and security interest in (1) all Revenues, as defined in the Indenture (primarily payments of principal of and interest on Mortgage Loans and Guaranteed Mortgage Securities), (2) the proceeds of the sale of Bonds (other than the proceeds pledged to the redemption of any prior Series of Bonds), (3) all right, title and interest of the Department in and to the Mortgage Loans and related mortgage notes and mortgages and the Guaranteed Mortgage Securities and (4) all other moneys in the Accounts established by or pursuant to the Indenture. The amounts on deposit in the Combined Program Account, to the extent available, may be used as an additional source of funds for the payment of principal of and interest on the Bonds. The lien of the Indenture is imposed on payments of principal of and interest on Mortgage Loans and Guaranteed Mortgage Securities only upon the deposit of such payments with the Trustee, which deposit is required under the Indenture to be made no less frequently than once each six months. Upon receipt of moneys and prior to deposit with the Trustee, the Department deposits such moneys with the Oregon Short Term Fund administered by the State Treasurer. On any interest payment date and after the payment of principal of and interest on the Bonds and the satisfaction of the requirements of all Accounts (other than the Insurance Reserve Account), the Department may direct that amounts on deposit in the Revenue Account, other than with respect to Expenses, be transferred to the Department free and clear of the pledge and lien of the Indenture, provided that no such transfer will be made unless (1) a Cash Flow Statement has been filed with the Trustee in accordance with the Indenture and (2) the amount on deposit in the Acquisition Account, the Revenue Account and the Debt Reserve Account, after any such transfer is made, plus the outstanding principal amount of Mortgage Loans and Guaranteed Mortgage Securities, plus accrued interest, is at least equal to 102% of the aggregate principal amount of Outstanding Bonds, plus accrued interest.

Amounts on deposit in the Combined Program Account are pledged and may in the future be pledged to the payment of the principal of and interest on certain revenue bonds issued to finance programs of the Department, including the Bonds, to the extent that the revenues and assets specifically pledged to such bonds are insufficient to make such payments. Amounts on deposit in the Combined Program Account may also be withdrawn at any time to be used to pay expenses of administering programs under the Act, to establish reserves for such expenses and to make deposits into reserve accounts pledged to specific bonds and notes. There can be no assurance that sufficient moneys will be available in the Combined Program Account if such moneys should be required for the payment of principal of or interest on the Bonds.

*The Bonds are special revenue obligations of the State and are payable as to principal, redemption price and interest solely from the revenues and assets pledged for the payment thereof. The Bonds are not general obligation indebtedness of the State or any political subdivision thereof. Neither the full faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the Bonds.*

## Mortgage Loans

*Security Requirements.* Each Mortgage Loan must be (1) secured by a deed of trust evidencing a first mortgage lien (subject to Permitted Encumbrances) on residential housing for occupancy by one family, (2) made substantially in accordance with the current standard underwriting policies of the Mortgage Lenders and of the Program and (3) covered by a title insurance policy insuring the deed of trust is a valid first lien on the residential property. Each residential property on which a Mortgage Loan is made must be covered by a fire and extended coverage insurance policy in an amount at least sufficient to protect the interests of the Department.

*Mortgage Insurance Requirements.* Subject to (c) below,

(a) The original principal amount of each Mortgage Loan, unless such Mortgage Loan is the subject of insurance or guaranty by the Federal Housing Administration (“FHA”), the U.S. Department of Veterans Affairs (“VA”) or the United States of America, acting through Rural Housing Service of the United States Department of Agriculture (“RHS”), or any successor to the foregoing entities, may not exceed 97% of the Value of the Property;

(b) Mortgage Loans financed by a Series of Bonds must consist of one of the following (in each case, subject to any additional requirements imposed by the related Housing Finance Bond Declaration):

(i) any Mortgage Loan insured by FHA;

(ii) any Mortgage Loan guaranteed by the VA as to which the unguaranteed portion of the principal amount thereof does not exceed (1) 58% of the Value of the Property or (2) the principal amount entitled to the benefits of Mortgage Pool Insurance or the Insurance Reserve Account;

(iii) any Mortgage Loan guaranteed by RHS as to which (1) the unguaranteed portion of the principal amount thereof does not exceed 50% of the Value of the Property and (2) coverage of the unguaranteed portion thereof is provided by the Insurance Reserve Account;

(iv) any Mortgage Loan which has a loan-to-Value of the Property ratio no greater than 75%;

(v) any Mortgage Loan which has a loan-to-Value of the Property ratio in excess of 80% as to which (1) Private Mortgage Insurance coverage thereof results in the uninsured portion of the principal amount thereof not exceeding 58% of the Value of the Property or (2) Private Mortgage Insurance coverage thereof results in the uninsured portion of the principal amount thereof not exceeding 72% of the Value of the Property and coverage thereof by Mortgage Pool Insurance or the Insurance Reserve Account is applicable; or

(vi) any Mortgage Loan which has a loan-to-Value of the Property ratio which is in excess of 75% and no greater than 80% and which is covered by Mortgage Pool Insurance or the Insurance Reserve Account; and

(c) The provisions described in (a) and (b) above will not apply to any Mortgage Loan to the extent that not applying one or more such provisions to such Mortgage Loan will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by the Rating Agencies.

*Insurance Reserve Account.* Mortgage Loans will be covered by the Insurance Reserve Account as described above under “Mortgage Insurance Requirements” and to the extent of any additional requirement contained in any Housing Finance Bond Declaration. Any such coverage will be provided by initially funding the Insurance Reserve Account in an amount equal to the greater of:

(a) the amount established in the related Housing Finance Bond Declaration, or

(b) the following percentages of the original principal amount of such Mortgage Loans:

(1) in the case of Mortgage Loans not insured or guaranteed by FHA, the VA or RHS whose original principal amount exceeds 95% of the Value of the Property, 4½%;

(2) in the case of Mortgage Loans described in (b)(iii) under “Mortgage Insurance Requirements” above, 3% (or such lesser percentage as provided in a Director’s Determination if at the time thereof so providing will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by the Rating Agencies); or

(3) in all other cases, 2%.

The Department will make a claim on Mortgage Pool Insurance or withdraw funds from the Insurance Reserve Account to the extent of any net loss as a result of a default in the payment of principal of or interest on a Mortgage Loan entitled to the benefits thereof. The Department may also withdraw funds from the Insurance Reserve Account as an advance against any amount not received by the Department as a result of a default in the payment of principal of or interest on any Mortgage Loan entitled to the benefits of the Insurance Reserve Account. If the Department withdraws funds for such an advance, the Department is required to reimburse the Insurance Reserve Account for such amount from the proceeds of insurance, guarantee or foreclosure received with respect to such Mortgage Loan.

The Housing Finance Bond Declarations relating to the prior Series of Bonds generally require that newly originated Mortgage Loans purchased with the proceeds of such Series of Bonds be insured by FHA and be entitled to the benefits of the Insurance Reserve Account and that there be on deposit in the Insurance Reserve Account an amount equal to 2% of the outstanding principal amount of each such newly originated Mortgage Loan or, pursuant to the Housing Finance Bond Declarations relating to certain Series of Bonds issued subsequent to the 1994 Series B Bonds, such lesser amount as may be otherwise established in a Director’s Determination. In addition, the Housing Finance Bond Declarations relating to Bonds issued subsequent to the 1995 Series A Bonds permit the financing of Mortgage Loans which are VA-guaranteed, uninsured or insured by Private Mortgage Insurance, all in accordance with the requirements of the related Housing Finance Bond Declaration. The Housing Finance Bond Declarations relating to the 1999 Series A Bonds and 1999 Series B Bonds and all Bonds issued subsequent thereto permit the financing of Mortgage Loans which are guaranteed by RHS and require that such Mortgage Loans be entitled to the benefits of the Insurance Reserve Account and that there be on deposit in the Insurance Reserve Account an amount equal to 3% of the outstanding principal amount of each such newly originated Mortgage Loan. The Department obtained mortgage pool insurance covering certain Mortgage Loans that are insured by Private Mortgage Insurance and were purchased with the proceeds of each Series of Bonds issued after 1995; the Department has maintained such mortgage pool insurance in effect or has provided coverage for such Mortgage Loans under the Insurance Reserve Account. The Housing Finance Bond Declarations relating to the 1991 Series D Bonds required that Mortgage Loans acquired with the proceeds of such Series of Bonds and originally financed with the proceeds of certain of the Department’s Housing Finance Revenue Bonds (Single-Family Mortgage Program) (the “Prior Indenture Bonds”) be entitled to the benefits of the Insurance Reserve Account and that an amount equal to 3% of the outstanding principal amount of each such Mortgage Loan as of the date of acquisition by the Department be on deposit in the Insurance Reserve Account of such Series of Bonds. As of October 1, 2018, the unaudited balance on deposit in the Insurance Reserve Account was \$14,072,797 which is an amount at least equal to the amount required to be on deposit in the Insurance Reserve Account for Mortgage Loans entitled to the benefits of such Account that were financed or are expected to be financed with funds relating to the prior Series of Bonds.

### **Guaranteed Mortgage Securities**

Each Guaranteed Mortgage Security, at the time of acquisition by the Department, must have been issued by or guaranteed as to payment of principal and interest by the Government National Mortgage Association, Fannie Mae, the Federal Home Loan Mortgage Corporation or any other agency or instrumentality of or chartered by the United States which has similar powers. To date, the Department has not purchased Guaranteed Mortgage Securities under the Program.

## **Debt Reserve Account**

The Indenture establishes a reserve account (the “Debt Reserve Account”) and provides that the requirement for such Account (the “Debt Reserve Requirement”) is an amount equal to the aggregate of all amounts established with respect to each Series of Bonds, which must at least equal 3% of the outstanding aggregate principal amount of all Bonds, provided that no Housing Finance Bond Declaration relating to a Series of Bonds intended by the Department to be federally tax-exempt will establish any such requirement in an amount that, in the opinion of Bond Counsel, will cause interest on such Series of Bonds to be included in gross income for federal income tax purposes.

The money in the Debt Reserve Account is available to be used to pay the principal of and interest on the Bonds, to the extent that the amount necessary is not available in the Revenue Account.

Upon the issuance of the Offered Bonds, the Debt Reserve Account will have at least \$27,904,312\* on deposit, which is an amount at least equal to the Debt Reserve Requirement. On each interest payment date, amounts in the Debt Reserve Account in excess of the Debt Reserve Requirement may be transferred upon request by the Department to the Revenue Account and, thereafter, treated as Revenues.

Pursuant to the Act, a “capital reserve account” could be established under the Indenture. If a capital reserve account was established under the Indenture, the Act requires that the Director certify to the Governor and the Legislative Assembly the amount, if any, needed to restore such capital reserve account to its required amount, and the Legislative Assembly would then consider whether or not to appropriate the amount so certified. The Debt Reserve Account is not a capital reserve account and is not subject to the provisions of the Act relating to a capital reserve account. The Indenture contains no requirement that such an account be established with respect to any Series of Bonds.

## **Cash Flow Statements**

In accordance with the Indenture, the Department is required to prepare a Cash Flow Statement (1) at least annually as of the close of each Bond Year within 180 days of the end of each Bond Year, (2) upon the issuance of a Series of Bonds, (3) whenever amounts are to be applied to redeem or purchase Bonds, or whenever Revenues, including Prepayments, are to be applied to the acquisition of Mortgage Loans or Guaranteed Mortgage Securities, in a manner not reflected in the current Cash Flow Statement, (4) whenever amounts are to be released from the lien of the Indenture to an extent not reflected in the current Cash Flow Statement and (5) whenever required by a Housing Finance Bond Declaration. Each Cash Flow Statement will demonstrate that in the current and each succeeding Bond Year the amounts then expected to be on deposit in the Accounts (other than the Insurance Reserve Account) in each such Bond Year will be at least equal to all amounts required to pay the Parity Obligations and all Expenses in each such Bond Year. A Cash Flow Statement prepared for the issuance of a Series of Bonds may reflect the information contained in the most recent Cash Flow Statement, modified to show the issuance of such Series of Bonds and the receipt of any Revenues and the payment of any Parity Obligation Instruments which reflect events that have occurred and, as determined by the Department, may have a materially adverse effect on the ability of the Department to pay the Parity Obligations, including principal of and interest on the Bonds, and Expenses when due. If the annual Cash Flow Statement shows an inability by the Department to pay Parity Obligations and all Expenses in the current or any future Bond Year, no default occurs under the Indenture, but the Department is required to take all reasonable actions to provide for the payment of Parity Obligations and Expenses when due. The Department is precluded from issuing additional Bonds, redeeming or purchasing Bonds, applying Revenues to the acquisition of Mortgage Loans or Guaranteed Mortgage Securities or releasing amounts from the lien of the Indenture, if the current Cash Flow Statement shows that the taking of such action will result in or increase the inability of the Department to pay Parity Obligations and all Expenses in the current or any future Bond Year.

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\* Subject to change.

## **Additional Bonds**

The Indenture permits the issuance of additional Bonds to provide funds for the purpose of purchasing Mortgage Loans or Guaranteed Mortgage Securities and, in addition, to refund outstanding Bonds issued under the Indenture or certain other indentures, if such additional Bonds meet all the requirements of the Indenture. Any additional Bonds issued under the Indenture will be on parity with all other Bonds outstanding and any other Parity Obligations and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Indenture.

## **THE OFFERED BONDS**

### **General**

The Offered Bonds will be dated their date of delivery. The Series D Bonds will bear interest at the rates set forth on the inside cover page of this Official Statement from their date of delivery, payable on the dates set forth on the cover page hereof. Interest on the Series D Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Variable Rate Bonds will bear interest from their date of delivery as provided under “Description of the Variable Rate Bonds – Interest Provisions” below, payable on the dates set forth on the cover page hereof. Interest on the Variable Rate Bonds in the Weekly Mode Period will be calculated on the basis of a 365-day year or a 366-day year, as applicable, for the number of days actually elapsed. The Offered Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement.

### **DTC**

The Offered Bonds are issuable only as fully-registered Bonds. The Series D Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and the Variable Rate Bonds will be issued in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof. The Offered Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Offered Bonds. Purchases of the Offered Bonds will be in book-entry form only in the denominations described above. Payments of principal of and interest on the Offered Bonds will be made by wire transfer from the Trustee to Cede & Co. as registered owner. If the date for making any payment of principal or premium, if any, or interest on the Bonds is a legal holiday or a day on which banking institutions in the city where the Trustee is located are authorized by law to remain closed, such payment may be made, with the same force and effect as if done on such date, on the next succeeding day which is not a legal holiday or not a day on which such banking institutions are authorized by law to remain closed. The Trustee may be removed for cause by the Department acting alone or, with or without cause, by Bondowners representing a majority in principal amount thereof. Certain information relating to DTC and book entry is contained in Appendix E.

DTC may discontinue providing its services as securities depository with respect to the Offered Bonds at any time by giving reasonable notice to the Department or the Trustee. The Department, in its sole discretion and without the consent of any other person but pursuant to DTC’s procedures, may terminate the services of DTC with respect to the Offered Bonds. In the event that no substitute securities depository is found by the Department or restricted registration is no longer in effect, the Offered Bond certificates will be printed and delivered as provided in the Indenture and registered in accordance with the instructions of the purchasers, and the following requirements of the Indenture will apply. Interest on the Offered Bonds will be payable by check mailed by the Trustee to the registered owner thereof at the address appearing on the registration books as of the Regular Record Date (the 15<sup>th</sup> day of the month prior to the interest payment date) or a Special Record Date, as applicable. The principal of and redemption premium, if any, and interest due at maturity or redemption on the Offered Bonds will be payable at the corporate trust office of the Trustee or the Paying Agent upon presentation of the Offered Bonds on or after the date of maturity or redemption. Upon each exchange or transfer of the Offered Bonds, the subsequent owner will be required to pay any tax, fee or other governmental charge, except (1) with respect to the delivery of definitive Bonds in exchange for temporary Bonds or (2) as otherwise provided in the Indenture. Neither the Trustee nor the Department will be required to make any exchange or registration of transfer during the 15-day period preceding the date of the first publication

of a notice of redemption, or after such Offered Bonds or any portion thereof have been selected for redemption. Registration of ownership of Bonds may be made only on the books held at the corporate trust office of the Trustee for that purpose.

### Application of the Proceeds of the Offered Bonds\*

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

For deposit in the Series D/E Acquisition Subaccount	\$ 123,053,583
For deposit in the Debt Reserve Account	3,717,600
Total	<u>\$ 126,771,183</u>

The Department will pay the costs related to the issuance of the Offered Bonds from available unrestricted funds of the Department.

### Redemption Provisions\*

The Offered Bonds are subject to redemption prior to maturity upon notice by the Trustee from Sinking Fund Requirements, special redemption and optional redemption, as described below.

*Sinking Fund Redemption.* The Series D Bonds maturing on July 1, 2034 are subject to mandatory redemption in part by lot on January 1, 2031, and on each July 1 and January 1 thereafter to and including July 1, 2034 at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Year	Principal Amount (January 1)	Principal Amount (July 1)	Year	Principal Amount (January 1)	Principal Amount (July 1)
2031 .....	\$1,780,000	\$1,815,000	2033 .....	\$1,905,000	\$1,940,000
2032 .....	1,845,000	1,875,000	2034 .....	1,970,000	775,000 (maturity)

The Series D Bonds maturing on January 1, 2050 are subject to mandatory redemption in part by lot on July 1, 2043, and on each January 1 and July 1 thereafter to and including January 1, 2050 at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Year	Principal Amount (January 1)	Principal Amount (July 1)	Year	Principal Amount (January 1)	Principal Amount (July 1)
2043 .....	\$ -	\$ 895,000	2047 .....	\$2,920,000	\$2,980,000
2044 .....	2,595,000	2,645,000	2048 .....	3,040,000	3,100,000
2045 .....	2,700,000	2,755,000	2049 .....	3,160,000	2,695,000
2046 .....	2,810,000	2,865,000	2050 .....	995,000	- (maturity)

The Series E Bonds maturing on July 1, 2043 are subject to mandatory redemption in part by lot on July 1, 2034, and on each January 1 and July 1 thereafter to and including July 1, 2043 at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

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\* Subject to change.

<b>Year</b>	<b>Principal Amount (January 1)</b>	<b>Principal Amount (July 1)</b>	<b>Year</b>	<b>Principal Amount (January 1)</b>	<b>Principal Amount (July 1)</b>
2034 .....	\$ -	\$ 685,000	2039 .....	\$2,270,000	\$2,300,000
2035 .....	2,040,000	2,070,000	2040 .....	2,330,000	2,360,000
2036 .....	2,095,000	2,125,000	2041 .....	2,395,000	2,425,000
2037 .....	2,150,000	2,180,000	2042 .....	2,455,000	2,490,000
2038 .....	2,210,000	2,240,000	2043 .....	2,520,000	1,660,000 (maturity)

*Special Redemption.* The Offered Bonds are subject to redemption, at the option of the Department, in whole or in part, at any time, from the proceeds thereof available for the financing of Mortgage Loans or Guaranteed Mortgage Securities which are not applied thereto (“Unexpended Proceeds”), at a Redemption Price equal to (1) in the case of the Series D Bonds maturing on January 1, 2050 (the “PAC Bonds”), the respective Redemption Prices set forth in Appendix G to this Official Statement, and (2) in the case of the Offered Bonds other than the PAC Bonds, the principal amount thereof, without premium, in each case plus accrued interest to the redemption date. The Code currently requires that \$112,293,583 of Unexpended Proceeds attributable to the Offered Bonds must be applied to redeem the Offered Bonds within 42 months of the date of issuance thereof.

The Offered Bonds are subject to redemption, at the option of the Department, in whole or in part, at any time, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, from Revenues from any Series of Bonds, including amounts resulting from Prepayments and reductions in the Debt Reserve Requirement, but excluding the proceeds of the sale of Mortgage Loans or Guaranteed Mortgage Securities unless such Mortgage Loans or mortgage loans underlying such Guaranteed Mortgage Securities are in default in accordance with their terms, are sold to preclude the interest on the respective Bonds from being includable in gross income for federal income tax purposes, violate requirements of the Program, or are sold to protect the interest of Bondowners, as determined by the Department.

Applicable federal tax law currently requires redemption of the Offered Bonds on or before certain dates and in certain amounts in order to maintain the exclusion from gross income for federal income tax purposes of interest thereon as discussed under “THE PROGRAM – Requirements of Section 143 of the Code Relating to Certain Mortgage Loans – Repayment of Issue.” It is currently expected that the following approximate percentages of principal repayments and prepayments of the Mortgage Loans, or portions of Mortgage Loans, financed from the proceeds of or allocable to the Offered Bonds (the “Series D/E Mortgage Loans”) received on or after the dates set forth in the following table, will be required by the Code to be applied no later than the close of the first semi-annual period beginning after the date of receipt to the retirement of the Offered Bonds.

<b><u>Date</u></b>	<b><u>Approximate Percentage</u></b>
December 19, 2018	2.1 %
April 7, 2021	3.9
August 25, 2021	4.5
June 28, 2022	4.8
December 20, 2022	5.0
November 20, 2023	5.4
May 29, 2024	5.8
December 18, 2024	6.1
September 1, 2025	6.5
May 31, 2026	7.7
May 25, 2027	8.1
October 12, 2027	8.5
December 28, 2027	8.6
June 5, 2028	8.8
December 19, 2028	100.0



Such percentages and dates derive from the Department's expected use of proceeds. No assurance can be given that the actual use of proceeds will be such as to produce such percentages, or that the Code will not be amended so as to no longer require such redemptions. The Department also may redeem the Offered Bonds in amounts greater than such percentages from available Revenues. Revenues not required to be applied to the redemption of Bonds may be otherwise applied as permitted by the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Account."

*Special Redemption of the PAC Bonds.* An amount equal to 100% of Prepayments of the Series D/E Mortgage Loans ("Series D/E Prepayments") (as calculated by the Department) will be applied first to the redemption of the PAC Bonds in an amount up to the Cumulative Amount for the related period set forth in the following table, prior to the redemption of other Bonds. Such Cumulative Amounts are derived from certain assumptions related to the Series D/E Mortgage Loans, including the assumptions that all the Series D/E Mortgage Loans are purchased or allocated to the Offered Bonds, as applicable, that Series D/E Prepayments are received at a rate equal to 100% of the Securities Industry and Financial Markets Association ("SIFMA") Standard Prepayment Model, and that 100% of such amounts will be used to redeem the PAC Bonds. Prepayments of Mortgage Loans other than Series D/E Mortgage Loans may be applied to the redemption of the PAC Bonds, but only to the extent that such redemptions do not exceed the Cumulative Amount for the related period set forth in the following table (provided that such prepayments may be applied to the redemption of the PAC Bonds in excess of such Cumulative Amount if such redemption is necessary to preserve the tax-exempt status of interest on the Offered Bonds). If the Offered Bonds are redeemed from Unexpended Proceeds, the amount of the PAC Bonds redeemed will be proportional to the total amount of Offered Bonds being redeemed, and each Cumulative Amount set forth in the table below will be recalculated to be equal to the product of (1) such amount and (2) the fraction whose numerator is equal to the remainder of (a) the total amount of proceeds of the Offered Bonds originally available for the financing of Mortgage Loans or Guaranteed Mortgage Securities less (b) the aggregate amount of proceeds of the Offered Bonds that have been used to so redeem the Offered Bonds, and whose denominator is equal to the total amount of proceeds of the Offered Bonds originally available for the financing of Mortgage Loans or Guaranteed Mortgage Securities.

<b><u>Semi-Annual Period Ending</u></b>	<b><u>Cumulative Amount</u></b>	<b><u>Semi-Annual Period Ending</u></b>	<b><u>Cumulative Amount</u></b>
July 1, 2019	\$ 35,000	January 1, 2024	\$20,110,000
January 1, 2020	400,000	July 1, 2024	22,875,000
July 1, 2020	1,360,000	January 1, 2025	25,525,000
January 1, 2021	2,960,000	July 1, 2025	28,060,000
July 1, 2021	5,215,000	January 1, 2026	30,490,000
January 1, 2022	8,045,000	July 1, 2026	32,815,000
July 1, 2022	11,140,000	January 1, 2027	35,040,000
January 1, 2023	14,225,000	July 1, 2027	36,155,000
July 1, 2023	17,225,000		

If the amount available for such redemption is less than \$100,000, the Department may delay redemption of the PAC Bonds until the amount of Series D/E Prepayments available for such redemption totals \$100,000 or more.

Series D/E Prepayments in excess of the Cumulative Amount for the related period set forth in the table above and up to the Cumulative Amount for the related period set forth in the following table will be applied to the redemption of Bonds other than the PAC Bonds, provided that such Prepayments may be used to redeem the PAC Bonds if such redemption is necessary to preserve the tax-exempt status of the Offered Bonds. Series D/E Prepayments in excess of the Cumulative Amount for the related period set forth in the following table may be applied by the Department to the redemption of Bonds, including the PAC Bonds. The Cumulative Amounts in the following table are derived from certain assumptions related to the Series D/E Mortgage Loans, including the assumptions that all the Series D/E Mortgage Loans are purchased or allocated to the Offered Bonds, as applicable, and that Series D/E Prepayments are received at a rate equal to 400% of the SIFMA Standard Prepayment Model. If the Offered Bonds are redeemed from Unexpended Proceeds, each Cumulative Amount set forth in the following table will be recalculated to be equal to the product of (1) such amount and (2) the fraction whose numerator is equal to the remainder of (a) the total amount of proceeds of the Offered Bonds originally available for the financing of Mortgage

Loans or Guaranteed Mortgage Securities less (b) the aggregate amount of the proceeds of the Offered Bonds that have been used to redeem the Offered Bonds, and whose denominator is equal to the total amount of proceeds of the Offered Bonds originally available for the financing of Mortgage Loans or Guaranteed Mortgage Securities.

<b><u>Semi-Annual Period Ending</u></b>	<b><u>Cumulative Amount</u></b>	<b><u>Semi-Annual Period Ending</u></b>	<b><u>Cumulative Amount</u></b>
July 1, 2019	\$ 150,000	January 1, 2024	\$59,010,000
January 1, 2020	1,575,000	July 1, 2024	64,580,000
July 1, 2020	5,095,000	January 1, 2025	69,380,000
January 1, 2021	10,765,000	July 1, 2025	73,515,000
July 1, 2021	18,440,000	January 1, 2026	77,075,000
January 1, 2022	27,550,000	July 1, 2026	80,140,000
July 1, 2022	36,715,000	January 1, 2027	82,775,000
January 1, 2023	45,095,000	July 1, 2027	85,045,000
July 1, 2023	52,545,000		

The following table sets forth the projected last year outstanding and weighted average life (in years) for the PAC Bonds, based upon various rates of Series D/E Prepayments (expressed as percentages of the SIFMA Standard Prepayment Model) and certain other assumptions. Such other assumptions include, but are not limited to, the following: (1) all Series D/E Mortgage Loans are purchased and allocated to the Offered Bonds at the times currently anticipated; (2) Series D/E Mortgage Loans in the amount of \$109,522,000 are purchased with proceeds of or attributable to the Offered Bonds, with a weighted average term of 360 months and a weighted average interest rate of 3.925% per annum on the date of purchase; (3) Series D/E Prepayments in amounts not exceeding a cumulative percentage of 400% of the SIFMA Standard Prepayment Model are applied as described in the two immediately preceding paragraphs; (4) Series D/E Prepayments in excess of 400% of the SIFMA Standard Prepayment Model are applied proportionally to the redemption of all the Offered Bonds then outstanding, including the PAC Bonds (note that Series D/E Prepayments in excess of 400% of the SIFMA Standard Prepayment Model are not required to be so applied); (5) Offered Bonds are redeemed as described under “*Sinking Fund Redemption*” above; and (6) no Offered Bonds are redeemed as described under “*Optional Redemption*” below.

<b><u>Percent of SIFMA Model</u></b>	<b><u>1/1/2028 Optional Redemption Not Exercised</u></b>		<b><u>1/1/2028 Optional Redemption Exercised</u></b>	
	<b><u>Last Date Outstanding</u></b>	<b><u>Weighted Average Life</u></b>	<b><u>Last Date Outstanding</u></b>	<b><u>Weighted Average Life</u></b>
0%	1/1/2050	27.9	1/1/2028	9.0
25	1/1/2050	16.3	1/1/2028	7.9
50	1/1/2036	8.4	1/1/2028	6.9
75	1/1/2030	6.1	1/1/2028	5.9
100	7/1/2027	5.0	7/1/2027	5.0
200	7/1/2027	5.0	7/1/2027	5.0
300	7/1/2027	5.0	7/1/2027	5.0
400	7/1/2027	5.0	7/1/2027	5.0
500	1/1/2026	4.1	1/1/2026	4.1
650	1/1/2024	3.2	1/1/2024	3.2
800	1/1/2023	2.8	1/1/2023	2.8

The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid, weighted by the amount of such installment. The weighted average life of the PAC Bonds will be influenced by, among other factors, the rate at which repayments and prepayments of Series D/E Mortgage Loans are received.

Actual events, including, among others, the rate of prepayments received on the Series D/E Mortgage Loans and the application of such Series D/E Prepayments in excess of 400% of the SIFMA Standard Prepayment Model to the redemption of the PAC Bonds, will differ from the assumptions used to model the above table. Therefore, the actual last date outstanding and weighted average life of the PAC Bonds will differ from those set forth above.

*Optional Redemption.* The Series D Bonds maturing on or after July 1, 2028 are subject to redemption on any date on or after January 1, 2028, at the option of the Department, in whole or in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption.

The Variable Rate Bonds in the Weekly Mode Period are subject to redemption at the option of the Department, in whole or in part on any date from any money made available for such purpose, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, plus accrued interest to the date of redemption.

*General Provisions.* The Department may select Bonds for redemption from among any Series of Bonds and maturities as it deems appropriate, subject to the provisions of the applicable housing finance bond declaration. In the absence of direction from the Department, the Trustee shall select Bonds for redemption from among maturities of each Series of Bonds, and credit redemptions against Sinking Fund Requirements, on a proportionate basis. If less than all the Bonds of a single maturity are called for redemption, the particular Bonds to be redeemed are to be selected by the Trustee by lot. Notwithstanding the foregoing, unless otherwise required to preserve the tax-exempt status of the Offered Bonds, in any redemption of Variable Rate Bonds, the Trustee shall redeem Bank Bonds (as defined below) prior to any other Variable Rate Bonds to the extent provided in the Initial Liquidity Facility. As long as the Offered Bonds are registered with Cede & Co., notice of redemption will be sent to DTC during the period then required by DTC, which is currently not less than 20 days prior to the redemption date, subject to the requirements of the Indenture (see “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Notice of Redemption” for such requirements). Notice of the redemption will be sent by the Trustee to the registered owners of any Bonds which are to be redeemed, at their last addresses appearing upon the registry books. If less than all of the Term Bonds outstanding of any one maturity shall be called for redemption, the principal amount of such Term Bonds to be redeemed shall be credited to the remaining Sinking Fund Requirements in the manner that the Department deems appropriate. All Bonds called for redemption will cease to accrue interest on the specified redemption date and will no longer be considered outstanding under the Indenture, provided funds sufficient for the redemption of such Bonds are deposited with the Trustee.

### **Description of the Variable Rate Bonds**

#### **THIS OFFICIAL STATEMENT ONLY DESCRIBES VARIABLE RATE BONDS THAT ARE IN THE WEEKLY MODE PERIOD.**

#### *Interest Provisions*

Interest on the Variable Rate Bonds in a Weekly Mode Period will accrue from the date of delivery and will be payable in arrears, on the basis of a 365-day year or a 366-day year, as applicable, for the number of days actually elapsed. Interest shall be payable on January 1 and July 1 of each year, commencing January 1, 2019, for the period from the date of delivery or the preceding interest payment date, as applicable, to, but not including, such interest payment date.

The Variable Rate Bonds will bear interest, at an initial rate determined at or prior to delivery, from the date of delivery to, but not including, December \_\_, 2018. Thereafter, the Variable Rate Bonds in the Weekly Mode Period (other than Variable Rate Bonds purchased with funds provided by the Bank pursuant to the Initial Liquidity Facility (“Bank Bonds”)) will bear interest at a rate (the “Weekly Rate”) that will take effect on the Thursday (the “Effective Rate Date”) following the date of delivery or a Rate Determination Date and remain in effect until the day before the next Effective Rate Date. The Weekly Rate will be determined by the Remarketing Agent by 4:00 p.m. New York City time on the first Business Day preceding the applicable Effective Rate Date (each a “Rate Determination Date”). In no event will the Variable Rate Bonds (other than Bank Bonds) bear interest at a rate in excess of 12% (the

“Maximum Rate”). The Trustee will provide monthly statements to DTC setting forth the Weekly Rates for the prior month within seven Business Days of the end of each calendar month.

The Weekly Rate will be the lowest rate, not exceeding the Maximum Rate, which, in the determination of the Remarketing Agent, as of the date of determination and under then prevailing market conditions, would result as nearly as practicable in the market value of the Variable Rate Bonds on the Effective Rate Date being 100% of the principal amount thereof.

The determination by the Remarketing Agent of any Weekly Rate will be conclusive and binding on the holders of the Variable Rate Bonds. Failure by the Remarketing Agent or the Trustee to give any notice required under the applicable Bond Declaration, or any defect in such notice, will not affect the interest rate borne by the Variable Rate Bonds or the rights of the Bondowners thereof.

If for any reason the position of the Remarketing Agent is vacant or the Remarketing Agent fails to act, the Weekly Rate on the Variable Rate Bonds (other than Bank Bonds) shall be the interest rate as determined or caused to be determined, at the expense of the Department, by the Trustee, weekly to be the lesser of (i) the index published by SIFMA based upon data compiled by Municipal Market Data concerning tax-exempt variable rate issues (the “SIFMA Index”) plus 0.25% or (ii) the Maximum Rate.

#### *Mode Changes; Conversion*

The Department may elect, subject to the conditions set forth in the applicable Bond Declaration, (1) to designate a date on which a Mode Change will take effect (a “Mode Change Date”) or, (2) to designate a date on which a Conversion will take effect (a “Conversion Date”). The Trustee will give notice (1) to the Bondowners affected by a Mode Change not less than 15 days before the Mode Change Date and (2) to the Bondowners affected by a Conversion not less than 30 days before the Conversion Date. On each Mode Change Date or Conversion Date, the Variable Rate Bonds to which such Mode Change or Conversion applies will be subject to mandatory tender for purchase.

#### *Optional Tender*

Holders of the Variable Rate Bonds in the Weekly Mode Period may elect to tender their Variable Rate Bonds for purchase, by providing written notice to the Remarketing Agent and the Tender Agent not later than 5:00 p.m. New York City time on any Business Day that is at least seven calendar days before the purchase date, which purchase date must be a Business Day and must be set forth in such tender notice. Such Variable Rate Bonds will be purchased on the purchase date specified in the notice at a price equal to 100% of the principal amount thereof plus accrued interest (the “Purchase Price”), subject to the conditions set forth below under “Department Not Responsible to Bondowners for Bank’s Failure to Purchase Variable Rate Bonds.” Such notice of optional tender for purchase of Variable Rate Bonds by the Bondowners thereof will be irrevocable once such notice is given to the Remarketing Agent and the Tender Agent.

#### *Mandatory Tender*

The Variable Rate Bonds, or any portion thereof, are subject to mandatory tender for purchase at the Purchase Price (with no right to retain) (1) on a Mode Change Date for such Variable Rate Bonds, (2) if either (i) the Department has determined to terminate the Liquidity Facility in accordance with its terms or (ii) the Trustee has not received notice from the Bank on or prior to 45 days prior to the scheduled expiration of the Liquidity Facility that such Liquidity Facility will be extended or renewed (a “Liquidity Expiration Event”) for such Variable Rate Bonds, on a date not less than 5 days prior to the scheduled expiration or earlier termination of the Liquidity Facility, (3) on any Conversion Date for such Variable Rate Bonds, and (4) upon receipt of a notice of termination (as described in the Liquidity Facility) by the Trustee following the occurrence of certain events of default under such Liquidity Facility, on a date not less than five days prior to the date on which the Liquidity Facility will terminate (each a “Mandatory Tender Date”). In connection with any mandatory tender of the Variable Rate Bonds, the Trustee will deliver a notice of mandatory tender to owners of such Variable Rate Bonds, at least 15 days prior to the Mandatory Tender Date,

stating the reason for the mandatory tender, the date of mandatory tender, and that all Bondowners of the Variable Rate Bonds subject to such mandatory tender will be deemed to have tendered their Variable Rate Bonds on such date.

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its Variable Rate Bond certificates. Any Variable Rate Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date (“Untendered Bonds”) for which there has been irrevocably deposited in trust with the Trustee the Purchase Price will be deemed to have been tendered and purchased on such Mandatory Tender Date. Owners of the Untendered Bonds will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such Untendered Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Bondowners will no longer be entitled to the benefits of the Indenture and the applicable Bond Declaration, except for the purpose of payment of the Purchase Price. Bond certificates will be issued in place of such Untendered Bonds pursuant to such Bond Declaration and, after the issuance of the replacement Variable Rate Bond certificates, such Bonds will be deemed purchased, canceled, and no longer Outstanding under the Indenture and the applicable Bond Declaration.

#### *Remarketing*

During the Weekly Mode Period, each date on which the Variable Rate Bonds are tendered or required to be tendered and purchased, the Remarketing Agent will use its best efforts as described herein to sell the Variable Rate Bonds at a Weekly Rate that results as nearly as practicable in the price being 100% of the principal amount thereof. If the Remarketing Agent is unable to remarket the Variable Rate Bonds so tendered while the Initial Liquidity Facility is in effect, the Bank will purchase the Variable Rate Bonds in accordance with the terms of the Initial Liquidity Facility. The Remarketing Agent will not be required to remarket the Variable Rate Bonds under certain conditions, including after the occurrence and continuation of an Event of Default under the Indenture. The Department will enter into a Remarketing Agreement with the Remarketing Agent pursuant to which the Remarketing Agent will undertake the duties of Remarketing Agent, including remarketing of tendered Variable Rate Bonds and determination of interest rates. The Remarketing Agreement provides that the Remarketing Agent may at any time resign and be discharged of its duties, by giving written notice to the Department, the Trustee, the Tender Agent and the Bank at least 30 days prior to such resignation (provided that the effective date of such resignation may be, in the Department’s sole discretion, extended for one additional 30-day period if the Department is unable to find a replacement remarketing agent), and that the Department may remove the Remarketing Agent upon 30 days’ written notice prior to the effective date of such removal, except that such removal of the Remarketing Agent shall not take effect until the appointment of a successor Remarketing Agent.

#### *Department Not Responsible to Bondowners for Bank’s Failure to Purchase Variable Rate Bonds*

Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the Purchase Price of Variable Rate Bonds will be payable from moneys furnished in connection with the remarketing of the Variable Rate Bonds or from the Initial Liquidity Facility. The Department is *not* responsible for any failure by the Bank to purchase Variable Rate Bonds tendered at the option of the Bondowner or subject to mandatory tender for purchase pursuant to the applicable Bond Declaration. Failure to purchase a Variable Rate Bond tendered at the option of the Bondowner or subject to mandatory tender for purchase as described above and in accordance with such Bond Declaration does *not* constitute an Event of Default under the Indenture.

Upon the occurrence of certain events set forth in the Initial Liquidity Facility, the Bank’s obligation to purchase Variable Rate Bonds under the Initial Liquidity Facility will immediately terminate without notice or other action on the part of the Bank. See Appendix C attached hereto. The Department is not responsible to Bondowners for any failure by the Bank to purchase Variable Rate Bonds tendered at the option of the Bondowner or subject to mandatory tender for purchase pursuant to the applicable Bond Declaration, upon the occurrence of an event of default under the Initial Liquidity Facility.

If the Bank fails to purchase any Variable Rate Bonds tendered or deemed tendered for purchase by the Bondowners thereof and not remarketed, such Variable Rate Bonds will automatically bear interest in a Weekly Mode

Period with the interest rate reset on a weekly basis to be the lesser of (1) the SIFMA Index plus 1.00% or (2) the Maximum Rate. Bondowners will not have the right to tender their Variable Rate Bonds during such period and may be required to hold their Variable Rate Bonds to their maturity or prior redemption.

### **Liquidity Facility**

The Department is required to provide a Liquidity Facility for Outstanding Variable Rate Bonds in the Weekly Mode Period, except as otherwise provided below, in an amount not less than the principal of and interest that may accrue, if any, on such Variable Rate Bonds. The Initial Liquidity Facility for the Variable Rate Bonds in the Weekly Mode Period is a standby bond purchase agreement provided by the Bank. Information with respect to the Initial Liquidity Facility and the Bank is set forth below, as applicable, under “THE INITIAL LIQUIDITY FACILITY” and attached hereto as Appendix C and Appendix D.

### **Alternate Liquidity Facility**

The Department may elect to replace any Liquidity Facility (including but not limited to the Initial Liquidity Facility) with another Liquidity Facility meeting the requirements of the applicable Bond Declaration (an “Alternate Liquidity Facility”). If the Department makes such election, the Variable Rate Bonds to be covered by the Alternate Liquidity Facility will be subject to mandatory tender before the expiration of the existing Liquidity Facility. **This Official Statement is not intended to apply to the Variable Rate Bonds when an Alternate Liquidity Facility is in place.**

### **Self-Liquidity and Other Forms of Liquidity**

The Department may also elect to provide liquidity support for the Variable Rate Bonds from its own funds (“Self Liquidity”) or by delivering a Liquidity Facility which does not meet the requirements of an Alternate Liquidity Facility (“Non-Conforming Liquidity Facility”), subject to the conditions set forth in the related Bond Declaration. If the Department makes such election, the Variable Rate Bonds will be subject to mandatory tender before the expiration of the existing Liquidity Facility. **This Official Statement is not intended to apply to the Variable Rate Bonds when Self-Liquidity or a Non-Conforming Liquidity Facility is in place.**

## **THE INITIAL LIQUIDITY FACILITY**

The Initial Liquidity Facility requires the Bank to provide funds for the purchase of the Initial Liquidity Facility Covered Bonds (including the Variable Rate Bonds) that have been tendered and not remarketed subject to certain conditions. This obligation under the Initial Liquidity Facility will expire on June 5, 2021 unless earlier terminated or extended as provided therein.

A summary of certain provisions of the Initial Liquidity Facility is attached hereto as Appendix C. Certain information relating to the Bank is set forth in Appendix D hereto.

## **INFORMATION CONCERNING SALES OF THE VARIABLE RATE BONDS BY THE REMARKETING AGENT**

*The information contained under this heading “Information Concerning Sales of the Variable Rate Bonds by the Remarketing Agent” has been provided by the Remarketing Agent for use in this Official Statement but has not been required by the Department to be included herein. Except to the extent such information describes express provisions of the Indenture and the applicable Bond Declaration, the Department does not accept any responsibility for its accuracy or completeness.*

*The Remarketing Agent is Paid by the Department.* The Remarketing Agent's responsibilities include determining the interest rate from time to time with respect to the Variable Rate Bonds and remarketing such bonds that are optionally or mandatorily tendered by the owners thereof, all as further described in this Official Statement.

The Remarketing Agent is appointed and will be paid by the Department for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the Variable Rate Bonds.

*The Remarketing Agent Routinely Purchases the Variable Rate Bonds for its Own Account.* The Remarketing Agent is permitted, but not obligated, to purchase tendered Variable Rate Bonds for its own account. The Remarketing Agent, in its sole discretion, may routinely acquire tendered Variable Rate Bonds for its own inventory in order to achieve a successful remarketing of such Variable Rate Bonds (i.e., because there otherwise are not enough buyers to purchase such Variable Rate Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase the Variable Rate Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Variable Rate Bonds by routinely purchasing and selling such Variable Rate Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the related Variable Rate Bonds. The Remarketing Agent may also sell any Variable Rate Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to such Variable Rate Bonds. The purchase of the Variable Rate Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for such Bonds in the market than is actually the case. The practices described above also may reduce the supply of the Variable Rate Bonds that may be tendered in a remarketing.

*The Variable Rate Bonds May be Offered at Different Prices on any Date.* The Remarketing Agent is required to determine on each Rate Determination Date the rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Variable Rate Bonds at par plus accrued interest, if any, on the following Effective Rate Date. The interest rate will reflect, among other factors, the level of market demand for the Variable Rate Bonds (including whether the Remarketing Agent is willing to purchase such Bonds for its own account). There may or may not be Variable Rate Bonds tendered and remarketed on a Rate Determination Date or an Effective Rate Date, the Remarketing Agent may or may not be able to remarket any of the Variable Rate Bonds tendered for purchase on such date at par and the Remarketing Agent may sell such Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the Variable Rate Bonds at the remarketing price. In the event the Remarketing Agent owns any of the Variable Rate Bonds for its own account, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer the Variable Rate Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

*The Ability to Sell the Variable Rate Bonds other than through Tender Process May Be Limited.* While the Remarketing Agent may buy and sell the Variable Rate Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase any Variable Rate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell such Variable Rate Bonds other than by tendering such Bonds in accordance with the tender process. The Initial Liquidity Facility is not available to purchase the Variable Rate Bonds in accordance with a sale of the Variable Rate Bonds by the bondholder to the Remarketing Agent. The Initial Liquidity Facility will only be drawn when the Variable Rate Bonds have been properly tendered in accordance with the terms of the applicable Bond Declaration.

*Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds.* The Remarketing Agent may resign by the providing of at least 30 days' written notice to the applicable parties prior to such resignation (provided that the effective date of such resignation may be, in the Department's sole discretion, extended for one additional 30-day period if the Department is unable to find a replacement remarketing agent) and may be removed by the Department upon 30 days' written notice prior to the effective date of such removal; provided, however, no such removal shall take effect until a successor is appointed and has accepted such appointment. The Remarketing Agent may suspend its remarketing efforts immediately upon the occurrence of certain events, as set forth in the Remarketing Agreement.

## THE PROGRAM

### General

Under the Program, initiated in 1988, the State purchases Mortgage Loans or Guaranteed Mortgage Securities from Mortgage Lenders with funds on deposit in the Acquisition Account of the Indenture, in accordance with current provisions of the Act, to provide financing for existing, newly-constructed, or substantially rehabilitated single-family residences (the “Single-Family Residences”). The Indenture provides for the financing of Mortgage Loans through direct lending, although the Act makes direct lending subject to a legislative finding that private lending institutions are unwilling or unable to participate in the Program.

The Program is a continuation of a mortgage purchase program initiated by the Housing Division in 1977 to provide below-market interest rate loans to lower income home buyers under which the State issued bonds under a separate indenture to provide funds to purchase program loans from approved lenders in accordance with the provisions of the Act. The Housing Division established rules relating to such program which state general requirements and policies with respect to qualifications of approved lenders, approved servicers, Eligible Borrowers, program loans and the dwellings which are mortgaged to secure program loans. The Department maintains a procedural guide which incorporates the rules and sets forth more particular requirements for compliance with federal tax law and procedures for approved lenders and approved servicers (the “Procedural Guide”).

Under an indenture dated October 1, 1977, between the State, acting by and through the Department, and U.S. Bank National Association, the successor trustee, the Department issued ten series of bonds in an aggregate original principal amount of \$511,644,681 to finance its single-family mortgage program. No such bonds are outstanding. Under an indenture dated December 1, 2009 (the “NIBP Indenture”) between the State, acting by and through the Department, and U.S. Bank National Association, as trustee, as of October 1, 2018, the Department had issued ten series of bonds in an aggregate principal amount of \$190,000,000 to finance the continuation of the single-family program. Additional information is set forth under the heading “OTHER HOUSING FINANCE PROGRAMS OF THE DEPARTMENT — New Issue Bond Program.” Mortgage loans and mortgage-backed securities financed with the proceeds of any bonds issued under these indentures do not secure the payment of any Bonds, including the Offered Bonds.

With respect to newly originated Mortgage Loans, the Department accepts on-line reservations on a first-come, first-served basis from Mortgage Lenders who have taken applications for Mortgage Loans. Mortgage Lenders are permitted to charge the Eligible Borrowers normal closing costs plus a fee not exceeding 1.75% of the original principal balance of the Mortgage Loan. At the time of purchase of each such Mortgage Loan by the Department, Mortgage Lenders are required to pay the Department a fee equal to 0.50% of the original principal balance of the Mortgage Loan. In general, all such Mortgage Loans which are the subject of a reservation from the Department are required to be delivered to the Department for purchase within 90 days from the date the reservation is made. If Mortgage Loans are not delivered within such period, the Department may extend the delivery period or reallocate available proceeds, to the extent that such extension or reallocation is consistent with the most recent Cash Flow Statement, or redeem Bonds. The Department may also agree to purchase Mortgage Loans in amounts equal to available Revenues, including prepayments of Mortgage Loans, which are not required for the payment of principal of and interest on the Bonds in the then current fiscal year as determined by the Department. The Department expects to purchase Mortgage Loans from Mortgage Lenders at a price equal to the outstanding principal balance of the Mortgage Loan plus accrued interest to the date of purchase.

The Department may offer assistance to Eligible Borrowers in conjunction with a portion of the Mortgage Loans financed through the Program. Such assistance would be applied to the downpayment on the Single-Family Residence or costs related to the closing of the Mortgage Loan. If such assistance is provided, the amount of the assistance would be equal to 3% of the original principal amount of the loan to the Eligible Borrower in connection with such Mortgage Loan and will not be included in the principal balance of the Mortgage Loan. Eligible Borrowers receiving assistance may pay a higher rate of interest on their Mortgage Loan than would be paid by Eligible Borrowers not receiving assistance.



### Amounts Available to Purchase Mortgage Loans

As of November 8, 2018, the following amounts relating to prior Series of Bonds were available in Acquisition Subaccounts to purchase Mortgage Loans.

<u>Series of Bonds</u>	<u>Date of Issuance or Remarketing</u>	<u>Mortgage Loan Interest Rate Range</u>	<u>Total Amount Available to Purchase Mortgage Loans</u>	<u>Amount Committed for Mortgage Loans</u>	<u>Amount Available for Commitment</u>
2017 A/B/C	May 25, 2017	2.875 - 4.125%	\$ 1,609,360	\$ 1,609,360	\$ -
2017 D/E	October 12, 2017	3.250 - 4.125%	12,261,346	12,261,346	-
2017 F/G/H	December 28, 2017	3.250 - 4.125%	9,334,154	9,334,154	-
2018 A/B	June 5, 2018	3.250 - 4.125%	16,215,205	16,215,205	-
2018 C	September 25, 2018	3.250 - 4.125%	65,012,324	33,465,879	31,546,445
			<u>\$ 104,432,389</u>	<u>\$ 72,885,944</u>	<u>\$ 31,546,445</u>

Following the issuance of the Offered Bonds, the Department expects to have approximately \$123,053,583\* from the proceeds of the Offered Bonds for the purchase of newly originated Mortgage Loans bearing interest at estimated rates ranging from 3.625% to 4.875% and to provide closing cost or down payment assistance. Such proceeds may be applied to the purchase of Mortgage Loans in conjunction with amounts currently available in Acquisition Subaccounts or the proceeds of bonds issued other than pursuant to the Indenture. The Department changes interest rates to reflect changing market conditions and changing program objectives. Each newly originated Mortgage Loan to be purchased is expected to have an original term of 30 years and equal monthly payments of principal and interest. All newly originated Mortgage Loans to be financed with funds made available upon the issuance of the Offered Bonds are expected to be originated by January 2021. The Department has not redeemed any Bonds of any Series from the unexpended proceeds of the related Series of Bonds resulting from the non-origination of Mortgage Loans since 1996.

### Procedures for Origination and Purchase

Mortgage Lenders must be authorized to engage in the business of making loans of the general character of Mortgage Loans and must be qualified to sell mortgages to Fannie Mae or the Federal Home Loan Mortgage Corporation or be approved by the Department.

The Department purchases Mortgage Loans from Mortgage Lenders pursuant to Program Loan Purchase Agreements between individual Mortgage Lenders and the Department. The Mortgage Lenders will accept applications, screen potential mortgagors, obtain the applicable loan insurance, close Mortgage Loans, and sell qualifying Mortgage Loans to the Department.

Mortgage Lenders make certain representations and warranties regarding each Mortgage Loan purchased by the Department. In the event any representation or warranty proves to have been untrue as of the time when made, or the Mortgage Lender defaults in the observance of its obligation under the Program Loan Purchase Agreement, the Department may rescind its purchase of the affected Mortgage Loan and demand return of the outstanding principal balance of the Mortgage Loan plus accrued interest thereon. If after delivery of a Mortgage Loan the Department discovers any substantial error or defect which could invalidate or jeopardize the lien securing the Mortgage Loan, the Mortgage Lender must cure the same within 90 days of notice thereof, or be subject to rescission as described above.

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\* Subject to change.

## **Mortgage Loans**

Generally, Mortgage Loans must be made to residents of the State whose income at the time of origination does not exceed the lower of the median family income applicable under the Code in the area where housing is to be provided or such income limits as may be established from time to time by the Department.

Each Eligible Borrower must possess legal capacity to enter into the Mortgage Loan, have a satisfactory credit standing, intend to purchase the home as a permanent, primary residence and agree not to rent (except under special circumstances) the home during the term of the Mortgage Loan. Properties that are eligible for a Mortgage Loan must be located in the State, be structurally sound and functionally adequate and meet all applicable zoning requirements, building codes and similar requirements.

### **Requirements of Section 143 of the Code Relating to Certain Mortgage Loans**

Depending on the date of origination of a Mortgage Loan and the application of various effective date provisions and transition rules contained in the Code or in various federal tax acts or other interpretations of the applicability of certain Code provisions, all, a portion or none of the following requirements contained in Section 143 of the Code will be applicable to such Mortgage Loan. Such requirements are applicable to Mortgage Loans financed with proceeds of “qualified mortgage bonds” under the Code (“Qualified Mortgage Bonds”), such as the Offered Bonds.

Section 143 of the Code provides that interest on obligations of a governmental unit issued to finance single-family residences, or to refund bonds which were used to finance single-family residences is excludable from gross income for federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations, the use and investment of funds generated by the issuance of the obligations, the nature of the residence and the mortgage, the origination of mortgages, the repayment of the tax-exempt borrowing, the eligibility of the borrower executing the mortgage and periodic and annual information reports of the Department.

The State has covenanted in the Indenture to do and perform all acts and things necessary or desirable to comply with the Code and to adopt and maintain appropriate procedures for such purpose. In its Rules, Procedural Guide and Program Loan Purchase Agreement, the Department has established procedures and documentation requirements to enable the Department to comply with the requirements of Sections 143 and 148 of the Code.

*Mortgage Eligibility Requirements.* Section 143 of the Code provides that the Department must reasonably expect at the time a Mortgage Loan is executed that the Eligible Borrower will make the residence financed by the Mortgage Loan his or her principal residence within a reasonable time after the financing is provided. Under the procedures established by the Department, the Eligible Borrower will be required to certify at the closing of the Mortgage Loan that the Eligible Borrower intends to make the financed residence his or her principal residence within 30 days. Section 143 of the Code provides that the acquisition cost of the residence being financed may not exceed certain limitations established for the State. The Department has established purchase price requirements which are within the “safe harbor” limitations for all areas of the State, as published by the United States Treasury Department (the “U.S. Treasury”) under Section 143 of the Code or pursuant to a study approved by Bond Counsel. The Department requires a certification from the Eligible Borrower and the seller detailing all amounts paid as the acquisition cost of the residence. At least 95% of the net proceeds of an issue must be used to finance residences of Eligible Borrowers who have not had a present ownership interest in a principal residence during the three-year period prior to the date on which the mortgage is executed. Proceeds of Qualified Mortgage Bonds used to make Mortgage Loans in “targeted areas” and for qualified rehabilitation are treated as meeting this requirement. The Department requires the Eligible Borrower to provide federal income tax returns for the preceding three years for review for evidence of prior ownership interests, except for certain permitted exceptions, and to certify that the Eligible Borrower has not had a present ownership interest in his or her principal residence within the preceding three years.

Under Section 143 of the Code, an existing mortgage loan may not be acquired or replaced with proceeds of a Mortgage Loan, except for certain mortgage loans for qualified rehabilitation (as more particularly described in the Code). In addition, the replacement of construction period loans and bridge loans or similar temporary initial

financings (generally loans with a term of 24 months or less) is not treated as the acquisition or replacement of an existing mortgage loan. With certain limited exceptions, the Department requires an Eligible Borrower to certify at the time of application for a Mortgage Loan that any residential property owned will be legally transferred before closing the Mortgage Loan. In addition, the Mortgage Lender will be required to review the Eligible Borrower's federal income tax returns for the preceding three years, or a letter from the Internal Revenue Service stating that the Eligible Borrower has filed a federal income tax return on Form 1040A or 1040EZ for such years, and a credit report prior to closing to determine whether the Eligible Borrower has any outstanding loans that could be acquired or replaced with the proceeds of the Mortgage Loan. The Mortgage Lender also must review evidence documenting the sale of other residential property prior to closing the Mortgage Loan.

Section 143 of the Code requires that all Mortgage Loans must be made to borrowers whose family income is 115% or less of the applicable median family income (100% for families of fewer than three persons), except that one-third of the amount of Mortgage Loans for targeted area residences may be made to borrowers who do not satisfy this requirement if the remainder of Mortgage Loans in "targeted areas" are made to borrowers whose family income is 140% or less of the applicable median family income (120% for families of fewer than three persons).

Mortgage Loans can be assumed as long as the borrower has no prior home ownership interest in the last three years unless property is in a targeted area, and purchase price and income requirements are met by the assuming party at the time of assumption. The Department requires that each Mortgage Loan have a provision allowing the Department to accelerate such Mortgage Loan if the mortgage is assumed and any such requirements are not met.

An issue of Qualified Mortgage Bonds is treated as meeting the mortgage eligibility requirements if (1) the issuer in good faith has attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (2) 95% or more of the net proceeds of the issue used to make mortgage loans was devoted to financing residences that met all such mortgage eligibility requirements at the time the loans were executed or assumed, and (3) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered. In determining whether 95% of the net proceeds have been used, the Department may rely on an affidavit of the borrower and of the seller and on examination of copies of the borrower's federal income tax returns for the three years preceding the date the mortgage is executed, unless the Department or the Mortgage Lender knows or has reason to believe that such information is false. Should the relevant information in such affidavits and returns ultimately prove to be untrue, the correction requirements under (3) above must be met. The Department expects to satisfy such correction requirements by (a) rescinding the Department's purchase of any Mortgage Loan that is defective due to the fault of the Mortgage Lender, or (b) declaring a default and recovering the proceeds of foreclosure or proceeds of mortgage insurance or a guaranty with respect to a Mortgage Loan that is defective for a reason other than the fault of the Mortgage Lender.

*Loan Origination.* Section 143 of the Code requires that, except for amounts of less than \$250,000, all proceeds of Qualified Mortgage Bonds of a Series issued after December 31, 1988 that are required to be used to finance owner-occupied residences be so used within 42 months of the date of issuance of such Series of Qualified Mortgage Bonds or, with respect to Qualified Mortgage Bonds issued to refund prior bonds, within 42 months of the date of issuance of such prior issue of bonds in the case of refunding of unexpended proceeds. Proceeds of Qualified Mortgage Bonds that are not used to finance owner-occupied residences within such period are required to be used to redeem bonds of the issue within the applicable 42-month period. No portion of the proceeds of such Qualified Mortgage Bonds may be used to make or finance a mortgage loan after the close of such period.

*Repayment of Issue.* Section 143 of the Code requires that, except for amounts of less than \$250,000, repayments of principal of a Mortgage Loan received after ten years from the date of issuance of the Series of Qualified Mortgage Bonds issued after December 31, 1988 financing such Mortgage Loan (or, in the case of Qualified Mortgage Bonds financing such Mortgage Loans which are treated as refunding bonds for purposes of this provision of the Code, the date of issuance of the original issue of bonds) be used to redeem Qualified Mortgage Bonds of such issue no later than the close of the first semiannual period beginning after the date the Prepayment or complete repayment of the Mortgage Loan is received (the "10-Year Rule").

*Recapture Tax.* Section 143 of the Code imposes, subject to certain exceptions, a recapture tax on borrowers who (1) receive Mortgage Loans originated after December 31, 1990, and purchased with proceeds of Qualified Mortgage Bonds and (2) dispose of the residence financed with such Mortgage Loan within nine years. In general, Section 143 provides that, subject to a limit of 50% of the amount of gain realized on disposition, an amount equal to 1.25% of the mortgage amount per year is to be recaptured if the residence is disposed of within five years. This maximum recapture amount is phased out on an annual basis during years six through nine, with no recapture being imposed on dispositions occurring after nine years. An exception would exclude from recapture part or all of the subsidy in the case of borrowers whose income at the time of the disposition is less than a prescribed amount. The Department is unable to predict whether, or to what extent, this recapture tax exposure will affect the Department's ability to purchase Mortgage Loans or its effect on the prepayment of Mortgage Loans.

*Requirements Related to Investments.* Section 143 of the Code requires that the yield on Mortgage Loans financed with moneys relating to each Series of Qualified Mortgage Bonds not exceed the yield on such issue of Qualified Mortgage Bonds by more than 1-1/8%.

Section 148 of the Code also requires the Department to pay to the U.S. Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments had such investments been invested at a yield equal to the yield on the issue of Bonds. The Department has established accounting procedures to determine the amount of such excess investment earnings.

*Other Requirements.* Section 146 of the Code restricts the amount of private activity bonds, including obligations issued to finance single family residences, that may be issued in the State during each calendar year. Several exceptions to this restriction exist, including one covering certain refunding issues. The Offered Bonds will meet the requirements of the Code with respect to annual volume limitation.

Section 143 of the Code requires that 20% of the net proceeds of an issue of Qualified Mortgage Bonds be made available for owner financing of "targeted area" residences for at least one year after the date on which owner financing is first made available, and that the Department attempt with reasonable diligence to place such proceeds in qualified mortgage loans. "Targeted areas" are (1) those census tracts in the State in which 70% or more of the families have an income that is 80% or less of the statewide median family income or (2) areas of chronic economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the U.S. Treasury under the criteria specified in Section 143 of the Code. The State's designation of certain areas in the State as "targeted areas" has been approved by the Secretaries of Housing and Urban Development and the U.S. Treasury. A portion of the proceeds of the Offered Bonds, including any premium, deposited in the Series D/E Acquisition Subaccount will be made available for one year following the delivery of such Bonds to provide funds for owner financing of "targeted area" residences.

*Monitoring for Compliance.* Mortgage Lenders are responsible for reviewing each Mortgage Loan application with the accompanying documentation, including the borrower affidavits and the seller affidavit, for compliance with the requirements of Section 143 of the Code. Normal and appropriate measures are required to be undertaken by the Mortgage Lenders to verify the information given either independently or concurrently with credit reviews, when applicable. All documentation is required to be cross-checked by the Mortgage Lenders to assure that the information presented is complete and consistent.

## **Servicing**

*Requirements and Responsibilities of Approved Servicers.* Each Mortgage Loan will be serviced by a servicer approved by the Department (each an "Approved Servicer"). An Approved Servicer must be an entity legally authorized to engage in the business of servicing mortgage loans of the general character of the Mortgage Loans and meet the qualifications established in the Procedural Guide. The Approved Servicer must be an approved seller-servicer of mortgage loans to and for Fannie Mae or the Federal Home Loan Mortgage Corporation or be approved by the Department and, if the Approved Servicer services FHA-insured Mortgage Loans, VA-guaranteed Mortgage Loans or RHS-guaranteed Mortgage Loans, must be an FHA-approved mortgagee or RHS-approved mortgagee, as

applicable. An Approved Servicer may be a Mortgage Lender. There are currently six Approved Servicers servicing Mortgage Loans under the Single-Family Mortgage Program of the Department.

Each Approved Servicer enters into a Program Loan Servicing Agreement which establishes basic agreements between the Department and the Approved Servicer and incorporates by reference the detailed guidelines for servicing contained in the Procedural Guide, which may be revised from time to time at the discretion of the Department. The Program Loan Servicing Agreement may be terminated at any time without cause by the Department with respect to any Mortgage Loan; however, under the terms of some of these Agreements, termination without cause prior to five years from the date of commencement of servicing entitles the Approved Servicer to a fee of up to 1% of the unpaid principal amount of the Mortgage Loan. In lieu of entering into, or termination of, any Program Loan Servicing Agreement, the Department retains the right to select another Approved Servicer or service Mortgage Loans with its own staff. All Mortgage Loans are currently being serviced by Approved Servicers.

The Approved Servicer is responsible for loan accounting, remitting to the Department the principal and interest payments on the Mortgage Loans and any other sums paid by Eligible Borrowers which the Department requires to be remitted and for accounting for and management of escrows of sums paid by Eligible Borrowers for payment of taxes, assessments, mortgage and hazard insurance premiums and other expenses. For servicing each Mortgage Loan, the Approved Servicer is entitled to a fee calculated according to the formula appearing in the Procedural Guide. Such fee is currently calculated to approximately 3/8 of 1% per annum of the outstanding principal amount of Mortgage Loans serviced relating to Bonds. The servicing fee is to be deducted from amounts remitted on a monthly basis to the Department.

The Approved Servicer must comply with all requirements of FHA, VA, RHS or private mortgage insurance companies, as applicable, with respect to Mortgage Loans and must maintain, in effect at all times and at the Approved Servicer's expense, a fidelity bond (or direct surety bond) and an errors and omissions policy issued by a company currently classified in Best's Insurance Reports as Class 6 or higher and written on a policy form covering all officers, employees and persons duly authorized by the Approved Servicer to act on behalf of the Approved Servicer for the Department.

The Approved Servicer is responsible for ensuring that hazard insurance meeting the requirements set forth in the Procedural Guide is at all times maintained with respect to a Mortgage Loan. The Approved Servicer must indemnify the Department for any loss suffered by the Department as a result of a failure to maintain such insurance. The Department is to be named as payee on insurance loss drafts.

A list of financial institutions that currently service Mortgage Loans and information concerning the aggregate principal amount of Mortgage Loans serviced by each such financial institution is set forth under the heading "Certain Information Relating to Mortgage Loans."

#### **Certain Information Relating to Mortgage Loans**

Information relating to the Mortgage Loans financed or acquired with the proceeds of Bonds as of October 1, 2018 is set forth below:

<u>Interest Rate</u>	<u>Original Number</u>	<u>Original Principal Amount</u>	<u>Outstanding Number</u>	<u>Outstanding Principal Amount</u>
0.000%	31	\$ 1,854,683	22	\$ 572,029
2.875	150	29,122,951	147	27,668,084
3.125	310	30,079,477	242	20,727,759
3.250	596	112,092,133	567	102,702,149
3.375	337	64,231,476	309	56,935,154
3.500	237	9,195,238	164	5,862,658
3.625	227	45,084,031	201	40,003,701
3.750	591	120,636,502	561	112,192,264

<u>Interest Rate</u>	<u>Original Number</u>	<u>Original Principal Amount</u>	<u>Outstanding Number</u>	<u>Outstanding Principal Amount</u>
3.875%	259	\$ 10,017,078	151	\$ 5,006,211
4.000	210	8,130,818	89	3,925,320
4.125	388	85,235,155	368	81,578,116
4.250	116	1,724,026	29	324,811
4.375	61	692,701	25	329,511
4.500	867	118,954,789	289	27,823,365
4.625	30	20,227	17	9,390
4.700	172	23,864,964	48	4,103,340
4.750	61	573,608	11	86,992
4.950	1,949	249,061,586	465	37,801,237
5.000	255	16,591,414	40	1,510,851
5.125	227	38,717,980	55	6,654,281
5.200	143	20,391,737	23	2,193,459
5.250	379	57,589,222	88	9,250,669
5.375	381	42,740,710	71	4,767,202
5.400	265	39,236,028	71	7,047,850
5.450	987	147,064,182	164	16,130,385
5.500	333	54,418,671	81	9,378,423
5.625	516	92,027,364	95	12,136,250
5.650	135	20,299,742	27	2,815,166
5.750	542	82,637,059	81	8,448,165
5.875	28	4,553,386	5	537,035
5.900	235	37,008,600	29	2,920,877
5.950	3,231	302,009,724	269	13,176,454
5.990	107	16,385,592	21	2,322,845
6.000	451	77,220,734	65	8,619,644
6.050	187	30,480,280	26	2,714,160
6.125	1,205	119,476,096	70	3,442,304
6.150	28	4,424,301	4	437,366
6.250	494	53,782,616	35	2,696,390
6.300	94	14,037,128	12	1,211,819
6.375	23	3,794,054	3	283,774
6.490	131	21,580,173	16	1,704,612
6.500	686	49,186,744	17	389,653
6.625	337	27,401,623	21	810,423
6.750	143	10,432,437	6	239,315
6.950	773	60,821,636	33	1,018,459
7.000	477	43,990,060	15	627,235
7.080	359	23,965,011	7	136,771
7.150	394	27,217,949	7	192,421
7.250	2,853	191,383,950	45	1,843,512
7.375	112	8,395,089	4	124,212
7.450	481	24,501,928	7	77,628
7.500	516	44,010,826	14	584,566
7.625	812	47,717,358	18	376,751
7.875	892	45,120,638	7	60,738
7.990	57	3,509,826	1	21,418
8.250	556	28,005,702	2	14,629
8.270	248	11,846,768	1	6,300
8.280	700	33,242,127	6	40,676
Total	27,365	\$ 2,887,787,908	5,267	\$ 654,616,779

The Approved Servicers servicing Mortgage Loans pursuant to individual Program Loan Servicing Agreements and the principal balance of the Mortgage Loans being serviced by each such institution as of October 1, 2018 are set forth below:

<b><u>Approved Servicer</u></b>	<b><u>Outstanding Principal Amount</u></b>	<b><u>Percent of Total</u></b>
Homestreet Bank.....	\$ 212,728,355	32.5%
U.S. Bank.....	148,157,122	22.6
Banner Bank.....	134,687,933	20.6
Umpqua Bank .....	133,910,921	20.5
Wells Fargo Home Mortgage.....	24,280,197	3.7
Ocwen Loan Servicing.....	852,251	0.1
Total .....	<u>\$ 654,616,779</u>	<u>100.0%</u>

Information generally relating to certain characteristics of Mortgage Loans financed or acquired with the proceeds of Bonds as of October 1, 2018 is set forth below:

Average Income of Eligible Borrowers .....	\$ 45,705
Average Household Size .....	2.50
Average Age of Eligible Borrowers.....	37.84
Average Original Principal Amount of Mortgage Loans.....	\$ 156,128
Average Purchase Price of Properties .....	\$ 176,825
Type of Properties	
Single Family .....	85.1%
Condominiums.....	8.1
Other .....	6.8

Information relating to the insurance of Mortgage Loans financed or acquired with the proceeds of Bonds as of October 1, 2018 is set forth below:

<b><u>Insurer or Guarantor</u></b>	<b><u>Outstanding Principal Amount</u></b>	<b><u>Percent of Total</u></b>
FHA .....	\$ 265,226,180	40.5%
Uninsured.....	254,766,826	38.9
RHS.....	114,887,561	17.6
Private Mortgage Insurance .....		3.0
Mortgage Guaranty Insurance Corporation.....	\$ 15,829,723	
United Guaranty Residential Insurance .....	2,730,509	
Republic Mortgage Insurance.....	894,568	
Genworth.....	160,171	
PMI Mortgage Insurance Company .....	121,241	
Total .....	<u>\$ 654,616,779</u>	<u>100.0%</u>

The Department makes no representation regarding the financial condition of any Private Mortgage Insurer or its ability to make full and timely payment of claims made by the Department on Mortgage Loans. If such claims are not paid in full on a timely basis, the Department may experience losses on Mortgage Loans in default or in foreclosure. The financial strength ratings of Private Mortgage Insurers, including the Private Mortgage Insurers currently providing Mortgage Pool Insurance to the Department, have been under review by the Rating Agency as a result of disruptions in the housing market. Many of these Private Mortgage Insurers have had ratings downgrades or other negative adjustments.

## Certain Information Relating to Mortgage Delinquencies and Foreclosures

The Approved Servicer must take such appropriate action with respect to delinquencies as is required by FHA, VA or RHS, or such actions as it would take with respect to loans serviced for others or held for its own account. The Approved Servicer has discretion to grant appropriate relief in the form of liquidation plans, special forbearance relief and modifications. A liquidation agreement may be entered into which gives the Eligible Borrower a definite period in which to bring the Mortgage Loan current by immediately commencing payment in excess of the regular monthly installments. A special forbearance agreement may be entered into which reduces or suspends the regular monthly installments for a specified period of time. A modification agreement may be formulated which effects modifications of the Mortgage Loan repayment provisions, including an extension of the original maturity date. Approval by the Department is required for any special forbearance agreement or modification agreement.

The Approved Servicer must promptly notify the Department upon becoming aware of any prior lien that has attached or will attach to the property securing a Mortgage Loan and upon becoming aware of any bankruptcy, probate proceeding or the like against the Eligible Borrower. No sooner than the 90<sup>th</sup> day following the due date of the earliest unpaid installment on the Mortgage Loan, the Approved Servicer must recommend appropriate action to the Department. Should foreclosure be necessary, the Approved Servicer is required to make a full report to the Department and undertake all necessary steps to accomplish such foreclosure pursuant to standards contained in the Procedural Guide.

Based on reports to the Department from Approved Servicers, the following tables set forth the foreclosures and delinquencies for Mortgage Loans financed or acquired by the Department under the Program:

### **Percent of Mortgage Loans with Installments Past Due**

<b><u>As of</u></b>	<b><u>Total</u><sup>†</sup></b>	<b><u>50 Days</u></b>	<b><u>80 Days</u></b>	<b><u>110 Days Or More</u></b>	<b><u>In Foreclosure</u></b>
June 30, 2017	3.37%	0.96%	0.43%	1.98%	1.78%
September 30, 2017	3.35	1.04	0.37	1.94	1.57
December 31, 2017	3.27	1.02	0.37	1.88	1.50
March 31, 2018	3.02	0.94	0.35	1.73	1.40
June 30, 2018	2.63	0.78	0.26	1.59	1.18
September 30, 2018	2.47	0.72	0.30	1.45	1.12

### **Percent of Mortgage Loans in the Process of Foreclosure**

<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
1.12%	1.50%	2.05%	2.87%	3.42%	4.78%

The statistics for delinquencies are based on reports prepared as of the last day of each month by the Department. The statistics for foreclosures are based on such reports prepared as of December 31<sup>st</sup> of each year, except for the year 2018, for which statistics are based on reports as of September 30, 2018.

Prior to or during the process of foreclosure, the Department attempts to work out a plan to enable the mortgagor to become current in payment on a mortgage loan within a reasonable period of time. As of October 1, 2018, title to 660 properties had been conveyed to, and payment in the full amount of the Mortgage Loans had been received by the Department from FHA. In addition to these 660 properties, the Department had completed foreclosure proceedings on 556 additional properties. Of these 556 properties, 547 have been sold by the Department. Eight remaining foreclosed properties with an outstanding aggregate balance of \$1,305,733 are awaiting conveyance to, and payment in the full amount of the Mortgage Loan from FHA and one foreclosed property with an outstanding balance of \$83,428 is being marketed for sale by the Department.

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<sup>†</sup> Includes delinquent loans and loans in foreclosure.



On April 11, 2012, legislation became effective amending Oregon laws governing foreclosure by advertisement and sale, providing that (1) certain mortgagees (including the Department) seeking to foreclose a residential deed of trust must enter into mediation with the mortgagor for the purpose of negotiating a foreclosure avoidance measure and (2) no foreclosure sale may occur less than 30 days after the date on which the mortgagee notifies the mortgagor of mortgagee's determination that (a) the mortgagor is not eligible for any foreclosure avoidance measure or (b) the mortgagor has failed to comply with the terms of any foreclosure avoidance measure that has been agreed to. Foreclosure avoidance measures include deferring or forbearing one or more payments due on the mortgage loan, modifying the payment or other terms of the mortgage loan, accepting a deed-in-lieu of foreclosure from the mortgagor, conducting a short sale of the mortgaged property, or providing other assistance to the mortgagor to avoid foreclosure. The legislation applied to foreclosure proceedings for which notices of sale and mediation were sent on or after July 11, 2012. The legislation also provides that on and after July 11, 2012, mortgagees must also enter into such mediation with any mortgagor who is "at risk of default" (such term not defined in the legislation) and requests such mediation, so long as a notice of default precedent to a non-judicial foreclosure proceeding has not been filed as of the date of such request. The 2012 legislation did not apply to mortgages foreclosed through judicial proceedings. Many mortgage holders began to use judicial foreclosure proceedings after the effective date of the 2012 legislation. In its 2013 regular legislative session, the Oregon Legislative Assembly enacted Senate Bill 558 that amended the 2012 legislation and created a pre-foreclosure resolution conference procedure applicable to both non-judicial and judicial foreclosures. Senate Bill 558 requires most lenders to offer a face-to-face meeting with a borrower to attempt to avoid foreclosure. Lenders that commence 175 or fewer foreclosure actions per year are not required to offer a resolution conference to a borrower. A subject lender must present a certificate of compliance with the act's requirements when initiating a foreclosure. The provisions of the act apply to mortgages closed on or after August 4, 2013.

## **Prepayments**

Mortgage Loans made or purchased by the Department permit partial or complete prepayment without penalty. Such Mortgage Loans may also be terminated prior to their respective final maturities as a result of events such as default, sale, condemnation or casualty loss. A number of factors, including general economic conditions, homeowner mobility and mortgage market interest rates, will affect the rate of actual prepayments for a particular portfolio of mortgage loans. Therefore, it is difficult to predict prepayments for Mortgage Loans financed under the Indenture from available data about other pools of mortgage loans.

One source of information with respect to prepayments is published by FHA based on its nationwide experience relating to 30-year single-family mortgage loans insured under Section 203(b) of the National Housing Act since 1970. Such mortgage loans were issued at various interest rates and were not made primarily to persons or families of limited income. The most recent national statistics published by FHA as of June 30, 1991 indicate that, while some mortgage loans remain outstanding until scheduled maturity, mortgage loans have had an average life of approximately 11.1 years. Many factors may cause the Department's experience relating to Mortgage Loans financed under the Indenture to be different from the statistics published by FHA, including the eligibility under the Indenture of Mortgage Loans which are not insured by FHA, the demographics of the State as compared to the nation as a whole, different conditions for the assumption of Mortgage Loans as compared to mortgage loans insured by FHA in general and lower interest rates for Mortgage Loans as compared to mortgage loans originated at the same time which bear conventional market interest rates.

## Outstanding Mortgage Revenue Bonds

The following table shows the principal amounts of Bonds which have been issued and were outstanding as of October 1, 2018:

<u>Series of Bonds</u>	<u>Dated</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>	<u>Coupon Rates</u>
2010 Series A.....	August 24, 2010	\$ 35,900,000	\$ 2,940,000	2030	3.050-4.375%
2010 Series B.....	August 24, 2010	52,540,000	5,440,000	2030	5.000%
2010 Series C.....	August 24, 2010	8,000,000	1,015,000	2042	4.750%
2013 Series A.....	June 12, 2013	21,885,000	16,830,000	2043	2.200-4.050%
2013 Series B.....	June 12, 2013	29,095,000	8,450,000	2034	2.250-5.000%
2013 Series C.....	June 12, 2013	61,300,000	19,620,000	2033	2.435-3.564%
2013 Series D.....	November 20, 2013	33,225,000	20,075,000	2043	2.100-4.200%
2013 Series F.....	November 20, 2013	8,335,000	6,445,000	2033	3.900%
2014 Series A.....	May 29, 2014	57,710,000	44,970,000	2044	1.550-4.000%
2014 Series B.....	May 29, 2014	29,960,000	9,150,000	2044	1.950-4.000%
2014 Series C.....	December 18, 2014	30,900,000	24,320,000	2044	1.350-3.750%
2015 Series A.....	September 1, 2015	79,195,000	56,220,000	2036	1.500-3.500%
2015 Series B.....	September 1, 2015	8,645,000	1,390,000	2019	1.600-1.700%
2015 Series C (1).....	September 1, 2015	33,600,000	33,600,000	2045	Variable
2016 Series A.....	May 31, 2016	56,275,000	42,645,000	2047	1.000-4.000%
2016 Series B (1).....	May 31, 2016	13,140,000	13,140,000	2033	Variable
2016 Series C (1).....	May 31, 2016	15,000,000	15,000,000	2037	Variable
2017 Series A.....	May 25, 2017	81,510,000	66,640,000	2047	1.300-4.000%
2017 Series B.....	May 25, 2017	5,050,000	4,205,000	2020	1.400-1.650%
2017 Series C (1).....	May 25, 2017	44,000,000	44,000,000	2039	Variable
2017 Series D.....	October 12, 2017	87,390,000	84,525,000	2048	1.400-3.500%
2017 Series E.....	October 12, 2017	22,775,000	21,045,000	2040	1.200-3.500%
2017 Series F.....	December 28, 2017	11,440,000	10,695,000	2048	3.650-3.750%
2017 Series G.....	December 28, 2017	43,730,000	39,645,000	2040	1.700-4.000%
2017 Series H.....	December 28, 2017	16,105,000	16,105,000	2028	2.100-2.800%
2018 Series A.....	June 5, 2018	62,590,000	62,590,000	2049	1.750-4.500%
2018 Series B (1).....	June 5, 2018	30,000,000	30,000,000	2043	Variable
2018 Series C.....	September 25, 2018	87,420,000	87,420,000	2049	1.600-4.500%
Total.....		<u>\$1,076,715,000</u>	<u>\$788,120,000</u>		

(1) Liquidity provided by State Street Bank and Trust Company expiring on June 5, 2021. State Street Bank and Trust Company has received a long-term rating of Aa1 and a short-term rating of P-1, and a Counterparty Risk Assessment of Aa1(cr) / P-1(cr) from Moody's Investors Service. Such ratings are as of the date of this Official Statement. The Department undertakes no responsibility for updating the aforementioned ratings subsequent to such date.

## Outstanding Qualified Hedges

The Department has entered into Qualified Hedges relating to certain prior Series of Bonds. The following table sets forth information about the outstanding Qualified Hedges as of October 1, 2018. See Note 8 to the Financial Statements of the Department in Appendix B herein.

<u>Series of Bonds</u>	<u>Notional Amount</u>	<u>Fixed Rate Payable</u>	<u>Variable Rate Receivable</u>	<u>Hedge Provider</u>	<u>Expiration Date</u>	<u>Hedge Provider Rating (1)</u>
2008 Series I	\$ 21,950,000	3.723%	64% of LIBOR + .31%	BofA (2)	July 1, 2037	Aa3 (3)
2015 Series C	33,600,000	2.751	70% of LIBOR + .05%	RBC (5)	July 1, 2045	Aa2
2016 Series B (4)	13,140,000	1.710	66.5% of LIBOR + .08%	RBC (5)	January 1, 2033	Aa2
2016 Series C (4)	15,000,000	2.000	66.5% of LIBOR + .15%	RBC (5)	July 1, 2037	Aa2
2017 Series C (6)	44,000,000	2.407	70% of LIBOR + .05%	BofA (2)	July 1, 2039	Aa3

- (1) Ratings by Moody's Investors Service. Such ratings are as of the date of this Official Statement. The Department undertakes no responsibility for updating the aforementioned ratings subsequent to such date.
- (2) Bank of America, N.A.
- (3) Termination payments on Qualified Hedges provided by Bank of America, N.A. and Merrill Lynch Capital Services are guaranteed by Merrill Lynch Derivative Products, A.G., which is rated Aa3 by Moody's Investors Service. Such rating is as of the date of this Official Statement. The Department undertakes no responsibility for updating the aforementioned rating subsequent to such date.
- (4) The Qualified Hedge related to such series of Bonds will become effective on January 1, 2019.
- (5) Royal Bank of Canada. Royal Bank of Canada is the parent company of RBC Capital Markets, LLC, one of the Underwriters.
- (6) The Qualified Hedge related to such series of Bonds will become effective on July 1, 2019.

### **Homeowner's Protection Act of 1998**

In July 1998 the U.S. Congress enacted, and the President signed, the Homeowners Protection Act of 1998. This Act permits a mortgagor responsible for paying his private mortgage insurance premium to cancel private mortgage insurance on the date on which the principal balance of the mortgage loan is scheduled to reach 80% of the original value of the residence or on the date on which the principal balance actually reached 80% of the original value of the residence. The original value is the lesser of the sales price or the appraised value at the time the mortgage loan transaction was consummated. In order to effect such cancellation, the mortgagor must request in writing that the cancellation be initiated, must have a good payment history with respect to the mortgage loan (i.e., no mortgage payment was, during the year beginning two years prior to cancellation, 60 or more days delinquent, and no mortgage payment was, during the year beginning one year prior to cancellation, 30 or more days delinquent), and must satisfy any requirements of the lender for evidence that the value of the residence has not declined below its original value and for certification that the mortgagor's equity in the residence is not encumbered by a subordinate loan. This Act further provides for automatic termination of private mortgage insurance on the date on which the principal balance of the mortgage loan is scheduled to reach 78% of the original value of the residence, or if the borrower is not then current on his mortgage loan payments, on the date on which the mortgagor subsequently becomes current on such payments. Even if the private mortgage insurance is not canceled or terminated as described above, the Act requires that private mortgage insurance must be terminated on the first day of the month immediately following the date that is the midpoint of the amortization period of the mortgage loan if the mortgagor is then current on his mortgage loan payments. The Homeowners Protection Act also requires that mortgagors be provided with certain disclosures and notices regarding termination and cancellation of private mortgage insurance. The Homeowners Protection Act applies to mortgage loans which are closed on or after July 29, 1999.

### **Hardest Hit Fund**

In February 2010, President Obama established the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets ("HHF") to provide targeted aid to families in the states hit hardest by the housing downturn. HHF funds are designated for innovative programs developed by state housing finance agencies to prevent foreclosures and stabilize housing markets in their states.

The State received \$220 million of funding under HHF and committed the entire amount by June 30, 2014. In February 2016, the U.S. Department of Treasury announced an expansion of HHF. Under such expansion, the State

received \$94.5 million of additional funds, of which the State has committed the entire amount through June 30, 2018. The State is extending HHF using recycled funds. The recycled funds will be used on the programs described below.

The Oregon Affordable Housing Assistance Corporation, an entity created by the State independent of the Department, contracted with the Department to administer all programs in the State funded under HHF, currently consisting of the Home Rescue Program (“HRP”), the Loan Preservation Assistance Program (“LPA”), and the Principal Reduction and Lien Extinguishment Program (“PRLE”).

HRP provides up to 12 months or \$20,000 in mortgage payment assistance and up to \$15,000 in reinstatement benefits.

LPA assists homeowners who have regained employment or recovered from financial distress to ensure their home loans, property taxes, insurance and homeowner association fees become, or remain, affordable. The program pays up to \$40,000 to pay arrearages or fees incurred during a period of unemployment or financial distress. The program serves as an exit path for recipients under the HRP program.

PRLE assists homeowners who are on a fixed income achieve a sustainable monthly mortgage payment. The program will pay up to \$50,000 to reduce the unpaid principal balance of the mortgage so that the loan may be re-amortized resulting in a lower monthly payment. Additionally, the funds may be used to extinguish the loan if the balance does not exceed \$50,000.

## **OTHER HOUSING FINANCE PROGRAMS OF THE DEPARTMENT**

The Department is the only statewide public body in Oregon serving as a central source of data and program information, training and education, planning and technical assistance, seed-money loans, mortgage financing and federal tax credits relating to housing within the State.

In order to increase the supply of funds available for mortgage loans in the State, the Department has implemented various programs which have been financed through the issuance of bonds and notes of the State.

*Multifamily Housing Program.* In 1996, the Department initiated a multifamily housing program to provide mortgage loans for construction and permanent financing for developments that primarily contain housing units within the State for persons or families of lower income. Mortgage loans financed for this purpose must be insured by FHA, secured by a credit facility or used to finance certain mortgage-backed securities. As of October 1, 2018, the State has issued \$310,400,000 principal amount of bonds in 18 series.

*Elderly and Disabled Housing Program.* A constitutional amendment approved by the voters in 1978 and further amended in 1982 authorized the financing of elderly housing and residential facilities for elderly households, disabled persons and their family members, through the issuance of general obligation bonds of the State. The Department is responsible for the administration of this program and, as of October 1, 2018, has issued 45 series of bonds in the original aggregate principal amount of \$589,005,000 to provide permanent financing for rental housing developments. As of October 1, 2018, 355 developments containing a total of 7,091 units in apartments, assisted living, congregate care and residential care facilities, group care and other specialized housing have received permanent financing.

*Housing Development Program.* In 2000, the Department initiated a multifamily housing program to provide financing for developments in which a portion of the housing units are for persons and families of lower income. Each bond issue finances a single multifamily development separately secured by revenues and assets specifically pledged thereto. As of October 1, 2018, the State has issued 130 series of bonds in the original aggregate principal amount of \$758,581,361 pursuant to this program.

*New Issue Bond Program.* In 2009, the Department initiated a new mortgage purchase program, as an extension of its Single Family Mortgage Program with the State, acting by and through the Department, issuing \$120,000,000 aggregate principal amount of Housing Revenue Bonds (Single Family Mortgage Program), 2009 Series A, under the Single Family New Issue Bond Program (the “NIBP Program”) initiated by the U.S. Treasury, Fannie

Mae and Freddie Mac. Under the NIBP Indenture and as of October 1, 2018, the Department has issued ten series of bonds, in an aggregate principal amount of \$190,000,000 to finance the continuation of the Single Family Mortgage Program.

In addition to its bond and note programs, the Department also acts as the State's tax credit agency to distribute federal tax credits through two programs for homeownership and rental housing and to certify rental housing projects for a State tax credit program. *The Mortgage Credit Certificate Program* provides a federal tax credit for low and moderate income home buyers in connection with private financing to purchase, improve, or rehabilitate single-family residences, and the *Low-Income Housing Tax Credit Program* provides federal income tax credits to developers who construct, rehabilitate, or acquire qualified low-income rental housing. Under *the Oregon Affordable Housing Tax Credit Program* the Department has the authority to certify tax credits to compensate lending institutions for financing certain housing projects at up to 4% below the current market rate of interest for lower income tenants for a period of up to 20 years.

### OTHER OUTSTANDING INDEBTEDNESS

The following table shows the principal amounts of bonds outstanding under the Department's Multifamily Housing Program, Housing Revenue Bond Program and Elderly and Disabled Housing Program as of October 1, 2018:

<u>Title</u>	<u>Dated</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
Multifamily Housing Revenue Bonds				
2003 Series A .....	November 20, 2003	\$ 5,675,000	\$ 4,475,000	2044
2004 Series A .....	September 9, 2004	5,120,000	4,055,000	2045
2004 Series B .....	December 16, 2004	14,950,000	12,730,000	2046
2005 Series A .....	August 30, 2005	9,855,000	3,500,000	2047
2006 Series A .....	December 19, 2006	5,680,000	3,320,000	2036
2010 Series A (1) ....	August 25, 2010	77,705,000	24,595,000	2042
2010 Series B .....	November 9, 2010	16,425,000	8,800,000	2052
2012 Series A .....	October 31, 2012	1,425,000	1,095,000	2032
2012 Series B .....	October 31, 2012	35,335,000	14,795,000	2043
Total .....		\$ 172,170,000	\$ 77,365,000	
Housing Revenue Bonds				
2009 Series A-1 .....	December 21, 2010	\$ 18,000,000	\$ 7,210,000	2041
2010 Series A .....	December 21, 2010	12,000,000	2,875,000	2027
2009 Series A-2 .....	April 7, 2011	36,000,000	15,830,000	2041
2011 Series A .....	April 7, 2011	24,000,000	7,010,000	2028
2009 Series A-3 .....	August 25, 2011	27,000,000	11,560,000	2041
2011 Series B .....	August 25, 2011	18,000,000	5,285,000	2028
2009 Series A-4 .....	June 28, 2012	20,540,000	11,330,000	2041
2012 Series A .....	June 28, 2012	9,460,000	3,175,000	2042
2009 Series A-5 .....	December 20, 2012	18,460,000	10,450,000	2041
2012 Series B .....	December 20, 2012	6,540,000	1,740,000	2042
Total .....		\$ 190,000,000	\$ 76,465,000	
Total Other Revenue Bonds .....		\$ 362,170,000	\$ 153,830,000	
Elderly and Disabled Housing Bonds (2)				
1993 Series C .....	December 1, 1993	\$ 13,915,000	\$ 1,965,000	2026
1994 Series B .....	September 1, 1994	24,400,000	5,000	2026
1995 Series A (3) ....	June 1, 1995	14,100,000	1,010,000	2026
1995 Series B .....	December 1, 1995	24,240,000	5,255,000	2027

<u>Title</u>	<u>Dated</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
1997 Series A .....	September 1, 1997	\$ 8,475,000	\$ 5,000	2028
1998 Series B .....	October 1, 1998	10,285,000	5,000	2030
1999 Series B .....	May 1, 1999	4,485,000	5,000	2030
1999 Series E .....	November 1, 1999	19,105,000	10,000	2031
2001 Series C (3) ....	August 29, 2001	25,325,000	100,000	2029
2002 Series A (3) ....	October 29, 2002	10,840,000	1,835,000	2022
2002 Series B (3) ....	October 29, 2002	37,905,000	215,000	2024
2002 Series C .....	October 29, 2002	13,595,000	1,800,000	2043
2003 Series C .....	October 30, 2003	2,930,000	1,530,000	2034
2007 Series A .....	April 24, 2007	26,300,000	19,775,000	2048
Total State General Obligation Bonds.....		<u>\$ 235,900,000</u>	<u>\$ 33,515,000</u>	

- (1) On October 15, 2018, the Department redeemed a principal amount of \$2,800,000 of Multifamily Housing Revenue Bonds 2010 Series A.
- (2) General obligation bonds of the State for multifamily housing for elderly and disabled persons.
- (3) On October 15, 2018, the Department redeemed a principal amount of \$1,000,000 of Elderly and Disabled Housing Bonds 1995 Series A, a principal amount of \$95,000 of Elderly and Disabled Housing Bonds 2001 Series C, a principal amount of \$380,000 of Elderly and Disabled Housing Bonds 2002 Series A and a principal amount of \$30,000 of Elderly and Disabled Housing Bonds 2002 Series B.

In addition, the Department has issued bonds under its Housing Development Program as described under “OTHER HOUSING FINANCE PROGRAMS OF THE DEPARTMENT – Housing Development Program.”

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a brief summary of certain provisions of the Indenture. Reference should be made to the Indenture itself for its complete text, copies of which are available from the Department upon request.

#### **Certain Definitions**

“Accreted Value” with respect to any Discount Bond means the present value as of any date of calculation of future scheduled payments of principal of and interest on such Discount Bond, such payments to be discounted semiannually on each January 1 and July 1 at a discount rate that is equal to the original issue yield to maturity.

“Amortized Value” means for securities purchased at a premium above or a discount below par, the value as of any given date obtained by amortizing the premium or discount over the period from the date of such purchase to the date of calculation at the original yield to maturity; and (a) in the case of securities purchased at a premium, by deducting the amount thus obtained from the purchase price, and (b) in the case of securities purchased at a discount, by adding the amount thus obtained to the purchase price.

“Authorized Newspapers” means not less than two newspapers or financial journals, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, one of which is of general circulation in the City of Portland, Oregon and the other of which is of general circulation in the Borough of Manhattan, City and State of New York.

“Authorized Officer” means the Director or the Treasurer and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the State then authorized to perform such act or discharge such duty.

“Bond Counsel” means such attorney or firm of attorneys which is nationally recognized to deliver opinions on the validity of issuance of obligations by state and local governmental entities and, if applicable, on the exclusion of interest on such obligations from gross income for federal income tax purposes.

“Bond Year” means a twelve-month period commencing on July 1 in each year that Bonds are Outstanding.

“Costs of Issuance” means all items of expense, payable or reimbursable directly or indirectly by the Department and related to the authorization, sale and issuance of the Bonds and entering into of other Parity Obligation Instruments, as certified by an Authorized Officer, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary and other private parties performing services for the Department or under the Indenture in connection with the issuance or payment of Bonds, 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 Bonds and any other cost, charge or fee in connection with the original issuance of Bonds.

“Director’s Determination” means the formal written action of the Director, delivered to the Treasurer, the Trustee and each of the Rating Agencies, reflecting modifications to the Indenture with respect to one or more Series of Bonds, as permitted or required by the express terms of the Indenture or the Housing Finance Bond Declaration related to such Series.

“Discount Bonds” means (i) any Bond or Bonds offered for sale to the public or sold to the initial purchaser thereof at the time of sale thereof by the Department at an initial reoffering price or initial principal amount of less than 98% of the principal amount at maturity thereof without reduction to reflect underwriter’s discount or placement agent’s fees, and (ii) any other Bond or Bonds designated as Discount Bonds by the Housing Finance Bond Declaration related to the issuance of such Series of Bonds.

“Expenses” means amounts owing by or on behalf of the Department related to operation and maintenance of the Program.

“Government Obligations” means obligations of the United States of America or as to which the principal thereof and interest thereon are guaranteed by the United States of America.

“Guaranteed Mortgage Securities” means obligations representing undivided beneficial ownership interests (unless any other interest therein is allowed by the Act) in mortgage loans, which obligations are issued by or guaranteed by the Government National Mortgage Association, Fannie Mae, Federal Home Loan Mortgage Corporation or, to the extent set forth in a Director’s Determination, any other agency or instrumentality of or chartered by the United States to which the powers of any of them have been transferred or which have similar powers to purchase mortgage loans.

“Hedge Receipt” means, if and to the extent designated as such pursuant to the Housing Finance Bond Declaration authorizing the related Qualified Hedge or a Director’s Determination, the net amount, if any, required to be paid to the Department under a Qualified Hedge.

“Insurance Proceeds” means payments received with respect to the Mortgage Loans under any insurance policy or guarantee or under any fidelity bond or pursuant to a transfer of amounts held in the Insurance Reserve Account.

“Investment Obligations” means to the extent authorized by the Act for investment of moneys of the Department: (i) Government Obligations or obligations, rated in the highest letter rating category by each of the Rating Agencies, of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of such government obligations; (ii) bonds, debentures or other obligations issued by Federal Land Banks, Fannie Mae, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Federal Home Loan Banks, Federal Farm Credit Banks, the Tennessee Valley Authority, Farm Credit System Financial Assistance Corporation and the Resolution Funding Corporation; (iii) obligations issued by public

agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; (iv) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used in the Indenture, “deposits” means obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, by direct obligations of the United States having a market value (exclusive of accrued interest) not less than the uninsured amount of such deposit or (b) secured to the extent, if any, required by the Department and made with an institution whose debt securities are rated at least equal to the then existing rating on the Bonds (or equivalent rating of short-term obligations if the investment is for a period not exceeding one year) by the Rating Agencies; (v) repurchase agreements backed by or related to obligations described in (i), (ii) or (iii) above with any institution [x] whose debt securities are rated at least equal to the then existing rating on the Bonds (or equivalent rating of short-term obligations if the investment is for a period not exceeding one year) by the Rating Agencies or [y] which will not impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by the Rating Agencies; (vi) investment agreements, secured or unsecured as required by the Department, with any institution whose debt securities are rated at least equal to the then existing rating on the Bonds (or equivalent rating of short-term obligations if the investment is for a period not exceeding one year) by the Rating Agencies; (vii) if rated at least as high as the letter rating category assigned to the Bonds by the Rating Agencies, direct and general obligations of or obligations guaranteed by any state or possession of the United States or the District of Columbia, to the payment of the principal of and interest on which the full faith and credit of such state, possession or the District of Columbia is pledged; (viii) obligations representing an ownership interest in the Oregon Short Term Fund or the obligations underlying the Oregon Short Term Fund; (ix) obligations of any agency controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by the Congress of the United States whose timely payment is unconditionally guaranteed by the United States of America; or (x) short-term money market or investment funds or trusts (a) that are comprised exclusively of Government Obligations, (b) rated the highest short-term rating or at least the then-existing rating on the Bonds assigned to them by the Rating Agencies that are comprised exclusively of obligations described in clauses (i) through (ix) above, or (c) which will not impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by the Rating Agencies; *provided*, that it is expressly understood that the definition of Investment Obligations will be, and be deemed to be, expanded, or new definitions and related provisions will be added to the Indenture, thus permitting investments with different characteristics from those permitted which the Director deems from time to time to be in the interest of the Department to include as Investment Obligations, as reflected in a Director’s Determination, if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then existing rating assigned to them by the Rating Agencies.

“Mortgage Pool Insurance” means a policy of insurance issued by a Private Mortgage Insurer providing for coverage on the full amount of any loss realized as a result of default in payment of principal of and interest on a Mortgage Loan (after taking into account amounts payable with respect thereto under any other insurance or guarantee), subject to a limitation on aggregate claims of 10% of the original principal amount of all Mortgage Loans financed by the related Series of Bonds.

“102% Parity Test” has the meaning set forth below under “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Release of Amounts Free of Lien of the Indenture.”

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

- (a) any Bond cancelled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity;
- (b) any Bond deemed paid in accordance with the defeasance provisions of the Indenture; and



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

“Parity Hedge Obligation” has the meaning set forth below under “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Qualified Hedges.”

“Parity Interest” means interest on Bonds and Parity Hedge Obligations.

“Parity Obligation” means Parity Interest and Parity Principal.

“Parity Obligation Instrument” means an instrument or other contractual arrangement, including Bonds, evidencing the Department’s obligation to pay the Parity Obligation.

“Parity Principal” means principal of Bonds.

“Party” or “Parties” means any person(s), other than the Department, that is (are) a party (parties) to a Parity Obligation Instrument other than Bonds.

“Permitted Encumbrances” means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to the Department, indemnity has been provided or similar steps to secure the interest of the Department have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) severed mineral estates or interests, owned by others, and (iv) such other liens, encumbrances, reservations and other clouds on title as the Department determines do not materially impair the use or value of the premises.

“Pledged Property” means (a) all right, title and interest of the Department in and to the Guaranteed Mortgage Securities and in and to all other Mortgage Loans and related mortgage notes and mortgages (subject to the prior right of mortgagors to receive mortgage payment credits, or the U.S. Treasury Department to receive rebates, as required by the Code), financed with the proceeds of the Bonds and delivered to the Trustee to be held in trust under the Indenture, including (i) the present and continuing right to make claim for, collect, receive and receipt for all amounts receivable by the Department thereunder, (ii) to bring actions and proceedings under the mortgage notes and related mortgages or for the enforcement thereof, and (iii) to do any and all things that the Department is or may become entitled to do under the mortgage notes and related mortgages; (b) the proceeds of the sale of Bonds, Revenues and all other moneys in all Accounts established under the Indenture, including the investments, if any, thereof, and earnings, if any, thereon (other than (x) earnings on amounts held in special trust to pay debt service on the Parity Obligation Instruments, including Bonds, and any amounts held in the Special Account or (y) as may be set forth in a Housing Finance Bond Declaration or Supplemental Indenture with respect to any Account therein created) until applied in accordance with the terms of the Indenture; and (c) the money, securities and funds and all other right of every name and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security under the Indenture.

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

“Principal” means (a) as such term references the principal amount of a Discount Bond or Discount Bonds, and with respect to (i) actions, requests, notifications, consents or direction of Bondowners related generally to events of default, matters affecting actions by Fiduciaries and supplemental indentures, (ii) required payment of principal on Bonds upon default or anticipated default pursuant to acceleration of maturity or otherwise, and (iii) the calculation of the percentage of Outstanding principal amount of Bonds for purposes of the 102% Parity Test, the Accreted Value thereof, calculated as of the interest payment date immediately preceding such date of calculation (unless such date of calculation is an interest payment date, in which case calculated as of the date of calculation) and (b) unless otherwise stated with respect to a Series of Bonds in the related Housing Finance Bond Declaration, as such term references the principal amount of any other Bond or Bonds, and with respect to any other matters affecting a Discount Bond or Discount Bonds, the principal amount at maturity of such Bond or Bonds.

“Private Mortgage Insurance” means a policy of insurance issued by a Private Mortgage Insurer providing for coverage on losses realized as a result of default in payment of principal of and interest on a Mortgage Loan.

“Private Mortgage Insurer” means a company qualified to provide insurance on mortgage loans purchased by the Federal Home Loan Mortgage Corporation or Fannie Mae, or any other agency or instrumentality of or chartered by the United States to which the powers of either of them have been transferred or which has similar powers to purchase mortgage loans, which company’s claims paying ability is rated by each of the Rating Agencies (i) if the company is the obligor on Private Mortgage Insurance, in one of its three highest letter rating categories at the time the Mortgage Loan subject to such Private Mortgage Insurance is financed by the Department and (ii) if the company is the obligor on Mortgage Pool Insurance, in at least as high a respective letter rating category as that assigned to the Bonds by such Rating Agencies at the time the policy is delivered to or on behalf of the Department.

“Qualified Hedge” means, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the Department with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into; (ii) which is a cap, floor or collar; forward rate; future rate; swap; asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto or any similar arrangement; (iii) which is executed by the Department for the purpose of debt management, including managing interest rate fluctuations on Bonds and/or Mortgage Loans, but not for purposes of speculation; (iv) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Hedge; and (v) which is entered into in compliance with the provisions of the Indenture described below under “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Qualified Hedges.”

“Qualified Hedge Provider” means an entity (a) whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, at the time of entering into the related Qualified Hedge, are rated at least in the AA category (or an equivalent rating) by the Rating Agencies, or whose payment obligations under a Qualified Hedge are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability are rated at least AA (or an equivalent rating) by the Rating Agencies, or (b) whose payment obligations under the related Qualified Hedge are secured by a collateral agreement that, at the time of entering into the collateral agreement, is rated, or the entity’s (or a guarantor of the entity’s) obligations under the collateral agreement are rated, at least AA (or an equivalent rating) by the Rating Agencies; *provided*, that it is expressly understood that the definition of Qualified Hedge Provider will be, and be deemed to be, expanded, or new definitions and related provisions will be added to the Indenture by a Supplemental Indenture, thus permitting hedge providers with different characteristics from those permitted pursuant to (a) or (b) which the Department deems from time to time to be in the interests of the Department to include as Qualified Hedge Providers if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by the Rating Agencies.

“Rating Agencies” means the rating agency or agencies that have an outstanding rating on any of the Bonds, pursuant to request by the Department.

“Regular Record Date” means the 15th day of the month (whether or not a Business Day) preceding any interest payment date on the Bonds.

“Revenues” means all moneys received by or on behalf of the Department or Trustee representing (i) principal and interest payments on the Mortgage Loans (including payments with respect thereto from the Insurance Reserve Account) including all Prepayments representing the same and all prepayment premiums or penalties received in respect to the Mortgage Loans, (ii) proceeds of the sale of Mortgage Loans by or on behalf of the Department, (iii) interest earnings received on the investment of amounts in any Account (other than (x) earnings on amounts held in special trust to pay debt service on the Bonds and earnings on amounts held in the Special Account or (y) as may be set forth in a Housing Finance Bond Declaration or Supplemental Indenture with respect to any Account therein created), (iv) amounts deposited with the Trustee and reflected in the current Cash Flow Statement as necessary for the purposes of such Cash Flow Statement, (v) excess amounts transferred from the Debt Reserve Account to the Revenue Account and (vi) Hedge Receipts and Termination Receipts received pursuant to a Qualified Hedge.

“Special Record Date” means the date established by the Trustee for recognition on the registration books of the Department of ownership of Bonds which have been in default and as to which the Department has determined to make payment, notice of which will be mailed to Bondowners not less than ten days prior to such Special Record Date.

“Subordinated Contract Obligation” means any payment obligation of the Department (other than a payment obligation constituting a Parity Obligation) arising under (a) any Qualified Hedge, or portion of a Qualified Hedge, which has been designated as constituting a “Subordinated Contract Obligation” pursuant to the Housing Finance Bond Declaration or Director’s Determination authorizing such Qualified Hedge, and (b) any other contract, agreement or other obligation authorized by a Housing Finance Bond Declaration or Director’s Determination and designated as constituting a “Subordinated Contract Obligation” pursuant to such authorizing Housing Finance Bond Declaration or Director’s Determination. Each Subordinated Contract Obligation will be payable from the Pledged Property subject and subordinate to the payments to be made with respect to the Parity Obligation, and will be secured by a lien on and pledge of the Pledged Property all as set forth in the Indenture or in the related Housing Finance Bond Declaration or a Director’s Determination.

“Termination Payment” means, with respect to a Qualified Hedge, an amount required to be paid by the Department to a Qualified Hedge Provider as a result of the termination of the related Qualified Hedge or required to be paid by the Department into a collateral account as a source of payment of any termination payments, provided that Termination Payments will always be Subordinated Contract Obligations.

“Termination Receipt” means an amount required to be paid to the Department under a Qualified Hedge by the Qualified Hedge Provider as a result of the termination of such a Qualified Hedge.

“Value of the Property” means the lower of (i) the appraised value of the residential property securing a Mortgage Loan at the time the Mortgage Loan is closed, such appraised value being the fair market value as determined by an appraiser acceptable to the Department or (ii) the purchase price paid for the residential property securing a Mortgage Loan.

### **Notice of Redemption**

The Indenture requires that notice of redemption be mailed not less than 15 days but not more than 90 days prior to the redemption date.

### **Regulations with Respect to Exchanges and Transfers**

For every exchange or registration of transfer of Bonds the Department or, at the direction of the Department, the Trustee, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer. Neither the Department nor the Trustee is required to make any such exchange or registration of transfer of Bonds during the 15 days preceding the date of first publication of notice of redemption, or after such Bonds or any portion thereof have been selected for redemption.

## **Provisions for the Issuance of Bonds**

The Indenture authorizes Bonds to be issued from time to time in one or more Series without limitations as to amount except as may be provided by law. The Bonds of a Series, including Bonds issued to refund all or a portion of any other series of Bonds, may be authenticated and delivered only upon receipt by the Trustee of, among other things:

(a) A certified copy of the Indenture and the Housing Finance Bond Declaration authorizing such Series of Bonds;

(b) A counsel's opinion stating that (i) the Housing Finance Bond Declaration has been duly and lawfully executed and approved and is in full force and effect, (ii) the Indenture has been duly and lawfully authorized, executed and delivered by the State and is valid and binding upon, and enforceable against the State (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject to general principles of equity (whether considered in a proceeding at law or equity)), (iii) all conditions precedent to the delivery of said Bonds contained in the Indenture have been fulfilled, and (iv) said Bonds are valid and binding obligations of the State;

(c) A Cash Flow Statement pursuant to the requirements of the Indenture;

(d) A request and authorization to the Trustee signed by an Authorized Officer to authenticate and deliver such Bonds to the purchaser or purchasers identified therein upon payment to the Trustee for the account of the Department for the purchase price therefor; and

(e) With respect to refunding Bonds, a certificate of an Authorized Officer stating that the proceeds (excluding accrued interest but including any premium) of such refunding Bonds, together with any moneys to be withdrawn from the Revenue Account and the Debt Reserve Account by the Trustee and any other moneys which have been made available to the Trustee for such purposes, or the principal of and the interest on the investment of such proceeds or any such moneys, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption, the financing costs in connection with such refunding and to make any deposit to the Debt Reserve Account required by the Indenture.

Upon authentication and execution of such Bonds as required in the Indenture and receipt by the Trustee of the documents set forth above, the Trustee must deliver such Bonds to the purchasers thereof, but only upon payment to the Trustee of the purchase price thereof.

In addition, simultaneously with the delivery of such Bonds the Trustee must apply the proceeds of such Bonds to the accounts as specified in the Indenture.

## **Application of Bond Proceeds and Other Amounts**

Upon delivery of any Series of Bonds, an amount at least equal to the Debt Reserve Requirement is required to be deposited into the Debt Reserve Account and to the extent required by the applicable Housing Finance Bond Declaration, an amount will be deposited into the Insurance Reserve Account. Proceeds of the Bonds and other amounts delivered upon issuance of Bonds, less an amount equal to the Costs of Issuance for such Bonds, which is required to be paid to the Department free and clear of the lien of the Indenture, and all or a portion of the Expenses as set forth in the applicable Housing Finance Bond Declaration, not required to be deposited into the Debt Reserve Account and which do not represent a premium, accrued interest or capitalized interest, are required to be deposited (except in the case of refunding Bonds) in the Series Subaccount within the Acquisition Account.

## **Qualified Hedges**

The Department may, to the extent from time to time permitted pursuant to law, enter into Qualified Hedges. The Department's obligation to pay any amount under any Qualified Hedge may be secured by a pledge of, and a lien on, the Pledged Property, subject to the last sentence of this paragraph and subject to the last sentence under "Events of Default" below, on a parity with the lien securing Parity Obligations (a "Parity Hedge Obligation"), or may constitute a Subordinated Contract Obligation, as determined by the Department. No Qualified Hedge constituting a Parity Hedge Obligation may be entered into by the Department *unless* it has received (i) a signed writing from a financial advisor (nationally recognized on matters related to state and local government obligations) to the effect that the execution and implementation of such Parity Hedge Obligation is not expected to adversely affect the interest of the Bondowners, and (ii) evidence that the execution and delivery of such Parity Hedge Obligation at the time of such execution and delivery will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by the Rating Agencies. Parity Hedge Obligations do not include any payments of any termination (including Termination Payments) or other fees, expenses, indemnification or other obligations (other than Parity Interest) to a Party to a Qualified Hedge, which payments will be Subordinated Contract Obligations.

## **Establishment of Accounts**

The Indenture establishes an Acquisition Account, Revenue Account, Debt Reserve Account and Insurance Reserve Account within the Housing Finance Fund. Amounts in these Accounts are to be held in trust by the Trustee separate and apart from all other funds of the Department.

### **Acquisition Account**

Upon the issuance of a Series of Bonds, the Trustee is required to establish a Series Acquisition Subaccount within the Acquisition Account applicable to such Series of Bonds and must deposit the proceeds thereof into such Subaccount in the amount designated in the applicable Housing Finance Bond Declaration; provided, that the applicable Housing Finance Bond Declaration may provide that proceeds of a Series of Bonds must be deposited to the credit of any Series Acquisition Subaccount established with respect to any other Series of Bonds.

Under the conditions set forth in the applicable Housing Finance Bond Declaration, the Trustee must transfer from any Series Acquisition Subaccount to the Revenue Account any amount specified in a written request by the Department from time to time for the purpose of redeeming or purchasing Bonds.

### **Costs of Issuance**

Upon the issuance of a Series of Bonds, the Department must apply amounts designated in the related Housing Finance Bond Declaration to pay the Costs of Issuance related to the applicable Series of Bonds.

### **Revenue Account**

(a) The Department will transfer to the Trustee all Revenues as received by the Department no less frequently than once every six month period ending on the business day preceding each interest payment date. Except as described below under "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Investment of Moneys," all Revenues are to be deposited in the Revenue Account as received by the Trustee.

(b) At any time from any amounts on deposit in the Revenue Account, the Trustee, upon direction of an Authorized Officer accompanied by a Cash Flow Statement, will endeavor to purchase Bonds or portions of Bonds then Outstanding, whether or not such Bonds or portions of Bonds are then subject to redemption, at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal amount of such Bonds or portion of Bonds, plus accrued interest. The expenses in connection with the purchase of any such Bonds will be paid by the Trustee from the Revenue Account or from any other moneys available therefor.

(c) Upon request by the Department, the Trustee will apply amounts deposited in the Revenue Account, representing Bond proceeds designated for accrued interest and capitalized interest on the Bonds, to pay for accrued interest in connection with the Trustee's purchase of Investment Obligations for deposit in any Account.

(d) The Trustee will transfer to the credit of the applicable Series Acquisition Subaccount amounts expended to pay accrued interest on the purchase of Mortgage Loans funded from amounts on deposit in such Account.

(e) At any time, upon written direction from an Authorized Officer accompanied by a Cash Flow Statement, the Trustee will transfer amounts in the Revenue Account to the credit of any Series Acquisition Subaccount or must apply amounts in the Revenue Account to the redemption of Bonds.

(f) As of each interest payment date, the Trustee must transfer, set aside or apply, as applicable, amounts in the Revenue Account in the following order: (i) an amount equal to any interest previously due and unpaid on the Bonds plus the interest on the Bonds which will become due and payable on such interest payment date (including any accrued interest payable in connection with a redemption of Bonds on such date), plus any Parity Interest which is not already included under this clause (i), will be set aside in special trust and applied as required under the Indenture; (ii) an amount equal to (a) an amount sufficient to cause the amounts on deposit in the Revenue Account, other than with respect to Sinking Fund Requirements, to equal any principal of the Bonds previously due and unpaid plus principal of the Bonds which is payable on such interest payment date, plus, if maturing principal of any Bonds is payable only once during each Bond Year, then one-half of the principal of such Bonds which is payable on the next succeeding interest payment date, plus (b) an amount sufficient to cause the amounts deposited in the Revenue Account with respect to Sinking Fund Requirements in the immediately preceding Bond Year or semiannual period, as applicable, to equal the redemption prices applicable to the Sinking Fund Requirements, if any, for such Bond Year or period, respectively, or, if other than on the first day of the Bond Year (with respect to Sinking Fund Requirements based upon a Bond Year), one-half of the redemption prices applicable to such Sinking Fund Requirement, will be set aside in special trust and applied as required under the Indenture; and (iii) an amount must be transferred to the credit of the Debt Reserve Account sufficient to cause the amount on deposit in said Account to equal the Debt Reserve Requirement.

### **Payment of Principal and Interest**

On each interest payment date (provided that if such date is a bank holiday then on the first business day thereafter), the Trustee will remit by mail or other method of transfer acceptable to the Department the amounts required for paying the Parity Interest as such becomes due and payable (i) to each owner of Bonds on such Bonds and (ii) to each Qualified Hedge Provider.

On each principal payment date (provided that if such date is a bank holiday then on the first business day thereafter), the Trustee will set aside in the Revenue Account the amounts required for paying the principal of Serial Bonds as such principal becomes due and payable.

The Trustee will call for redemption on the first day immediately following such Bond Year (with respect to annual Sinking Fund Requirements), or on the next succeeding interest payment date (with respect to semi-annual Sinking Fund Requirements), respectively, from moneys in the Revenue Account set aside for such purpose a principal amount of such Term Bonds or portions of Term Bonds of such Series then subject to redemption equal to the Sinking Fund Requirements for the Term Bonds of such Series and of each maturity for such respective period less the principal amount of any such Term Bonds previously retired by purchase. If the amount available in the Revenue Account in such Bond Year or such semi-annual period, as applicable, is not equal to the redemption prices applicable to the Sinking Fund Requirements for the Term Bonds of each such Series for such respective period less the Redemption Prices applicable to the principal amount of any such Term Bonds so retired by purchase, then the Trustee will apply the amount available in the Revenue Account to such redemption as required by direction of an Authorized Officer or, if no such direction has been timely delivered to the Trustee, such amount will be applied in proportion to the redemption prices applicable to the Sinking Fund Requirements for such respective period for the Term Bonds of each Series then Outstanding.

## **Debt Reserve Account**

Moneys held for the credit of the Debt Reserve Account will be transferred or drawn upon for transfer, as applicable, by the Trustee to the Revenue Account to the extent that amounts on deposit therein are insufficient to pay Parity Interest or Parity Principal or redemption price payable on the Parity Obligation Instruments.

Moneys held for the credit of the Debt Reserve Account as of any interest payment date in excess of the Debt Reserve Requirement, upon request by the Department, will be transferred to the Revenue Account and thereafter treated as Revenues.

## **Release of Amounts Free of Lien of the Indenture**

On any interest payment date, moneys held in the Revenue Account after application pursuant to the Indenture to pay debt service on the Bonds and any remaining Parity Interest and replenish the Debt Reserve Account, if necessary, will be transferred as follows:

(i) *first*, to the payment of Expenses, not to exceed in any Bond Year the aggregate of such amounts as are set forth with respect to all Series of Bonds in the respective Housing Finance Bond Declarations; and

(ii) *second*, to retirement of any Bonds required to be retired pursuant to the provisions of agreements with liquidity providers; *provided, however*, that such amounts will be payable only if and to the extent that a Cash Flow Statement has been filed with the Trustee, the requirements of all Accounts (other than the Insurance Reserve Account) established by the Indenture and the Act have been met and such Cash Flow Statement shows that, following each transfer for such Bond retirement, the aggregate of the amounts on deposit in all Funds and Accounts, other than the Revenue Account (determined, with respect to Investment Obligations, by reference to Amortized Value plus accrued interest thereon), plus the aggregate principal balances of all Mortgage Loans and Guaranteed Mortgage Securities, plus accrued interest thereon (provided, that the Mortgage Loans related to properties acquired by the Department will be valued for these purposes at one-half of the outstanding principal balance thereof at the time of the Department's acquisition thereof), at least equal one hundred two percentum (102%) of the aggregate outstanding principal amount of the Bonds plus accrued interest thereon (collectively, the "102% Parity Test"); and

(iii) *third*, unless otherwise provided in the Housing Finance Bond Declaration or the Director's Determination authorizing a Qualified Hedge, pursuant to the terms of any Qualified Hedge, to pay to Qualified Hedge Providers the amount of Subordinated Contract Obligations then due, *but* if available amounts are insufficient for such purposes, the amounts payable pursuant to each Qualified Hedge will be pro rata based upon the respective amounts due thereunder; *provided, however*, that no such payment will be made unless a Cash Flow Statement satisfying the 102% Parity Test has been filed with the Trustee; and

(iv) *fourth*, to the Department free and clear of the pledge and lien of the Indenture; *provided, however*, that no such payment to the Department will be made unless a Cash Flow Statement satisfying the 102% Parity Test has been filed with the Trustee.

## **Deficiencies in Revenue Account**

In the event that amounts in the Revenue Account are insufficient on any Parity Obligation payment date to pay the principal of and interest on the Bonds due and unpaid on such date, or to pay amounts due under Qualified Hedges that are Parity Interest, amounts will be withdrawn, first from the Debt Reserve Account, second from the Acquisition Account and third from the Insurance Reserve Account, to the extent necessary to eliminate any such deficiency.

### **Moneys Sufficient to Pay Bonds and Other Parity Obligation Instruments**

Whenever moneys and securities in the Debt Reserve Account and the Revenue Account are sufficient to pay, purchase or redeem the Bonds in whole and to pay all Parity Interest under Qualified Hedges in whole on the next interest payment date, and upon request by the Department, the Trustee will apply such moneys to the payment, purchase or redemption of the Bonds and payment of such Parity Interest under the Qualified Hedges, subject to the related Housing Finance Bond Declaration or Director's Determination.

### **Moneys Held in Trust**

Amounts set aside to pay Parity Obligation Instruments until paid out to Bondowners or Parties must be held in special trust for such Bondowners or Parties and may be invested by the Trustee until dispensed and the earnings thereon will be paid to the Department as and when received by the Trustee free and clear of the lien of the Indenture.

### **Security for Deposits**

Any and all money held by the Trustee in any Account, except as otherwise expressly provided in the Indenture, will be held in trust, and will not be subject to any lien, charge or attachment by any creditor of the Department or State.

All money deposited with the Trustee in any Account will, until invested, to the extent such deposits are in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency, be continuously secured for the benefit of the Department, the Bondowners and the Parties either (a) by lodging with the bank or trust company approved by the Department (the Trustee being approved by the Indenture as such bank or trust company) and by the Trustee, as custodian, or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit as collateral security, Government Obligations or, with the approval of the Trustee, other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States of America, having a market value at all times (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it will not be necessary, except as otherwise expressly provided, for the Trustee to give security for any money represented by obligations purchased as an investment of such money.

### **Investment of Moneys**

Moneys deposited will, as nearly as is practicable, be fully and continuously invested or reinvested by the Trustee upon the direction of the Department in Investment Obligations which will be in such amounts and bear interest at such rates with the objective that sufficient money will be available to pay the Parity Interest when due and will mature, or will be subject to redemption at the option of the holder, with the objective that sufficient money will be available for the purposes intended. Except as provided in the immediately previous sentence, money held in any Account will, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in accordance with a Department Request in Investment Obligations which mature, or which are subject to redemption at the option of the holder, not later than the respective dates when the money held for the credit of each such Account will be required for the purposes intended.

Except as described above under "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Moneys Held in Trust" and under this heading "Summary of Certain Provisions of the Indenture — Investment of Moneys," any interest paid on the investments in any Account will be credited to the Revenue Account and thereafter treated as Revenues, provided interest paid on the investments in the Insurance Reserve Account will be retained therein unless otherwise directed by the Department to be transferred to the Revenue Account. Any profit or loss resulting from such investment will be credited to or charged against the Account. The Trustee will sell at the best price obtainable or present for redemption any obligations whenever it is necessary to do so in order to provide money



to meet any payment or transfer from any such Account. Neither the Trustee nor the Department will be liable or responsible for any loss resulting from any such investment.

In computing the amount on deposit to the credit of any Account, obligations in which money in such Account have been invested must be valued at Amortized Value plus the amount of interest on such obligations purchased with moneys in such Account.

### **Payment of Bonds**

The Department covenants that it will promptly pay, but solely from the Accounts established under the Indenture, the principal or redemption price of every Bond and the interest thereon, on the dates and at the places and in the manner specified in the Indenture and in the Bonds, and will duly and punctually pay or cause to be paid all sinking fund payments, if any, becoming payable with respect to any Bonds.

### **Tax Covenants**

The Department will at all times perform all acts and things permitted by law and necessary and desirable in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes under any valid provision of law.

The Department covenants and agrees that it will not make or permit any use of the proceeds of the Bonds that would cause the Bonds to be “arbitrage bonds” within the meaning of the Code and further covenants that it will observe and not violate the requirements of the Code and regulations promulgated thereunder.

The Department further covenants and agrees with regard to compliance with the Code, as follows:

(a) The Department will take all reasonable steps to meet all the requirements of the Code, and, in the case of requirements that relate to the eligibility of the Mortgage Loans, or mortgage loans underlying Guaranteed Mortgage Securities, for tax-exempt financing specified in the Code, will take all reasonable steps to meet, and require the Mortgage Lenders to take all reasonable steps to meet, such requirements before the Mortgage Loans, or mortgage loans underlying Guaranteed Mortgage Securities, are executed, and will establish reasonable procedures to ensure compliance with such requirements.

(b) The Department or its agent will conduct, or require the Mortgage Lenders to conduct, a reasonable investigation to determine whether the requirements that relate to the eligibility of the Mortgage Loans, or mortgage loans underlying Guaranteed Mortgage Securities, for tax-exempt financing have been satisfied and will correct, or require the Mortgage Lenders to correct, any failure to meet such requirements within a reasonable time after the failure is discovered by the Department or its agent or the applicable Mortgage Lender.

(c) The Department will assure that mortgagors are provided the credit on Mortgage Loan or underlying mortgage loan payments, or the U.S. Treasury is provided with the rebate, required by the Code.

The provisions set forth above will apply only to the Parity Obligation Instruments as to which the interest on the related Bonds will be excludable from gross income for federal income tax purposes, as determined in the related Housing Finance Bond Declaration.

### **Books and Records**

The Trustee will keep proper books of record and account in which complete and accurate entries will be made of all its transactions relating to the receipts, disbursements, allocations and applications of all Mortgage Loan and Guaranteed Mortgage Securities repayments received by the Trustee under the Indenture, and such books will be available for inspection by the Department and any Bondowner during business hours, upon reasonable notice and under reasonable conditions.

On or before the tenth business day of each month the Trustee will furnish to the Department in accordance with the Indenture a statement of the Department's revenues and expenditures and of the changes in its fund balances during the previous month.

The Department will keep proper books of records and account for all its transactions, other than those recorded in the books maintained by the Trustee, and such books will be available for inspection by the Trustee and any Bondowner during business hours and upon reasonable notice.

### **Annual Audit and Report**

Within 180 days of the end of each Bond Year, the Department will furnish to the Trustee (i) a statement of its revenues and expenses and of the changes in its fund balances during the previous Bond Year, certified to by an accountant and (ii) a report of its activities during the previous Bond Year.

### **Sale of Mortgage Loans**

The Department may sell any Mortgage Loan held under the Indenture to realize the benefits of mortgage insurance or guaranty, or to replace or dispose of defective Mortgage Loans or for any other reason deemed appropriate by the Department.

### **Issuance of Additional Obligations**

The Department, so long as any Parity Obligation is Outstanding, will not issue any bonds, notes or other evidences of indebtedness, other than the Parity Obligation Instruments, secured by any pledge of, or other lien or charge on, the Pledged Property nor will the Department create or cause to be created any lien or charge on the Pledged Property, other than the lien and pledge created under the Indenture. The Department may issue any bonds, notes or other evidences of indebtedness, which are payable from or secured by a lien and pledge on the Pledged Property provided that payment of such evidences of indebtedness and such lien and pledge are in all respects subordinate to the provisions of the Indenture and the lien and pledge created by the Indenture and any such evidences of indebtedness contain an appropriate recital with respect to such subordination.

### **Events of Default**

Each of the following events is an "Event of Default":

(a) payment of the principal or Redemption Price of any Bond is not made when due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) payment of any installment of interest on any of the Bonds is not made when due and payable;  
or

(c) the State defaults in the due and punctual performance of any of the covenants or agreements contained in the Bonds or in the Indenture, and such default continues for a period of 90 days after written notice thereof to the Department by the Trustee, at its discretion or at the written request of the owners of not less than 25% in aggregate principal amount of the Outstanding Bonds.

Under no circumstances will the Department's failure to pay (i) Parity Obligations with respect to any Parity Obligation Instruments other than Bonds, (ii) Termination Payments or (iii) Subordinated Contract Obligations, constitute an Event of Default.

### **Remedies**

Upon the happening and continuance of any Event of Default specified above, the Trustee may, and upon the written direction of the owners of not less than 51% in aggregate principal amount of the Bonds then Outstanding,

must, by notice in writing to the Department, declare the principal of all the Bonds then Outstanding to be due and payable immediately; provided, that if at any time after the principal of the Bonds has been so declared to be due and payable, before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy, under the Indenture, money has accumulated in the Revenue Account sufficient to pay arrears of Parity Principal and Parity Interest, if any, upon all the Parity Obligation Instruments then Outstanding, and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and the Department and all other amounts then payable by the Department under the Indenture have been paid or a sum sufficient to pay the same has been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement or provision contained in the Bonds or in the Indenture (other than a default in the payment of the Parity Principal then due and payable only because of such a declaration) has been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the owners of not less than 51% in the aggregate principal amount of the Bonds not then due and payable by their terms and then Outstanding will, by written notice to the Department, rescind and annul such declaration and its consequences, but no such rescission or annulment will extend to or affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of any Event of Default specified above, then in every such case the Trustee may proceed, and upon the written direction of the owners of not less than 25% in aggregate principal amount of the Outstanding Bonds will proceed, to protect and enforce its rights and the rights of the Bondowners under applicable laws or under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Indenture the Trustee will be entitled to sue for, enforce payment of and recover judgment for, in its own name and as Trustee of an express trust, any and all amounts then or after any default becoming, and at any time remaining, due from the Department for principal, premium, if any, interest or otherwise under any of the provisions of the Indenture or the Bonds and unpaid, with, to the extent permitted by the applicable law, interest on overdue payments of principal and of interest at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce any judgment or decree against the Department, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect, in any manner provided by law, the money adjudged or decreed to be payable.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, will institute and maintain such suits and proceedings as it may be advised are necessary or expedient (i) to prevent any impairment of the Pledged Property by any acts which may be unlawful or in violation of the Indenture or of any resolution authorizing the issuance of the Bonds, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the owners of Bonds not making such request.

#### **Priority of Payments After Default**

Anything in the Indenture to the contrary notwithstanding, if at any time the money in the Accounts is insufficient for the payment of principal of or interest then due on the Bonds, such money and any other amounts received or collected by the Trustee are to be applied as follows, after making provision for the payment of expenses to protect the interests of the owners of the Bonds and of charges, expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Indenture:

- (a) If the principal of all Bonds has not become or been declared due and payable, all such money will be applied:

*first:* to the payment to the persons entitled thereto of all installments of Parity Interest (other than interest on overdue principal) then due and payable in the order in which such installments became due and payable, 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 except as to any difference in the respective rates of interest specified in the Parity Obligation Instruments;

*second:* to the payment to the persons entitled thereto of the unpaid principal of any Bonds which have become due and payable (other than Bonds called for redemption for the payment of which money is held) in the order of their stated payment dates, with interest on the principal amount of such Bonds at the respective rates specified therein from the respective dates upon which such Bonds became due and payable, and, if the amount available is not sufficient to pay in full the principal of the Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds;

*third:* to the payment of the interest on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, in accordance with the provisions of the Indenture; and

*fourth:* to the payment of any Subordinated Contract Obligation payable pursuant to the Indenture.

(b) If the principal of all Bonds has become or been declared due and payable, all such money will be applied:

*first:* to the payment of all remaining Parity Interest and Parity Principal, without preference or priority of such Parity Principal over such Parity Interest or of such Parity Interest over such Parity Principal, or of any installment of such Parity Interest over any other installment of such Parity Interest, or of any Parity Obligation Instruments over any other Parity Obligation Instrument, ratably, according to the amounts due respectively for Parity Principal and Parity Interest, to the persons entitled thereto without any discrimination of preference except as to the respective rates of interest specified in the Parity Obligation Instrument; and

*second:* to the payment of any Subordinated Contract Obligations payable pursuant to the Indenture.

(c) If the principal of all the Bonds has been declared due and payable and if such declaration has thereafter been rescinded and annulled under the Indenture, then, subject to the provisions of the Indenture described above in subsection (b), in the event that the principal of all the Bonds later becomes or is declared due and payable, the money remaining in and thereafter accruing to the Revenue Account and the Debt Reserve Account, together with any other money held by the Trustee under the Indenture, will be applied in accordance with the provisions of the Indenture as described above in subsection (a).

Whenever the Trustee is to apply money in accordance with the foregoing provisions, it will do so at such times, and from time to time, as it in its sole discretion determines, having due regard to the amount of such money available for application and the likelihood of additional money becoming available. Deposit of such money with the Paying Agents, or otherwise setting aside such money in trust for the proper purpose, constitutes proper application by the Trustee, and the Trustee will incur no liability to the Department, to any Bondowner, to any Party, or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with the provisions of the Indenture

as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such money, it will fix the date (which must be an interest payment date unless the Trustee deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the fixing of any such date, and will not be required to make payment to the owner of any Bond or any Party until such Parity Obligation Instrument is surrendered to the Trustee for appropriate endorsement, or for cancellation if fully paid.

### **Limitation on Rights of Bondowners**

The owners of a majority in principal amount of the Bonds Outstanding will have the right, anything in the Indenture to the contrary notwithstanding, to direct the method and place of conducting all remedial proceedings or exercising any trust power conferred on the Trustee, provided that such direction is not inconsistent with the provisions of the Indenture and the Act and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Bondowners not joining in any such direction and provided such right will not impair the right of the Trustee in its discretion to take any other action under the Indenture which it may deem proper and which is not inconsistent with such direction by Bondowners.

No individual Bondowner may initiate legal proceedings to enforce rights under the Indenture unless such owner has given to the Trustee written notice of the Event of Default on account of which such proceeding is to be taken, and unless the owners of not less than 15% in aggregate principal amount of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the Indenture or to institute such proceedings in its name unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time; provided however, that the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all owners of Bonds.

### **Notice of Event of Default**

The Trustee will mail to the Department and all Bondowners written notice of each Event of Default within 30 days after the Trustee has notice that any such Event of Default has occurred. The Trustee will not, however, be subject to any liability to any Bondowner by reason of a failure to mail any such notice.

### **Compensation and Indemnification of Trustee**

Subject to the provisions of any contract between the Department and the Trustee relating to the compensation of such Trustee, the Department will pay, from the Pledged Property, to such Trustee reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture, and, from such source only, will indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture and which are not due to its negligence or default.

### **Resignation of Trustee**

The Trustee may resign and thereby become discharged from the trusts created by the Indenture, by notice in writing to be given to the Department and published once in Authorized Newspapers, not less than 60 days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a new Trustee under the Indenture, if such new Trustee will be appointed before the time limited by such notice and must then accept such trusts.

## **Removal of Trustee**

The Trustee may be removed at any time by an instrument or concurrent instruments in writing executed by the owners of not less than a majority in principal amount of the Bonds secured by the Indenture and then Outstanding and filed with the Department. A facsimile copy of each such instrument will be delivered promptly by the Department to the Trustee. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee, by the Department acting alone or by any court of competent jurisdiction upon the application of the Department pursuant to resolution of the owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding under the Indenture.

## **Appointment of Successor Trustee**

If at any time the Trustee resigns, is removed, is dissolved or otherwise becomes incapable of acting, or the bank or trust company acting as Trustee is taken over by any governmental official, agency, department or board, the position of Trustee will thereupon become vacant. If the position of Trustee becomes vacant for any of the foregoing reasons or for any other reason, the Department will appoint a Trustee to fill such vacancy. The Department will publish notice of any such appointment once each week for two successive weeks in Authorized Newspapers.

At any time within one year after any such vacancy has occurred, the owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Bondowners and filed with the Department, may appoint a successor Trustee, which supersedes any Trustee theretofore appointed by the Department.

If no appointment of a successor Trustee is made pursuant to the foregoing provisions within 10 days after a vacancy in the office of the Trustee has occurred, the retiring Trustee or the owner of any Bond Outstanding may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any successor Trustee must be a trust company or bank having its principal office in the State, duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, of good standing, and having a combined capital, surplus and undivided profits aggregating at least \$25,000,000 at the time of its appointment.

## **Powers of Amendment**

The Department may enter into any indentures supplemental to the Indenture:

- (a) to cure any ambiguity, defect or omission in the Indenture or in any Supplemental Indenture, or
- (b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security that may be lawfully granted to or conferred upon the Bondowners or the Trustee, or
- (c) to include as pledged revenues or money under the Indenture any additional revenues or money legally available therefor, or
- (d) to cure any ambiguity, correct or supplement any inconsistent provision, or make any additional provision not inconsistent with any provision in the Indenture, provided such action will not adversely affect the interest of the Bondowners, or
- (e) to add to the covenants and agreements of the Department in the Indenture or surrender any right or power reserved to or conferred upon the Department, or

(f) to add provisions relating to Bonds with coupons or Bonds issued with book-entry delivery, if issued in such form by the Department, or

(g) to modify any provisions of the Indenture in any respect whatever; provided that such modification is effective only after all Bonds of any Series Outstanding at the date of execution by the State of such Supplemental Indenture cease to be Outstanding and any such Supplemental Indenture is referred to in the text of all Bonds authenticated and delivered after the date of execution by the State of any such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof, or

(h) to modify, amend or supplement the Indenture or any Housing Finance Bond Declaration in such manner as to permit, if presented, the qualification thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law, or

(i) to surrender any right, power or privilege reserved to or conferred upon the Department by the terms of the Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Department contained in the Indenture, or

(j) to add to the definition of Investment Obligations pursuant to the last proviso of the definition thereof, or

(k) to make any other change that does not materially adversely affect the interest of the Bondowners (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondowners).

The holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the State and the Trustee of any Supplemental Indenture deemed necessary or desirable by the Department for the purpose of modifying, altering, amending, adding to, repealing or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that no such amendment will take place without the consent of all Bondowners affected thereby, if there is (a) a change in the terms of redemption or of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of the Revenues, or any part thereof, other than the lien and pledge created by the Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture. If any such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the owners of such Bonds will not be required.

## **Defeasance**

If, when the Parity Obligation Instruments have become due and payable in accordance with their terms or otherwise as provided in the Indenture, or Bonds have been duly called for redemption or irrevocable instructions to call the Bonds for redemption have been given by the Department to the Trustee and (a) the whole amount of the principal of, redemption price, and the interest on all of such Parity Obligation Instruments has been paid, or (b) the Trustee holds either money, or Investment Obligations described in clause (i) of the definition thereof which are not callable or redeemable other than at the option of the holder thereof or holds both money and Investment Obligations described in clause (i) of the definition thereof which are not callable or redeemable other than at the option of the holder thereof sufficient to pay the principal of, redemption price, and interest on all Parity Obligation Instruments on their respective interest payment, stated maturity or prescribed redemption dates, provided that such Investment Obligations are in such amount that the principal of and the interest on Investment Obligations as held by the Trustee will, when due and payable, provide money which, with any and all other money held by the Trustee for such purpose under the provisions of the Indenture, will be sufficient to pay such principal of, redemption price, and the interest on

such Parity Obligation Instruments and, if sufficient funds also have been provided for paying all other obligations (including amounts due under Qualified Hedges) payable under the Indenture by the Department, then and in that case the right, title and interest of the Trustee under the Indenture will thereupon cease, determine and become void, and the Trustee in such case, on demand of the Department, will release the Indenture and will release the security, and will execute such documents to evidence such release as may be reasonably required by the Department, and will turn over to the Department or to such officer, board, or body as may then be entitled to receive the same, all the remaining property held by the Trustee under the Indenture. Otherwise, the Indenture will continue and remain in full force and effect; provided, however, that in the event such Investment Obligations are deposited with and held by the Trustee as described above in this paragraph: (i) the Trustee will, within 30 days after such Investment Obligations have been deposited with it, cause a notice signed by the Trustee to be published once in Authorized Newspapers, setting forth (a) the date designated for the redemption of the Bonds, (b) that such Investment Obligations are held by it in accordance with the provisions described under this heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance” and (c) that the Indenture has been released in accordance with the provisions described under this heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance”; and (ii) applicable provisions of the Indenture pertaining to the payment of the principal of, redemption price, or interest on the Bonds, other Parity Obligation Instruments and other obligations (including amounts due under Qualified Hedges) payable under the Indenture by the Department, will be continued in force until such Bonds, other Parity Obligation Instruments and other obligations have been fully paid.

All money and Investment Obligations held by the Trustee pursuant to the provisions described under this heading “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance” must be held in trust exclusively for and applied to the payment, when due, of the obligations payable therewith.

## **TAX MATTERS**

### **General**

The requirements of applicable federal tax law must be satisfied with respect to the Offered Bonds in order that interest on the Offered Bonds not be included in gross income for federal income tax purposes retroactive to the date of issuance thereof.

### **Section 143 Requirements**

Certain requirements contained in Section 143 of the Code, described above under “THE PROGRAM – Requirements of Section 143 of the Code Relating to Certain Mortgage Loans,” will be generally applicable to the Mortgage Loans.

The State has included provisions in the Indenture, the Procedural Guide, the Program Loan Purchase Agreement and other relevant documents, and has established procedures (including receipt of certain affidavits and warranties from Mortgage Lenders, borrowers and others respecting the mortgage eligibility requirements) in order to ensure compliance with the applicable requirements of Sections 143 and 148 of the Code, including the mortgage eligibility requirements, the requirements to correct any failure to comply with the mortgage eligibility requirements and the requirements relating to non-mortgage investments as described under “THE PROGRAM” herein. The State has covenanted in the Indenture to take all actions which are necessary to comply with the applicable mortgage eligibility requirements of the Code and the applicable arbitrage limitations of Sections 143 and 148 of the Code and for such purpose, to adopt and maintain appropriate procedures. The State believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to ensure that the proceeds of the Offered Bonds will be applied in accordance with the applicable requirements of Sections 143 and 148 of the Code so that interest on the Offered Bonds will not be included in gross income for purposes of federal income taxation. In the opinion of Bond Counsel, the procedures that have been established in the Indenture, the Procedural Guide and other relevant Program documents are sufficient, if followed by the State, to comply with the applicable requirements of the Code, and Bond Counsel has assumed therefore that such procedures will continue to be carried out and that such Indenture covenant will be complied with by the State in rendering its opinions described below as to federal income tax exemption.



## **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Department, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (ii) interest on the Offered Bonds maturing on January 1, 2020 is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed, for tax years beginning before January 1, 2018, on such corporations, and (iii) interest on the Offered Bonds maturing on or after July 1, 2020 is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinions, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Department in connection with the Offered Bonds, and Bond Counsel has assumed compliance by the Department with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of Oregon.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Offered Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Offered Bonds.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Bonds in order that interest on the Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Offered Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Department has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code.

## **Certain Collateral Federal Tax Consequences**

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

Prospective owners of the Offered Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and individuals otherwise eligible for the earned income tax credit and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the

Offered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Bond Premium**

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

### **Information Reporting and Backup Withholding**

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

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

### **Miscellaneous**

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

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

## **ABSENCE OF LITIGATION**

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution and/or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the State taken with respect to the issuance and sale thereof, the pledge or application of any moneys or securities provided for the payment of the Offered Bonds or the existence or powers of the State insofar as they relate to the authorization and sale of the Offered Bonds or such pledge or application of moneys and securities.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, issuance, sale and delivery of the Offered Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Portland, Oregon and New York, New York, Bond Counsel to the Department, whose approving opinion will be delivered with the Offered Bonds in substantially the form set forth in Appendix I hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Omaha, Nebraska, for the Bank by its counsel, Norton Rose Fulbright US LLP, Los Angeles, California, and for the Department by the Oregon Department of Justice, Salem, Oregon.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Oregon Housing and Community Services Department as of and for the fiscal year ended June 30, 2018, together with the independent auditor's report dated October 29, 2018, of Dennis Richardson, Secretary of State, are included as Appendix B to this Official Statement.

## **CERTAIN INFORMATION RELATING TO INVESTMENTS**

The Office of the State Treasurer (the "OST") invests moneys held on behalf of State agencies, including the Department, and participating local governments through two pooled investment vehicles or through separate accounts with guidelines specific to each agency's investment needs. Some of the agency moneys invested by the OST are bond proceeds or moneys used to pay bond debt service. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (the "OIC"). The OIC, created by a 1965 legislative act, establishes investment policies for all State funds. The OST is responsible for implementing those policies. The Governor appoints four of the OIC's five voting members, who are subject to confirmation by the Oregon Senate. The State Treasurer serves by statute. OST pooled investment vehicles for state moneys are the statutory Oregon Short-Term Fund (the "OSTF") and the internally established Oregon Intermediate-Term Pool (the "OITP").

Prior to transfer to the Trustee, Revenue Account funds received as payments on Mortgage Loans are held on deposit in accounts of the State Treasury that are invested in the OSTF. Revenue Account funds are not invested in the OITP. Funds in other Accounts established by or pursuant to the Indenture are not invested in the OSTF or OITP.

The OSTF is a short-term cash investment vehicle created by statute to invest State agency and Oregon local government moneys. The OSTF is not registered with the U.S. Securities and Exchange Commission as an investment company. The OST manages the OSTF within guidelines established by the OIC, with advice from and in consultation with, the OSTF Board. Primary investment objectives established for the fund are, in order of priority: preservation of principal, liquidity and yield. As of September 30, 2018, the OSTF totaled approximately \$17.8 billion.

The guidelines currently in place for the OSTF require at least 50% of the portfolio to mature or re-price within 93 days; no more than 25% of the portfolio may have a maturity longer than one year; and no investments may have a maturity longer than three years as measured from the settlement date of the initial transaction. Maturity dates are calculated using proxies permitted by OIC-approved policy for securities that have been called, securities with a put option, variable-rate securities and Asset-Backed securities. Total weighted average credit quality of the portfolio must be a minimum of AA or Aa2 by Standard & Poor's, or Moody's Investors Services, respectively. The guidelines currently in use for the OSTF, allow the following:

<b><u>Issue Type</u></b>	<b><u>Maximum Holdings % or \$</u></b>	<b><u>Minimum Ratings S&amp;P/Moody's/Fitch</u></b>
U.S. Treasury Obligations (1)	100%	None
U.S. Agency Securities (1) Per Issuer	100% 33%	None None
Foreign Government & Instrumentalities (1) Per Issuer	25% 10%	AA-/Aa3/AA-
Corporate Securities (Total) Corporate Bonds Commercial Paper (2) Per Issuer	50% 50% 50% 5%	A-/A3/A- A-1/P-1/F-1
Asset-Backed Securities Per Issuing Trust	15% 5%	AAA/Aaa/AAA A-1+/P-1/F-1+
Negotiable Certificates of Deposit Per Issuer	20% 5%	A-1/P-1/F-1
Bankers' Acceptances Per Issuer	20% 5%	A-1/P-1/F-1
Time Certificates of Deposit (3) Per Issuer	20% 5%	None
Municipal Debt (Total) Municipal Commercial Paper Short Term Municipal Obligations Per Issuer	25% 25% 25% 10%	AA-/Aa3/AA- A-1/P-1/F-1 SP-1/(V)MIG1/F-1
Repurchase Agreements (4) Per Counterparty	100% 5%	None
Reverse Repurchase Agreements (5) Per Counterparty	100% 5%	None
Oregon Local Government Intermediate Fund ("OLGIF")	\$250 Million	A-/A3/A-

- (1) Securities guaranteed by the U.S. Treasury, a U.S. Agency or a Foreign Government or its Instrumentality will be considered a U.S. Treasury, a U.S. Agency or a Foreign Government or its Instrumentality for the purposes of this policy.
- (2) Commercial Paper (CP) must have top-tier short-term ratings by at least two of the nationally recognized statistical rating organizations (NRSROs) at the time of purchase.
- (3) Permitted Time Certificates of Deposit (TCDs) will be limited to qualified depositories as defined in ORS Chapter 295.005. Maximum TCD exposure per depository must be no more than 5% of the issuing bank's total deposits, or \$250,000, whichever is greater. Maximum credit union exposure per depository shall be \$250,000.

- (4) Repurchase agreements must have a maximum maturity of 90 days, be with counterparties with net capital greater than \$100 million, repos must equal no more than 2% of a counterparty's liabilities, counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank or OST's custodial agent and have a signed agreement, collateral for repurchase agreements may be U.S. Treasury or U.S. Agency Discount and Coupon securities with a final maturity of three years or less and the market value of the delivered collateral must be maintained at not less than 102% of the cash invested.
- (5) Reverse Repurchase Agreements must have a maximum maturity of 90 days, be with counterparties with net capital greater than \$100 million, reverse repos must equal no more than 2% of a counterparty's liabilities, counterparties must be a Primary Dealer as recognized by the Federal Reserve Bank and have a signed repurchase agreement. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright. Securities will be reversed on a fully collateralized basis; and reverse repurchase investments for interest rate arbitrage can only be done on a matched book basis.

The State's custodian, State Street Bank and Trust Company, periodically lends securities in the Oregon Short Term Fund to primary dealers, as recognized by the Federal Reserve Bank, on a fully collateralized basis.

## **SECONDARY MARKET DISCLOSURE**

The State, acting by and through the State Treasurer and the Department, is entering into an undertaking (the "Continuing Disclosure Certificate") for the benefit of the holders of the Offered Bonds to send certain financial information and operating data annually and to provide notice of certain events to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12). A copy of the proposed form of Continuing Disclosure Certificate for the Offered Bonds is contained in Appendix F.

## **RATINGS**

The Series D Bonds are rated "Aa2" by Moody's Investors Service (the "Rating Agency"). The Variable Rate Bonds are rated "Aa2/VMIG 1" by the Rating Agency. The assignment of such ratings by the Rating Agency with respect to the Variable Rate Bonds will be conditioned upon the effectiveness of the Initial Liquidity Facility with respect to the Variable Rate Bonds at the time of their delivery. Such ratings reflect only the views of such Rating Agency and are not recommendations to buy, sell or hold the Offered Bonds. An explanation of the significance of such ratings may be obtained from the Rating Agency. There is no assurance that such ratings will be maintained for any given period of time or that one or both may not be raised, lowered, suspended or withdrawn entirely by the Rating Agency, if in its judgment, circumstances warrant. Any such downward change in or suspension of or withdrawal of such ratings may have an adverse effect on the market price of the Offered Bonds.

The Department undertakes no responsibility for updating the ratings set forth in this Official Statement except the ratings of the Offered Bonds set forth in the immediately preceding paragraph. See "SECONDARY MARKET DISCLOSURE" above and Appendix F hereto. Unless otherwise specified herein, all ratings are as of the date of this Official Statement.

## **UNDERWRITING**

The Series D Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Fidelity Capital Markets, a division of National Financial Services LLC, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Wells Fargo Bank, N.A. (collectively, the "Underwriters"). The Underwriters have jointly and severally agreed to purchase the Series D Bonds at a price of \$ \_\_\_\_\_. The Underwriters will receive an underwriting fee of \$ \_\_\_\_\_ with respect to their purchase of the Offered Bonds. The Bond Purchase Agreement with respect to the Series D Bonds provides that the Underwriters will purchase all of the Series D Bonds, if any are purchased, subject to certain terms and conditions set forth in such Bond Purchase Agreement. The obligation of the Underwriters to purchase the Series D Bonds is conditioned on the issuance and delivery of the Variable Rate Bonds. The initial public offering prices of the Series D Bonds may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Series D Bonds to certain dealers (including dealers depositing the Series D Bonds

into investment trusts) and certain dealer banks and banks acting as agents, at prices lower than the public offering prices stated on the inside cover page hereof.

The Variable Rate Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”). Merrill Lynch has agreed to purchase the Variable Rate Bonds at a price of \$ \_\_\_\_\_. Merrill Lynch will receive an underwriting fee of \$ \_\_\_\_\_ with respect to its purchase of the Variable Rate Bonds. The Bond Purchase Agreement with respect to the Variable Rate Bonds provides that Merrill Lynch will purchase all of the Variable Rate Bonds, if any are purchased, subject to certain terms and conditions set forth in such Bond Purchase Agreement. The obligation of Merrill Lynch to purchase the Variable Rate Bonds is conditioned on the issuance and delivery of the Series D Bonds. The initial public offering price of the Variable Rate Bonds may be changed, from time to time, by Merrill Lynch. Merrill Lynch may offer and sell the Variable Rate Bonds to certain dealers (including dealers depositing the Variable Rate Bonds into investment trusts) and certain dealer banks and banks acting as agents, at prices lower than the public offering prices stated on the inside cover page hereof.

### **Information Provided by the Underwriters**

This paragraph was provided by J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series D Bonds. JPMS has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLP (“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 Series D Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series D Bonds that such firm sells.

This paragraph was provided by Morgan Stanley & Co. LLC (“Morgan Stanley”). Morgan Stanley, an underwriter of the Series D 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 D Bonds.

This paragraph was provided by Wells Fargo Bank, N.A. (“WFBNA”). Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA which conducts its municipal securities sales, trading and underwriting operations through the WFBNA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, N.A., registered with the Securities and Exchange Commission, a municipal securities dealer pursuant to section 15B(a) of the Securities Exchange Act of 1934. WFBNA, acting through its Municipal Products Group, one of the Underwriters of the Series D 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 D Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series D Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate, Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series D 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. A separate Wells Fargo line of business is serving as mortgage loan servicer for the Department’s Single-Family Mortgage Program and will be separately compensated for serving in this capacity.

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

and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Department.

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

### **THE TRUSTEE AND TENDER AGENT**

This section was provided by U.S. Bank National Association. The Department has appointed U.S. Bank National Association to serve as Trustee pursuant to the Indenture and as Tender Agent pursuant to the Initial Liquidity Facility. U.S. Bank National Association is to carry out those duties assignable to it under the Indenture and the Initial Liquidity Facility. Except for the contents of this section, U.S. Bank National Association has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Official Statement.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Department of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the Department. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

### **ADDITIONAL INFORMATION**

Certain provisions of the Act and the Indenture are summarized in this Official Statement. Such summaries do not purport to be comprehensive or definitive and reference is made to such documents for a full and complete statement of their respective provisions. The references to or summaries herein to the Act, the Indenture, the Bond Declarations, the Initial Liquidity Facility and other documents relating to the Offered Bonds contained or referred to herein do not purport to be complete and reference is made to such documents for full and complete statements of their provisions. Copies, in reasonable quantity, of the Act, the Indenture, the Initial Liquidity Facility and the Bond Declarations may be obtained upon request directed to the Oregon Housing and Community Services Department, 725 Summer Street NE, Suite B, Salem, Oregon 97301-1266 or, during the offering period, to the Underwriters, c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, 12<sup>th</sup> Floor, New York, NY 10036.

The information contained above is subject to change without notice, and no implication is to be derived therefrom or from the sale of the Offered Bonds that there has been no change in the affairs of the Department from the date hereof. Pursuant to the Indenture, the Department has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Indenture and to cause such books to be audited for each fiscal year. The Indenture requires that such books be open to inspection at all reasonable times by any Bondowners during regular business hours.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used in whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Department and the purchasers or owners of any of the Offered Bonds.

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

STATE OF OREGON

By \_\_\_\_\_  
Director  
Housing and Community Services Department

By \_\_\_\_\_  
Debt Management Division Director  
Office of the State Treasurer

November \_\_, 2018



## **SUMMARY OF CERTAIN MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS**

### **Introduction**

The United States Department of Housing and Urban Development (“HUD”), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various federal programs authorized under the National Housing Act of 1934, as amended, and the United States Housing Act of 1937, as amended. The Department of Veterans' Affairs (“VA”) administers the mortgage guarantee program authorized under the Servicemen's Readjustment Act of 1944, as amended. The United States of America, acting through the Rural Housing and Community Development Service of the United States Department of Agriculture (“RD”) administers the Rural Housing Loan Guarantee Program authorized under Title V of the Housing Act of 1949, as amended. These programs may be financed by annual appropriations from Congress, as well as by mortgage insurance premiums and fees; subsidies and insurance payments are in some cases made from trust funds established under the various programs.

Following is a summary of such programs relating to mortgages which the Department intends to finance under the Single-Family Mortgage Program and is only a brief outline and does not purport to summarize or describe all of the provisions of such programs. For a more complete description of the terms of such programs, reference is made to the provisions of the contracts embodied in the regulations of FHA, VA and RD, respectively, and of the regulations, master insurance contracts and other such information of the various private mortgage insurers and federal government guarantors.

### **FHA Insurance Programs**

The National Housing Act of 1934, as amended, authorizes various Federal Housing Administration (“FHA”) mortgage insurance programs, which differ in some respects depending primarily upon whether the premises contain five or more dwelling units or less than five such units. Insurance benefits are payable either upon foreclosure (or other acquisition of possession) and conveyance of the premises to HUD. Assignment of a defaulted loan to FHA is not permitted.

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

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

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

The continuation of the availability of FHA mortgage insurance depends on periodic action by the United States Congress to increase the limitation on the aggregate amount of loan guarantees. Through legislative action by the United States Congress or changes in regulations by HUD, the fees and standards for participation in FHA insurance programs may change. The United States Congress has recently approved modifications to the FHA insurance program, including increases in insurance premiums and limitations on the financing of fees and downpayments. It is not possible to predict the effect of legislative or regulatory action, if any, on the ability of the Department to purchase Mortgage Loans or Guaranteed Mortgage Securities.

### **Department of Veterans' Affairs Guarantee Program**

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse) to obtain a loan guarantee by the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guarantee of mortgage loans with terms of up to 30 years. The maximum guarantee that may be issued by the VA under this program is based on the size of the mortgage loan which is, at present, as follows: (1) 50% of the original principal amount of the mortgage loan for a mortgage loan of not more than \$45,000; (2) \$22,500 for a mortgage loan greater than \$45,000 but not more than \$56,250; (3) the lesser of \$36,000 or 40% of the original principal amount of the mortgage loan for a mortgage loan greater than \$56,250 but not more than \$144,000; and (4) the lesser of 25% of the Freddie Mac conforming loan limit (the Freddie Mac conforming loan limit is currently \$417,000) or 25% of the original principal amount of the mortgage loan for a mortgage loan greater than \$144,000. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Notwithstanding the dollar and percentage limitations of the guarantee, a mortgage lender will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premises is greater than the original guarantee, as adjusted. The VA may, at its option and without regard to the guarantee, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

### **RD Guaranteed Housing Loan Program**

Title V of the Housing Act of 1949, as amended, permits RD to provide mortgage guarantees for eligible households or families for single family rural housing loans. An RD guarantee constitutes an obligation supported by the full faith and credit of the United States. Under the RD Program, RD guarantees mortgage loans with terms of 30 years for the acquisition of single family dwellings and related facilities. Such mortgage loans are limited to properties in rural areas which are designated by the director of the RD program within the State office area and generally defined as being open country or any town, village, city or place, which, in each case, is not a part of or associated with an urban area and which (1) has a population not in excess of 10,000 and is rural in character, or (2) has a population in excess of 10,000 but not in excess of 20,000, is not contained in a Metropolitan Statistical Area and has a serious lack of mortgage credit for low-income and moderate-income households, as determined by the Secretary of Agriculture and the Secretary of HUD. Guaranteed mortgage loans for single family dwellings may be made for up to 100% of the property's present market value, selling price, or cost of acquisition and development. RD imposes certain loan limitations and other requirements on guaranteed single family rural housing loans. Certain mortgage loans may have an interest rate that increases each year during an initial period of years provided that the aggregate increase for all years does not exceed 2%, or such other terms as approved by HUD.

Under the RD guarantee, the maximum loss payment will be the lesser of: (1) any loss of an amount equal to 90% of the principal amount actually advanced to the mortgagor, or (2) any loss sustained by the lender of an amount up to 35% of the principal amount actually advanced to the mortgagor, plus any additional loss sustained by the lender of an amount up to 85% of the remaining 65% of the principal amount actually advanced to the mortgagor.

The amount of loss includes only (1) principal and interest evidenced by the note; (2) any loan subsidy due and owing; (3) any principal and interest indebtedness on the RD approved protective advances for protection and preservation of collateral; and (4) certain foreclosure costs. Interest is covered by the guarantee to the date of the final loss settlement when the lender conducts liquidation of the collateral in an expeditious manner. Liquidation of the collateral is considered to be upon receipt of the sheriff's deed after expiration of the statutory redemption period. Net proceeds received from liquidation of the collateral will be used in calculating the amount of loss sustained. If the lender acquires the collateral, RD will determine the net proceeds from collateral for calculating loss as follows: (1) the collateral will be appraised at its current market value as of the date of acquisition by the lender, and (2) then is deducted from such appraised value an estimate of liquidation costs, including an allowance for the estimated time the property will be held by the lender. RD will pay its claim based on an appraisal after foreclosure has occurred rather than upon the sale of the property. If the lender sells the collateral to a third party, RD will pay its claim based on the sales price. Final loss payments will be made within 60 days of liquidation of the mortgage loan.

### **Private Mortgage Insurance Programs**

Under policies issued by private mortgage insurers, the maximum amounts insurable range from 90% to 97% of the appraised value or selling price for owner-occupied dwellings, whichever is lower. Requirements of borrower equity vary according to the percentage of the mortgage to be insured. Certain insurers will credit toward the value of the land to be improved, trade-in property or work equity a specified percentage of this amount, if at least a minimum cash equity is met and the home is to be owner-occupied. Although there may be variations among insurers, available coverage by private mortgage insurers is generally limited to first mortgage loans or contracts on improved real estate, with amortization over the term of the loan or contract in substantially equal monthly payments, including accruals for taxes and insurance.

Under the various policies, delinquencies must be reported to the insurer within four months of default, and proceedings to recover title are required to be commenced within nine months of default. It is standard practice for private mortgage insurers to require that lending institutions, prior to presenting a claim under the mortgage insurance, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor. When such claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property.

The amount of loss payable generally includes the principal balance due under the mortgage agreement, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings, although in no event will the insurer be required to pay an amount which exceeds the coverage under a policy.

Prior to insuring loans for any mortgage lender, the insurer investigates and evaluates such mortgage lender in the areas of (1) quality of appraisal ability, (2) quality of underwriting ability, (3) net worth and quality of assets and (4) ability and past performance of servicing staff and adequacy of servicing procedures.

### **Mortgage Pool Insurance and Insurance Reserve Account**

The Department is required under the Indenture to obtain mortgage pool insurance providing full coverage for losses of principal and interest on any Mortgage Loan (after payment by any other insurer or guarantor thereof), with an aggregate limitation of coverage equal to 10% of the original principal balance of Mortgage Loans which are required to have the benefits of such mortgage pool insurance.

Under mortgage pool insurance policies, it is generally a condition to payment of a claim on any Mortgage Loan that the insured on the policies advance hazard insurance premiums and, as necessary, real estate taxes, property sales expenses and foreclosure costs (including court costs and reasonable attorneys' fees). In the event of default by a mortgagor, if there is any physical loss or damage to the property from any cause, whether by accidental means or otherwise, it is generally a condition to payment of a claim on a Mortgage Loan that the insured on the policies restore

the property to its condition at the time of the issuance of the policies (reasonable wear and tear excepted). Therefore, the policies do not provide coverage against hazard loss.

Policies generally provide that no claim may validly be presented thereunder unless (1) premiums on hazard insurance on the property securing a defaulted Mortgage Loan have been paid and other foreclosure, protection and preservation expenses have been paid and (2) if there has been physical loss or damage to a mortgaged property, it has been restored to its condition at the time the Mortgage Loan was made, subject to reasonable wear and tear. Assuming the satisfaction of these conditions, the insurer has the option, after expiration of any applicable redemption period, to either (i) purchase the property securing the defaulted Mortgage Loan at a price equal to the principal balance thereof plus accrued and unpaid interest at the mortgage rate to the date of purchase and certain expenses on condition that the insurer must be provided with good and merchantable title to the mortgaged property (unless the property has been conveyed pursuant to the terms of the applicable mortgage insurance policy) or (ii) pay the amount by which the sum of the principal balance of the defaulted Mortgage Loan plus accrued and unpaid interest at the mortgage rate to the date of the payment of the claim plus certain expenses exceeds the proceeds received from a sale of the property which the insurer has approved. The policies define an "approved sale" as (1) a sale of a property acquired by the Department to a third party because of a default by the mortgagor and to which the insurer has given prior approval, or (2) a foreclosure or trustee's sale of a property to a third party at a price exceeding the maximum amount specified by the insurer to be bid by the Department. In circumstances referred to in both (1) and (2) the amount of payment may be reduced by the amount of loss paid under the applicable mortgage insurance policy.

Claims for losses must generally be filed with the insurer within 60 days after the insured has conveyed title to the property pursuant to an approved sale, and the insurer then has 30 days from the date of filing to pay the claim.

The following table summarizes certain information relating to each mortgage pool insurance policy and the outstanding Mortgage Loans covered as of October 1, 2018.

<u>Series of Bonds</u>	<u>Insurer (1)</u>	<u>Date of Policy</u>	<u>Aggregate Net Loss Limitation</u>	<u>Balance of Insured Mortgage Loans</u>
2015 Series A/B/C (Previously 2005 Series D/E/F)	MGIC	11/8/2005	\$ 1,408,035	\$ 921,349
2015 Series A/B/C (Previously 2006 Series A/B/C)	MGIC	2/28/2006	1,882,045	376,550
2015 Series A/B/C (Previously 2006 Series D/E/F)	MGIC	7/18/2006	1,663,150	771,086
2017 Series A/B/C (Previously 2007 Series A/B)	MGIC	5/9/2007	1,827,485	301,386
2017 Series A/B/C (Previously 2007 Series C/D/E)	MGIC	7/31/2007	2,932,570	2,709,807
2017 Series A/B/C (Previously 2007 Series F/G/H)	MGIC	11/20/2007	3,309,965	4,244,504
2017 Series F/G/H (Previously 2008 Series A/B/C)	MGIC	2/26/2008	3,580,460	4,479,611
2017 Series D/E (Previously 2008 Series D/E/F)	MGIC	5/13/2008	2,010,743	1,692,388
2017 Series F/G/H (Previously 2008 Series G/H/I)	MGIC	8/26/2008	944,061	896,540

(1) MGIC refers to Mortgage Guaranty Insurance Corporation, Milwaukee, Wisconsin.

When such coverage is required, the Department will fund an Insurance Reserve Account in the Housing Finance Fund in the amounts described under "Security for the Bonds – Mortgage Insurance Reserve Account." The amount on deposit in the Insurance Reserve Account will be used only to pay the amount of any net loss realized by the Department as a result of default in payments by a mortgagor on any Mortgage Loan entitled to the benefits of such Insurance Reserve Account, after consideration of any payment under any mortgage insurance or guarantee.

## **Guaranteed Mortgage Securities**

### *GNMA Mortgage-Backed Securities*

The Government National Mortgage Association ("GNMA") is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development ("HUD") with its principal office in Washington, D.C. The Guaranteed Mortgage Securities financed under the Indenture may include Mortgage-Backed Securities issued by GNMA (the "GNMA Securities").

GNMA offers two programs, GNMA I and GNMA II, under which GNMA Securities may be issued. With the proceeds of Bonds, the Department may purchase as Guaranteed Mortgage Securities GNMA Securities issued under GNMA I or GNMA II, GNMA Securities issued under any program GNMA institutes in the future and any securities issued by any other Department or instrumentality of or chartered by the United States which has similar powers. GNMA guarantees the timely payment of the principal of and interest on the GNMA Security.

In order to issue the GNMA Securities, the servicer must first apply to and receive from GNMA a commitment to guarantee securities. A GNMA commitment authorizes the servicer to issue GNMA Securities up to a stated amount during a one-year period following the date of the commitment. The servicer is required to pay the application fee to GNMA for such commitments. The amount of commitments to guarantee GNMA Securities that GNMA can approve in any federal fiscal year is limited by statute and administrative procedures. The total annual amount of available commitments is established in appropriation acts and related administrative procedures.

The issuance of each GNMA Security is subject to the following conditions, among others: (1) the origination by the lenders of mortgage loans in a minimum aggregate principal amount at least equal to the minimum size permitted by GNMA for each GNMA Security (such origination being subject, among other conditions, to the availability of FHA mortgage insurance), (2) the submission by the servicer to GNMA of certain documents required by GNMA in form and substance satisfactory to GNMA, (3) the servicer's continued compliance, on the date of issuance of the GNMA Security, with all of GNMA's eligibility requirements, specifically including, but not limited to, certain net worth requirements, (4) the servicer's continued approval by GNMA to issue GNMA Securities, and (5) the servicer's continued ability to issue, execute and deliver the GNMA Security, as such ability may be affected by the servicer's bankruptcy, insolvency or reorganization. In addition, the issuance of a GNMA Security by the servicer is subject to the condition that GNMA must have entered into a guaranty agreement with the servicer.

*GNMA Security.* GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of and interest on securities which are based on and backed by, among other things, a mortgage insured by FHA under the National Housing Act. Said Section 306(g) further provides that "[T]he full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion dated December 9, 1969, of an Assistant Attorney General of the United States states that such guarantees under said Section 306(g) of mortgage-backed securities of the type to be delivered to the Trustee by the servicer are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

*GNMA Borrowing Authority.* In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury (the "Treasury") in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Securities. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty.

GNMA will warrant to the Trustee, as the holder of the GNMA Securities, that, in the event it is called upon at any time to make good its guaranty of the payment of principal and interest on any GNMA Security, it will, if necessary, in accordance with the aforesaid Section 306(d), apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make such payment.

*Servicing of the Mortgage Loans.* Under contractual arrangements entered into by and between the servicer and GNMA, the servicer is responsible for servicing and otherwise administering the mortgage loans in accordance with generally accepted practices of the mortgage lending industry and the GNMA Servicer's Guide (copies of which may be obtained from GNMA at the Office of Mortgage-Backed Securities, 451 Seventh Street, S.W., Washington, D.C. 20410) or accessed at <http://www.ginniemae.gov>.

The monthly remuneration of the servicer, for its servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of the GNMA Securities outstanding. Each GNMA Security carries an interest rate that is fixed at 0.50% per annum below the interest rate on the mortgage loans because the servicing and guaranty fees are deducted from payments on the mortgage loans before such payments are forwarded to the trustee.

It is expected that interest and principal payments on the mortgage loans received by the servicer will be the source of money for payments on the GNMA Securities. If such payments are less than the amount then due, the servicer is obligated to advance its own funds to ensure timely payment of all payments due on the GNMA Securities. GNMA guarantees such timely payment in the event of the failure of the servicer to pass through an amount equal to such scheduled payments (whether or not made by the mortgagors).

The servicer is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA, as guarantor, will be able to continue such payments as scheduled on the applicable payment date. However, if such payments are not received as scheduled, the Trustee has recourse directly to GNMA.

*Guaranty Agreement.* A GNMA guaranty agreement which is entered into by GNMA and the servicer upon issuance of the GNMA Security (the "GNMA Guaranty Agreement") provides that, in the event of a default by the servicer, including (1) a request to GNMA to make a payment of principal or interest on a GNMA Security when a mortgagor is in default under his mortgage, (2) insolvency of the servicer or (3) default by the servicer under any other guaranty agreement with GNMA, GNMA shall have the right, by letter to the servicer, to effect and complete the extinguishment of the servicer's interest in the mortgage loans, and the mortgage loans shall thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder to the GNMA Security. In such event, the GNMA Guaranty Agreement will provide that on and after the time GNMA directs such a letter of extinguishment to the servicer, GNMA shall be the successor in all respects to the servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and shall be subject to all responsibilities, duties, and liabilities (except the servicer's indemnification of GNMA), theretofore placed on the servicer by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time, GNMA may enter into an agreement with any other eligible issuer of GNMA Securities under which the latter undertakes and agrees to assume any part or all such responsibilities, duties or liabilities of GNMA in its capacity as guarantor of the GNMA Security, or otherwise adversely affect the rights of the holders thereof.

#### *Fannie Mae Mortgage-Backed Securities*

Information regarding the conservatorship of Fannie Mae is provided under the heading "Federal Housing Finance Agency Actions."

Fannie Mae is a government sponsored enterprise organized and existing under the Federal National Mortgage Association Charter Act. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market.

Fannie Mae provides funds to the mortgage market primarily by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing.

Fannie Mae also issues mortgage-backed securities ("Fannie Mae Certificates") primarily in exchange for pools or mortgage loans from lenders. Fannie Mae receives guaranty fees for its guaranty of timely payment of principal of and interest on Fannie Mae Certificates. Fannie Mae issues Fannie Mae Certificates primarily in exchange

for pools of mortgage loans from lenders. The issuance of Fannie Mae Certificates enables Fannie Mae to further its statutory purpose of increasing the liquidity of residential mortgage loans.

Each Fannie Mae Certificate which qualifies as a Guaranteed Mortgage Security under the Indenture will be backed by a pool of mortgage loans which may consist of fixed-rate FHA Loans, VA Loans or conventional loans with original terms to maturity of eight to thirty years. Fannie Mae guarantees to each registered holder of a Fannie Mae Certificate that it will distribute amounts representing such Certificateholder's proportionate interest in scheduled principal and interest payments, and any principal prepayments, on the mortgage loans in the pool represented by such Fannie Mae Certificate (less servicing and guarantee fees aggregating the excess of the interest on such mortgage loans over the Fannie Mae Certificate's pass-through rate), and such Certificateholder's proportionate interest in the full principal amount of any foreclosed or other liquidated mortgage loan, in each case whether or not such amounts are actually received.

The obligations of Fannie Mae under its guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to, the full faith and credit of the United States. If Fannie Mae were unable to satisfy such obligations, distributions to holders of Fannie Mae Certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to holders of Fannie Mae Certificates would be affected by delinquent payments and defaults on such mortgage loans.

#### *Freddie Mac Mortgage-Backed Securities*

Information regarding the conservatorship of the Federal Home Loan Mortgage Corporation ("Freddie Mac") is provided under the heading "Federal Housing Finance Agency Actions."

Freddie Mac is a shareholder-owned, government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. Sections 1451-1459. Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the home mortgage secondary market by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for home mortgage financing. The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgages and participation interests in such mortgages from mortgage lending institutions and the resale of the whole loans and participations so purchased in the form of guaranteed mortgage securities (the "Freddie Mac Certificates"). Freddie Mac generally matches its purchases of mortgages with sales of Freddie Mac Certificates. Mortgages retained by Freddie Mac are financed with short and long-term debt and equity capital.

Each Freddie Mac Certificate which qualifies as a Guaranteed Mortgage Security under the Indenture will represent an undivided interest in a pool of fixed-rate, first-lien conventional mortgage loans or FHA and VA Loans, or participation interests therein. Freddie Mac guarantees to each registered holder of a Freddie Mac Certificate that it will distribute amounts representing such Certificateholder's proportionate interest in interest payments on the mortgage loans in the pool represented by such Freddie Mac Certificates (less servicing and guarantee fees aggregating the excess of the interest on such mortgage loans over the Freddie Mac Certificate's pass-through rate), whether or not such amount is actually received. With respect to certain Freddie Mac Certificates, Freddie Mac guarantees the Certificateholder's proportionate interest in scheduled principal payments on such mortgage loans, if timely received and also guarantees ultimate collection of scheduled principal payments, prepayments of principal and the remaining principal balance in the event of a foreclosure or other disposition of a mortgage loan. With respect to such Freddie Mac Certificates Freddie Mac may remit the amount due on account of its guarantee of collection of principal at any time after default on an underlying mortgage, but not later than (i) thirty days following foreclosure sale, (ii) thirty days following payment of the claim by any mortgage insurer, or (iii) thirty days following the expiration of any right of redemption, whichever occurs later, but in any event no later than one year after demand has been made upon the mortgagor for accelerated payment of principal.

The obligations of Freddie Mac under its guarantees are obligations solely of Freddie Mac and are not backed by, nor entitled to, the full faith and credit of the United States. If Freddie Mac were unable to satisfy such obligations, distributions to holders of Freddie Mac Certificates would consist solely of payments and other recoveries on the

underlying mortgage loans and, accordingly, monthly distributions to holders of Freddie Mac Certificates would be affected by delinquent payments and defaults on such mortgage loans.

### **Federal Housing Finance Agency Actions**

In accordance with the Federal Housing Finance Regulatory Reform Act of 2008 (the “Regulatory Reform Act”), the Federal Housing Finance Agency (the “FHFA”) was named as the conservator of both Fannie Mae and Freddie Mac (each, a “GSE”) on September 6, 2008. The FHFA immediately succeeded to (1) all rights, titles, powers and privileges of each GSE, and of any stockholder, officer or director of such GSE with respect to the GSE and its assets, and (2) title to all books, records and assets of the GSE held by any other legal custodian or third party. Under the Act, the FHFA is authorized to repudiate contracts entered into by a GSE prior to the FHFA’s appointment as conservator if the FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of the GSEs. This right must be exercised within a reasonable period of time after FHFA’s appointment as conservator.

On September 7, 2008, the U.S. Department of Treasury (“Treasury”) entered into a “Senior Preferred Stock Purchase Agreement” with each GSE. Those agreements were amended and restated on September 26, 2008, and subsequently amended on May 6, 2009 and December 24, 2009. Each such agreement is indefinite in duration and has a maximum capacity of \$200 billion, which amount will increase as necessary to accommodate any cumulative reduction in net worth calculated on a quarterly basis through December 31, 2012. If the FHFA determines that a GSE’s liabilities have exceeded its assets under generally accepted accounting principles, the Treasury is required by the agreement to contribute cash capital to the GSE in an amount equal to the difference between liabilities and assets.

So long as the GSEs remain in their current conservatorship and are not placed into receivership, (i) FHFA has no authority to repudiate any contracts entered into after the GSEs were placed into conservatorship, including the GSEs’ guaranties related to Certificates they issued during their respective conservatorships, and (ii) the rights of holders of certificates issued during such conservatorship are not restricted.

Under the Regulatory Reform Act, FHFA must place a GSE into receivership if the FHFA’s Director makes a determination that the GSE’s assets are, and for a period of 60 days have been, less than the GSE’s obligations, or the GSE is unable to pay its debts and have been unable to do so for a like period. The FHFA Director may also place a GSE into receivership in his or her discretion for certain other reasons. A receivership would terminate the FHFA’s current conservatorship. If FHFA were to become the receiver of a GSE, it could exercise certain powers that could adversely affect the Department (as holder of the GSE’s Certificates), as explained below.

As receiver, FHFA could repudiate any contract entered into by a GSE prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of the GSE’s affairs. The Regulatory Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver. If FHFA, as receiver, were to repudiate the guaranty obligations of Fannie Mae or Freddie Mac, the receivership estate would be liable for actual direct compensatory damages as of the date of receivership under the Regulatory Reform Act. Any such liability could be satisfied only to the extent the GSE’s assets were available for that purpose. Moreover, if a GSE’s guaranty obligations were repudiated, payments of principal and/or interest to holders of the GSE’s certificateholders would be reduced as a result of borrowers’ late payments or failure to pay or a servicer’s failure to remit borrower payments to the trust. In that case, trust administration fees would be paid from mortgage loan payments prior to distributions to certificateholders. Any actual direct compensatory damages owed due to the repudiation of the GSE guaranty obligations may not be sufficient to offset any shortfalls experienced by certificateholders.

In its capacity as receiver, FHFA would have the right to transfer or sell any asset or liability of a GSE without any approval, assignment or consent. If FHFA, as receiver, were to transfer a GSE’s guaranty obligation to another party, the Department (as a certificateholder) would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party.

During a receivership, certain rights of certificateholders may not be enforceable against FHFA, or enforcement of such rights may be delayed. The Regulatory Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which a GSE is a



party, or obtain possession of or exercise control over any property of a GSE, or affect any contractual rights of the GSE, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver. If a GSE is placed into receivership and does not or cannot fulfill its guaranty to certificateholders, certificateholders could become unsecured creditors of the GSE with respect to claims made under the GSE's guaranty.

If a GSE emerges from conservatorship and, at a later date, FHFA again were to place the GSE into conservatorship, (i) FHFA would have all of the authority of a new conservator, including the authority to repudiate the guaranty associated with certificates issued by the GSE during the current conservatorship, and (ii) certain rights of holders of certificates issued during the current conservatorship would again be restricted or eliminated. FHFA currently has all of the authority of a conservator as to certificates issued before September 6, 2008, the date the GSEs were placed into conservatorship.

Although the Treasury owns the GSEs' senior preferred stock and has made a commitment under the respective Senior Preferred Stock Purchase Agreements to provide the GSEs with funds under specified conditions to maintain a positive net worth, the U.S. government does not guarantee the GSEs' securities or other obligations.

Fannie Mae currently is required to file periodic financial disclosures with the U.S. Securities and Exchange Commission (the "SEC"), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac requires Freddie Mac to provide the Treasury with annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. The Department makes no representation regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae or Freddie Mac with the SEC, or any information provided at such web site. The SEC's web site is not part of this Official Statement.

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Annual Financial Report

Enterprise Funds of the  
State of Oregon

Housing and Community Services Department

For the Year Ended June 30, 2018

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## Financial Section

**Office of the Secretary of State**

Dennis Richardson  
Secretary of State

Leslie Cummings, Ph.D.  
Deputy Secretary of State



**Audits Division**

Kip R. Memmott, MA, CGAP, CRMA  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

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**Independent Auditor's Report**

The Honorable Kate Brown, Governor of Oregon  
Margaret Salazar, Director, Oregon Housing and Community Services Department

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Elderly and Disabled Housing Fund and Housing Finance Fund, enterprise funds of the State of Oregon, Housing and Community Services Department (Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Elderly and Disabled Housing Fund and the Housing Finance Fund, enterprise funds of the State of Oregon, Oregon Housing and Community Services Department, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the enterprise funds of the Department and do not purport to, and do not, present fairly the financial position of the Department or the State of Oregon as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's Elderly and Disabled Housing Fund and Housing Finance Fund financial statements. The combining financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the Department'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 Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

*Office of the Secretary of State, Audits Division*

State of Oregon  
October 29, 2018

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## OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

### Management's Discussion and Analysis

This section of the Oregon Housing and Community Services Department's (OHCS D) Annual Financial Report presents our discussion and analysis of financial performance for the Proprietary Funds during the fiscal year ended June 30, 2018. The selected financial data presented was derived primarily from the financial statements of OHCS D, which have been audited by the Oregon Secretary of State Audits Division.

#### Financial Highlights

- Loans purchased or financed totaled \$156.2 million for the fiscal year, up \$59.2 million from fiscal year 2017.
- Outstanding bond debt of \$943.5 million on June 30, 2018 was \$74.4 million more than the amount outstanding on June 30, 2017. Debt issuance for the fiscal year totaled \$274.0 million (par value).
- Net position increased \$3.4 million, to \$227.3 million as of June 30, 2018. This represents an increase of 1.53%.
- Operating revenue was \$1.9 million higher in fiscal year 2018 than in fiscal year 2017.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OHCS D's basic financial statements. The basic financial statements include proprietary fund financial statements and notes to the financial statements. OHCS D's basic financial statements do not include department-wide financial statements since only the proprietary funds are audited by the Secretary of State Audits Division. OHCS D does have governmental funds that are included in the State of Oregon Comprehensive Annual Financial Report located at [www.oregon.gov/das/Financial/Acctng/Pages/Pub.aspx](http://www.oregon.gov/das/Financial/Acctng/Pages/Pub.aspx).

- The proprietary fund financial statements include major enterprise funds, which operate similarly to business activities and follow an accrual basis of accounting.
- The notes to the financial statements provide additional information essential to a full understanding of the data provided in the proprietary fund financial statements.

#### Overview of the Proprietary Funds Financial Position and Operations

Total assets and deferred outflows of resources on June 30, 2018 were \$1.20 billion, up \$77.2 million from June 30, 2017. The change in assets and deferred outflows of resources consists primarily of a \$11.9 million increase in investments, a \$28.8 million increase in accounts receivable, a \$30.1 million increase in loans receivable, and a \$8.4 million increase in cash and cash equivalents.

Total liabilities and deferred inflows of resources increased by \$73.7 million to \$970.3 million on June 30, 2018. This included an increase of \$74.4 million in bonds payable and a decrease of \$1.7 million in swap fair value liability.

OHCS D's proprietary fund financial position and operations for the past two years are summarized below based on the information included in the basic financial statements.

**Proprietary Funds  
Statement of Net Position**

	<b>Business-Type Activities</b>			
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>
<b>Assets</b>				
Current and Other Assets	\$ 1,194,249,086	\$ 1,114,567,147	\$ 79,681,939	7.15%
Capital Assets	51,674	59,925	(8,251)	-13.77%
<b>Total Assets</b>	<b>\$ 1,194,300,760</b>	<b>\$ 1,114,627,072</b>	<b>\$ 79,673,688</b>	<b>7.15%</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 3,290,511</b>	<b>\$ 5,796,616</b>	<b>\$ (2,506,105)</b>	<b>-43.23%</b>
<b>Liabilities</b>				
Long-Term Liabilities	\$ 912,404,296	\$ 858,354,828	\$ 54,049,468	6.30%
Other Liabilities	52,099,017	32,917,451	19,181,566	58.27%
<b>Total Liabilities</b>	<b>\$ 964,503,313</b>	<b>\$ 891,272,279</b>	<b>\$ 73,231,034</b>	<b>8.22%</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 5,811,202</b>	<b>\$ 5,293,433</b>	<b>\$ 517,769</b>	<b>9.78%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 51,674	\$ 59,925	\$ (8,251)	-13.77%
Restricted for Residential Assistance	2,089,298	2,074,043	15,255	0.74%
Restricted for Other Postemployment Benefits	11,451	-	11,451	100.00%
Restricted by Trust Indentures	212,669,994	207,706,209	4,963,785	2.39%
Unrestricted	12,454,339	14,017,799	(1,563,460)	-11.15%
<b>Total Net Position</b>	<b>\$ 227,276,756</b>	<b>\$ 223,857,976</b>	<b>\$ 3,418,780</b>	<b>1.53%</b>

**Cash and Cash Equivalents**

Total cash and cash equivalents increased by \$8.4 million, or 12.1%, from June 30, 2017 to June 30, 2018.

**Loans Receivable**

Total mortgages and other loans receivable increased by \$30.1 million in fiscal year 2018. This increase included the following:

- Loans purchased or financed in fiscal year 2018 totaled \$156.2 million, \$59.2 million more than fiscal year 2017. All of the increase was from Single-family mortgage loan purchases.
- Scheduled mortgage and other loan repayments totaled \$28.3 million for fiscal year 2018.
- Prepayments on mortgage loans decreased in fiscal year 2018 by \$13.9 million. Prepayments for the fiscal year totaled \$96.2 million.
- Properties acquired during the fiscal year totaled \$1.7 million, a decrease of \$1.7 million over the previous fiscal year.

**Bonds Payable**

Bonds Payable increased by \$74.4 million from June 30, 2017 to June 30, 2018. OHCS D issued \$274.0 million (par value) in revenue bonds and bond redemptions totaled \$203.5 million. The remainder of the change is from discount and premium transactions.

**Net Position**

Net position increased during fiscal year 2018 by 1.53%, or \$3.4 million. Of OHCS D's \$227.3 million in net position, 94.5% is restricted to bond indentures or other financial commitments. The remaining 5.5% is unrestricted and available to pay for current agency operations. Each fiscal year, OHCS D applies the required bond indenture restrictions to assess the allowable amount that can be released for the purpose of paying for agency operations. Once these funds are officially transferred from the bond indentures, they are classified as unrestricted, but until that point in time, they are considered a pledge to the bondholders and are appropriately classified as restricted.

The results of operations for OHCS D's proprietary funds are presented below:

**Proprietary Funds  
Statement of Operating Activity**

	<b>Business-Type Activities</b>			
	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>% Change</b>
<b>Operating Revenues</b>				
Interest on Loans	\$ 36,644,795	\$ 39,626,363	\$ (2,981,568)	-7.52%
Investment Income	3,650,448	332,374	3,318,074	998.30%
Administrative Charges and Fees	3,295,836	2,537,227	758,609	29.90%
Low Income Housing Tax Credit Fees	2,924,199	1,604,511	1,319,688	82.25%
Gain on Sale of Foreclosed Property	146,174	373,502	(227,328)	-60.86%
Miscellaneous Revenue	93,062	358,328	(265,266)	-74.03%
<b>Total Operating Revenues</b>	<b>46,754,514</b>	<b>44,832,305</b>	<b>1,922,209</b>	<b>4.29%</b>
<b>Operating Expenses</b>				
Personal Services	5,206,618	5,126,065	80,553	1.57%
Services and Supplies	3,084,561	2,508,940	575,621	22.94%
Mortgage Service Fees	2,394,668	2,264,580	130,088	5.74%
Foreclosure Costs	438,500	616,407	(177,907)	-28.86%
Interest Expense - Bonds	27,235,723	28,487,108	(1,251,385)	-4.39%
Interest Expense - Securities Lending	21,699	1,974	19,725	999.24%
Other Related Program Expenses	4,649,406	3,307,065	1,342,341	40.59%
Depreciation/Amortization	8,452	7,910	542	6.85%
Bad Debt Expense	-	33,583	(33,583)	-100.00%
<b>Total Operating Expenses</b>	<b>43,039,627</b>	<b>42,353,632</b>	<b>685,995</b>	<b>1.62%</b>
<b>Operating Income</b>	<b>3,714,887</b>	<b>2,478,673</b>	<b>1,236,214</b>	<b>49.87%</b>
<b>Nonoperating Revenue/(Expenses)</b>				
Interest Expense - Pension-related Debt	(32,996)	(38,010)	5,014	-13.19%
<b>Total Nonoperating Revenue/(Expenses)</b>	<b>(32,996)</b>	<b>(38,010)</b>	<b>5,014</b>	<b>-13.19%</b>
<b>Income Before Transfers</b>	<b>3,681,891</b>	<b>2,440,663</b>	<b>1,241,228</b>	<b>50.86%</b>
Transfer to Other State Agencies	(184,404)	(187,777)	3,373	1.80%
<b>Increase in Net Position</b>	<b>3,497,487</b>	<b>2,252,886</b>	<b>1,244,601</b>	<b>55.24%</b>
<b>Net Position - Beginning</b>	<b>223,857,976</b>	<b>221,605,090</b>	<b>2,252,886</b>	<b>1.02%</b>
Change in Accounting Principle	(78,707)	-	(78,707)	100.00%
<b>Net Position - Beginning (Restated)</b>	<b>223,779,269</b>	<b>221,605,090</b>	<b>2,174,179</b>	<b>0.98%</b>
<b>Net Position - Ending</b>	<b>\$ 227,276,756</b>	<b>\$ 223,857,976</b>	<b>\$ 3,418,780</b>	<b>1.53%</b>

OHCS D's proprietary fund revenue is generated principally from interest earned on mortgages and investments. In fiscal year 2018, revenue generated through proprietary funds totaled \$46.8 million, of which \$40.3 million, or 86.2%, is from income earned on loans and investments.

Expenses of OHCS D's proprietary funds consist primarily of interest expense on debt incurred to fund lending programs. The total expenses for proprietary fund activities totaled \$43.0 million, of which \$27.2 million, or 63.3%, is bond interest expense.

The change in net position for the year ended June 30, 2018 resulted in an increase of \$3.4 million compared to a \$2.3 million increase for the year ended June 30, 2017. Factors contributing to this change include:

- In fiscal year 2018, investment income was \$3.3 million more than in fiscal year 2017. Change in fair value of investments was \$2.1 million higher in fiscal year 2018 than in fiscal year 2017.
- Interest on loans for fiscal year 2018 was \$3.0 million less than fiscal year 2017. Payoffs of higher interest rate loans contributed to the decrease in interest received.
- Interest expense on bonds was \$1.3 million lower than fiscal year 2017. This decrease was due to lower outstanding Elderly and Disabled Housing bonds, Housing Finance Revenue bonds, and Multifamily Housing Revenue bonds and the refunding of higher interest rate Mortgage Revenue bonds with bonds that have lower interest rates.

#### **Debt Administration**

Oregon Revised Statutes authorize OHCS D to issue up to \$2.5 billion in revenue bonds to finance the construction, purchase and rehabilitation of housing for low and moderate income persons and families. OHCS D also has constitutional authority to issue general obligation bonds to finance housing for elderly and disabled persons. As of June 30, 2018, OHCS D was authorized to issue up to \$3,104,548,584 in State of Oregon General Obligation bonds for this purpose.

As of June 30, 2018, OHCS D had a total of \$927,385,000 (par value) in outstanding bond debt. During fiscal year 2018, \$274,030,000 (par value) in revenue bonds were issued for the Single-Family Mortgage Program compared to \$130,560,000 in fiscal year 2017. No Multifamily Housing Revenue Bonds were issued in fiscal year 2018 or fiscal year 2017.

In addition, OHCS D issued \$140,675,944 (par value) of Housing Development Revenue Bonds. These bonds were issued as conduit debt obligations as described in the Notes to the Financial Statements (Note 11) and are not included in the outstanding bonds payable balance on the Statement of Net Position.

The proceeds from revenue bonds issued for the Single-Family Mortgage Program are used to make below-market interest rate loans to low and moderate income households. The proceeds from the Elderly and Disabled Housing Bonds, Multifamily Housing Revenue Bonds, and Housing Development Revenue Bonds are used to provide low interest rate financing to developers for new construction, remodeling, and/or acquisition of affordable rental housing. Elderly and Disabled Housing Bond proceeds are used to increase the number of affordable housing units for the elderly, persons with disabilities, and their family members. Multifamily Housing Revenue Bond and Housing Development Revenue Bond proceeds are used to finance multi-family housing for persons or families with lower and moderate incomes.

Additional information on the Oregon Housing and Community Services Department's long-term debt can be found in the Notes to the Financial Statements (Note 7).

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Statement of Net Position

### Proprietary Funds

June 30, 2018

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b><i>Assets and Deferred Outflows of Resources</i></b>			
<b>Assets</b>			
<b><i>Current Assets</i></b>			
Cash and Cash Equivalents	\$ 1,213,778	\$ 8,174,843	\$ 9,388,621
Cash and Cash Equivalents - Restricted	3,383,063	3,233,358	6,616,421
Investments - Restricted	-	57,390,771	57,390,771
Securities Lending Cash Collateral	760,456	431,241	1,191,697
Accounts Receivable	-	29,182,712	29,182,712
Accrued Interest Receivable	296,480	3,628,507	3,924,987
Interfund Receivable	-	80,220	80,220
Due from Governmental Funds	8	24,789	24,797
Prepaid Expenses	-	1,140	1,140
Loans Receivable	5,771,945	21,318,224	27,090,169
Acquired Property	-	1,841,751	1,841,751
<b><i>Total Current Assets</i></b>	<b>11,425,730</b>	<b>125,307,556</b>	<b>136,733,286</b>
<b><i>Noncurrent Assets</i></b>			
Cash and Cash Equivalents - Restricted	28,682,537	33,073,245	61,755,782
Investments - Restricted	1,585,749	185,531,814	187,117,563
Loans Receivable	75,391,960	731,725,030	807,116,990
Swap Fair Value Asset	-	1,514,014	1,514,014
Net Other Postemployment Benefits Asset	2,918	8,533	11,451
Capital Assets (Net)	7,183	44,491	51,674
<b><i>Total Noncurrent Assets</i></b>	<b>105,670,347</b>	<b>951,897,127</b>	<b>1,057,567,474</b>
<b>Total Assets</b>	<b>117,096,077</b>	<b>1,077,204,683</b>	<b>1,194,300,760</b>
<b><i>Deferred Outflows of Resources</i></b>			
Accumulated Decrease in Fair Value of Hedging Derivatives	-	137,728	137,728
Loss on Debt Refundings	26,787	1,915,372	1,942,159
Related to Pensions	302,011	881,645	1,183,656
Related to Other Postemployment Benefits	6,908	20,060	26,968
<b>Total Deferred Outflows of Resources</b>	<b>335,706</b>	<b>2,954,805</b>	<b>3,290,511</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 117,431,783</b>	<b>\$ 1,080,159,488</b>	<b>\$ 1,197,591,271</b>

The accompanying notes are an integral part of the financial statements.

Continued on the next page



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	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 21,539	\$ 588,164	\$ 609,703
Accrued Interest Payable	755,461	12,905,404	13,660,865
Obligations Under Securities Lending	760,456	431,241	1,191,697
Interfund Payable	80,220	-	80,220
Due to Governmental Funds	11,814	41,875	53,689
Unearned Revenue	-	998,823	998,823
Compensated Absences Payable	35,646	188,274	223,920
Bonds Payable	1,610,000	33,640,000	35,250,000
Pension-related Debt Payable	6,568	23,532	30,100
<b>Total Current Liabilities</b>	<b>3,281,704</b>	<b>48,817,313</b>	<b>52,099,017</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	19,194	101,378	120,572
Bonds Payable	35,295,397	872,937,961	908,233,358
Swap Fair Value Liability	-	137,728	137,728
Pension-related Debt Payable	102,757	368,175	470,932
Net Pension Liability	827,706	2,447,968	3,275,674
Net Other Postemployment Benefits Liability	10,307	31,132	41,439
Total Other Postemployment Benefits Liability	32,098	92,495	124,593
<b>Total Noncurrent Liabilities</b>	<b>36,287,459</b>	<b>876,116,837</b>	<b>912,404,296</b>
<b>Total Liabilities</b>	<b>39,569,163</b>	<b>924,934,150</b>	<b>964,503,313</b>
<b>Deferred Inflows of Resources</b>			
Accumulated Increase in Fair Value of Hedging Derivatives	-	1,514,014	1,514,014
Deferred Loan Origination Fees	599,920	3,661,430	4,261,350
Related to Pensions	6,915	20,452	27,367
Related to Other Postemployment Benefits	2,153	6,318	8,471
<b>Total Deferred Inflows of Resources</b>	<b>608,988</b>	<b>5,202,214</b>	<b>5,811,202</b>
<b>Net Position</b>			
Net Investment in Capital Assets	7,183	44,491	51,674
Restricted for Residential Assistance	-	2,089,298	2,089,298
Restricted for Other Postemployment Benefits	2,918	8,533	11,451
Restricted by Trust Indentures	69,950,568	142,719,426	212,669,994
Unrestricted	7,292,963	5,161,376	12,454,339
<b>Total Net Position</b>	<b>77,253,632</b>	<b>150,023,124</b>	<b>227,276,756</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 117,431,783</b>	<b>\$ 1,080,159,488</b>	<b>\$ 1,197,591,271</b>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2018

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Operating Revenues</b>			
Interest on Loans	\$ 4,331,545	\$ 32,313,250	\$ 36,644,795
Investment Income	505,209	3,145,239	3,650,448
Administrative Charges and Fees	103,950	3,191,886	3,295,836
Low Income Housing Tax Credit Fees	-	2,924,199	2,924,199
Gain on Sale of Foreclosed Property	-	146,174	146,174
Miscellaneous Revenue	-	93,062	93,062
<b>Total Operating Revenues</b>	<b>4,940,704</b>	<b>41,813,810</b>	<b>46,754,514</b>
<b>Operating Expenses</b>			
Personal Services	1,343,054	3,863,564	5,206,618
Services and Supplies	282,380	2,802,181	3,084,561
Mortgage Service Fees	35,422	2,359,246	2,394,668
Foreclosure Costs	-	438,500	438,500
Interest Expense - Bonds	1,980,150	25,255,573	27,235,723
Interest Expense - Securities Lending	10,123	11,576	21,699
Other Related Program Expenses	16,711	4,632,695	4,649,406
Depreciation/Amortization	1,025	7,427	8,452
<b>Total Operating Expenses</b>	<b>3,668,865</b>	<b>39,370,762</b>	<b>43,039,627</b>
<b>Operating Income</b>	<b>1,271,839</b>	<b>2,443,048</b>	<b>3,714,887</b>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Expense - Pension-related Debt	(7,200)	(25,796)	(32,996)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(7,200)</b>	<b>(25,796)</b>	<b>(32,996)</b>
<b>Income Before Transfers</b>	<b>1,264,639</b>	<b>2,417,252</b>	<b>3,681,891</b>
Transfers to Other State Agencies	(47,973)	(136,431)	(184,404)
<b>Increase in Net Position</b>	<b>1,216,666</b>	<b>2,280,821</b>	<b>3,497,487</b>
<b>Net Position - Beginning</b>	<b>76,057,113</b>	<b>147,800,863</b>	<b>223,857,976</b>
Change in Accounting Principle (GASB 75)	(20,147)	(58,560)	(78,707)
<b>Net Position - Beginning (Restated)</b>	<b>76,036,966</b>	<b>147,742,303</b>	<b>223,779,269</b>
<b>Net Position - Ending</b>	<b>\$ 77,253,632</b>	<b>\$ 150,023,124</b>	<b>\$ 227,276,756</b>

The accompanying notes are an integral part of the financial statements.

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OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018

	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Cash Flows from Operating Activities</b>			
Received from Customers	\$ 114,700	\$ 6,964,796	\$ 7,079,496
Program Loan Principal Repayments	10,191,176	116,462,886	126,654,062
Program Loan Interest Received	4,242,408	31,474,688	35,717,096
Program Loans Made	-	(156,182,704)	(156,182,704)
Payments to Employees for Services	(1,229,350)	(3,795,930)	(5,025,280)
Payments to Suppliers for Goods and Services	(326,056)	(5,096,023)	(5,422,079)
Other Receipts (Payments)	-	(3,658,826)	(3,658,826)
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>12,992,878</b>	<b>(13,831,113)</b>	<b>(838,235)</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Bond Sales	-	280,205,736	280,205,736
Principal Payments - Bonds	(7,795,000)	(195,665,000)	(203,460,000)
Interest Payments - Bonds	(2,129,227)	(25,237,856)	(27,367,083)
Bond Issuance Costs	-	(1,763,294)	(1,763,294)
Principal Payments - Pension-related Debt	(6,579)	(23,571)	(30,150)
Interest Payments - Pension-related Debt	(7,200)	(25,796)	(32,996)
Transfers to Other State Agencies	(50,969)	(152,531)	(203,500)
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	<b>(9,988,975)</b>	<b>57,337,688</b>	<b>47,348,713</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(1,494)	6,939	5,445
<b>Net Cash Provided (Used) in Capital and Related Financing Activities</b>	<b>(1,494)</b>	<b>6,939</b>	<b>5,445</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	-	(498,137,269)	(498,137,269)
Proceeds from Sales and Maturities of Investments	1,007,084	455,780,662	456,787,746
Interest on Cash and Investments	634,792	2,596,009	3,230,801
Investment Income on Securities Lending	10,123	11,576	21,699
Interest Paid on Securities Lending	(10,123)	(11,576)	(21,699)
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>1,641,876</b>	<b>(39,760,598)</b>	<b>(38,118,722)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,644,285</b>	<b>3,752,916</b>	<b>8,397,201</b>
<b>Cash and Cash Equivalents Balance - Beginning</b>	<b>28,635,093</b>	<b>40,728,530</b>	<b>69,363,623</b>
<b>Cash and Cash Equivalents Balance - Ending</b>	<b>\$ 33,279,378</b>	<b>\$ 44,481,446</b>	<b>\$ 77,760,824</b>
Cash and Cash Equivalents	\$ 1,213,778	\$ 8,174,843	\$ 9,388,621
Cash and Cash Equivalents - Restricted (Current)	3,383,063	3,233,358	6,616,421
Cash and Cash Equivalents - Restricted (Noncurrent)	28,682,537	33,073,245	61,755,782
<b>Total Cash and Cash Equivalents</b>	<b>\$ 33,279,378</b>	<b>\$ 44,481,446</b>	<b>\$ 77,760,824</b>

The accompanying notes are an integral part of the financial statements.

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	<b>Business-Type Activities - Enterprise Funds</b>		
	Elderly and Disabled Housing Fund	Housing Finance Fund	Total
<b>Reconciliation of Operating Income to</b>			
<b>Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 1,271,839	\$ 2,443,048	\$ 3,714,887
<b>Adjustments to Reconcile Operating Income to</b>			
<b>Net Cash Provided by Operating Activities</b>			
Capital Asset Depreciation/Amortization	1,025	7,427	8,452
Investment Income Reported as Operating Revenue	(505,209)	(3,145,239)	(3,650,448)
Interest Expense Reported as Operating Expense	1,990,273	25,267,149	27,257,422
Bond Issuance Costs Reported as Operating Expense	-	1,777,843	1,777,843
Amortization of Discount/Premium/Loss on Debt			
Refunding - Bond Calls	16,711	(1,145,979)	(1,129,268)
(Increase)/Decrease in Assets:			
Loan Interest Receivable	48,489	49,589	98,078
Accounts Receivable	8,650	201,269	209,919
Interfund Receivable	2,070	(65,584)	(63,514)
Due from Governmental Funds	(8)	50,679	50,671
Prepaid Expenses	-	(626)	(626)
Loans Receivable	10,154,813	(40,290,332)	(30,135,519)
Acquired Property	-	1,154,206	1,154,206
Net Other Postemployment Benefits Asset	(2,918)	(8,533)	(11,451)
(Increase)/Decrease in Deferred Outflows of Resources:			
Related to Pensions	192,598	794,511	987,109
Related to Other Postemployment Benefits	130	758	888
Increase/(Decrease) in Liabilities:			
Accounts Payable	(8,781)	(170,720)	(179,501)
Interfund Payable	66,537	(3,023)	63,514
Due to Governmental Funds	11,659	21,745	33,404
Unearned Revenue	-	(131,687)	(131,687)
Compensated Absences Payable	8,974	64,332	73,306
Net Pension Liability	(155,541)	(685,736)	(841,277)
Net Other Postemployment Benefits Liability	(5,439)	(16,186)	(21,625)
Total Other Postemployment Benefits Liability	(1,887)	(4,464)	(6,351)
Increase/(Decrease) in Deferred Inflows of Resources:			
Deferred Loan Origination Fees	(101,262)	7,876	(93,386)
Related to Pensions	(1,998)	(9,754)	(11,752)
Related to Other Postemployment Benefits	2,153	6,318	8,471
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>\$ 12,992,878</b>	<b>\$ (13,831,113)</b>	<b>\$ (838,235)</b>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Net Change in Fair Value of Investments	\$ (116,317)	\$ (536,088)	\$ (652,405)
Foreclosed Property	-	1,710,234	1,710,234
Loan Modifications	36,363	109,383	145,746
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b>\$ (79,954)</b>	<b>\$ 1,283,529</b>	<b>\$ 1,203,575</b>

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Notes to the Financial Statements

### Enterprise Funds

June 30, 2018

#### **NOTE 1. Summary of Significant Accounting Policies**

The accompanying financial statements of the Oregon Housing and Community Services Department (OHCS D) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

##### **A. Reporting Entity**

OHCS D is a part of the State of Oregon reporting entity. OHCS D currently operates under the provisions of Sections 456.515 to 456.725 of the Oregon Revised Statutes.

Through sales of bonds, OHCS D finances home ownership and multi-family units for elderly, disabled, and lower to moderate income persons. OHCS D has issued revenue bonds for the Single-Family Mortgage Program (Mortgage Revenue Bonds and Housing Revenue Bonds) and Multifamily Housing Revenue Bonds. OHCS D has issued State of Oregon general obligation bonds for the Elderly and Disabled Housing Program. State of Oregon general obligation bonds are authorized by Oregon Constitution Article XI-I(2).

The financial statements and notes include only the bonded debt financial activity of OHCS D's housing bond programs. OHCS D operates governmental fund programs which are not included in this report.

##### **B. Basis of Presentation - Fund Accounting**

OHCS D programs and accounts are organized by "funds," each of which is a separate accounting entity. Each major program utilizes a separate set of self-balancing accounts to record the assets, liabilities, net position, revenues, and expenses of their activities. OHCS D's housing bond programs are classified in proprietary funds. Proprietary funds contain two types of funds: Enterprise Funds and Internal Service Funds. All housing bond programs of OHCS D are accounted for in the Enterprise Funds.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. OHCS D utilizes two enterprise funds which are differentiated primarily by the type of bond financing employed to support their respective programs:

- (1) The Elderly and Disabled Housing Fund accounts for programs that are supported by State of Oregon General Obligation Bonds. Bond proceeds are used to finance elderly housing and residential facilities for elderly households, disabled persons, and their family members. OHCS D is responsible for the administration of this program.
- (2) The Housing Finance Fund accounts for programs that are supported by revenue bond financing, including the Multifamily Housing and Single-Family Mortgage Programs. Revenue bond proceeds are used to finance home ownership and multi-family units for lower and moderate income persons. Also part of the Housing Finance Fund are the Combined Program Account and the Housing Finance Account. The Combined Program Account is maintained to act as a reserve against possible deficiencies that may arise in the payment of debt service or related expenses of the Single-Family Mortgage Program. General and administrative costs of these programs are accounted for in the Housing Finance Account. In addition, fees or other monies received by OHCS D in carrying out the responsibilities outlined under Oregon Revised Statutes 456.548 to 456.725 are also included in the Housing Finance Account.

##### **C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the flow of economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned

and expenses are recorded at the time related liabilities are incurred. All assets and liabilities associated with the operations of these funds are included on the Statement of Net Position. Assets and liabilities are segregated between current and non-current. Net Position is segregated into Net Investment in Capital Assets, Restricted, and Unrestricted. The Proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. This statement segregates operating revenue, operating expenses, non-operating revenue and expense, and capital contributions and transfers.

#### **D. Budgets**

The Oregon Legislature approves budgets for a biennial period. Operating expenses are subject to limitation and bond related expenses are subject to administrative limitation. Both types of limitation lapse at the end of the biennium. Budgets are adopted on a basis which differs from generally accepted accounting principles and financial reporting standards in the treatment of bond proceeds and loan purchases. For budgetary purposes, these transactions are treated on a cash basis and other operating revenues and expenses are on an accrual basis.

#### **E. Cash Equivalents**

For purposes of the Statement of Cash Flows, all OHCS D moneys held in the State Treasury Oregon Short-Term Fund and moneys held in money market mutual funds are considered to be cash equivalents. The money market mutual funds do not have a floating net asset value (NAV).

#### **F. Investments**

OHCS D's investments are stated at fair value. Investment fair value is determined using quoted market prices or quoted market prices for similar investments.

#### **G. Receivables**

Receivables included are amounts due that represent revenues earned or accrued in the current period. Types included in this classification relate to interest, mortgage loans receivable, and other miscellaneous receivables. If the last day or days of the fiscal year are on a weekend and an investment matures that weekend, an accounts receivable in the amount of the matured investment is included in the Statement of Net Position.

#### **H. Short-term Interfund Receivable/Payable and Due from/to Governmental Funds**

During the course of operations, transactions occur between individual funds for various reasons. Receivable and payable transactions between OHCS D's enterprise funds are classified as "Interfund Receivable" and "Interfund Payable" on the Statement of Net Position. Receivables and payables between OHCS D's enterprise funds and OHCS D's governmental funds are classified as "Due from Governmental Funds" and "Due to Governmental Funds" on the Statement of Net Position.

#### **I. Acquired Property**

Acquired properties resulting from mortgage foreclosures are stated at the cost. Cost is defined as the outstanding balance of the mortgage loan, plus major repairs, less any mortgage insurance payments received. Costs relating to the acquisition of such properties are charged to expense as they are incurred.

**J. Capital Assets**

Capital assets are reported at historical cost or estimated historical cost if the original cost is not determinable. Donated capital assets are reported at their estimated fair market value at the time received. Capital assets costing less than \$5,000 or having a useful life of less than one year are not capitalized.

Depreciation or amortization of capital assets is charged as an expense against operations over the estimated useful life using the straight-line method of depreciation. The estimated useful life of capital assets is from three to ten years.

**K. Rebatable Arbitrage**

Internal Revenue Code (IRC) Section 148(f) requires issuers of tax-exempt bonds to rebate investment income earned from bond proceeds that exceeds limits established for each bond issue. These limits are based on the bond yield as calculated for federal tax purposes for each bond issue and are subject to certain exceptions. Arbitrage rebate payments are due not later than 60 days after the end of the fifth anniversary of each bond issue (or other date in compliance with IRC Section 148(f)) and every five years thereafter in an amount at least equal to 90% of the calculated arbitrage liability. Final arbitrage rebate payments are due not later than 60 days after the final retirement of all bonds in an issue in an amount equal to 100% of the calculated arbitrage liability. OHCSO records rebatable arbitrage as a reduction of investment revenue.

**L. Compensated Absences**

Employees accumulate earned but unused vacation and sick leave benefits. Accumulated vacation leave (compensated absences) is recorded as an expense and a liability as the benefits accrue to the employees. No liability is recorded for accumulated sick leave benefits since employees are not paid for unused sick leave benefits when leaving State service.

**M. Bond Discounts and Premiums**

Bond discount or premium arising from the sale of serial or term bonds is charged or credited to interest expense over the life of the related bond issue using the bonds-outstanding method of amortization. Bond discounts and premiums are included in Bonds Payable on the Statement of Net Position.

**N. Deferred Debt Refundings**

Deferred debt refunding gains or losses are amortized over the shorter of the life of the new debt or the remaining life of the old debt using the bonds-outstanding method of amortization. The bonds-outstanding method of amortization most closely approximates the effective-interest method. Loss on Debt Refundings is shown as a Deferred Outflow of Resources on the Statement of Net Position.

**O. Deferred Loan Origination Fees**

Loan origination fees related to points are deferred and recognized as an adjustment to interest revenue over the life of the loan. Deferred loan origination fees are amortized using the interest method and are shown as a Deferred Inflow of Resources on the Statement of Net Position.



**P. Restricted Assets**

The use of all cash, cash equivalents, and investments of the Enterprise Fund are generally restricted as to purpose and use by the Bond Declarations and Indentures of Trust. The bond program funds are restricted for acquisition of loans, payment of debt service, and payment of operating costs. Individual reserve accounts have been established to meet certain requirements and the balances of these accounts as of June 30, 2018 were sufficient to meet all legal requirements. When both restricted and unrestricted resources are available to use, it is OHCS D's policy to use restricted resources before using unrestricted resources.

**Q. Operating Revenues and Expenses**

Operating revenues include interest and fees on program loans as well as earnings on cash and investments related to OHCS D's loan programs. Since the principal activity of OHCS D's Enterprise Funds is lending, investment income is reported as operating revenue. Administrative expenses, depreciation and amortization of capital assets, and bond program related expenses are considered operating expenses. Nonoperating revenues and expenses include any gain or loss on the disposition of capital assets and pension-related debt interest payments.

**R. Change in Accounting Principal**

GASB Statement No. 75 changed how other postemployment benefits are accounted for. A net adjustment to beginning Net Position of \$(78,707) appears on the Statement of Revenues, Expenses, and Changes in Fund Net Position. The adjustment consists of the June 30, 2017 balances of \$(63,064) for Net Other Postemployment Benefits Liability, \$(130,944) for Total Other Postemployment Benefits Liability, \$27,856 for Deferred Outflows – Contributions Subsequent to Measurement Date, and \$87,445 for Net OPEB Obligation.

**NOTE 2. Cash and Cash Equivalents, Investments, and Securities Lending**

**Deposits**

On June 30, 2018, the book balance of cash and cash equivalents was \$77,760,824 and the bank balance was \$78,269,582. Monies held in demand accounts with the State Treasurer and amounts invested in the Oregon Short-Term Fund totaled \$52,173,639. Additional information about the Oregon Short-Term Fund can be found at [www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-%28OSTF%29.aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-%28OSTF%29.aspx).

A total of \$2,739,678 is held in money market deposit accounts by OHCS D's Bond Trustee as agent. These deposits are insured by FDIC up to \$250,000. Anything above \$250,000 is uninsured and uncollateralized. The uninsured and uncollateralized deposits are subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned.

OHCS D does not have a deposit policy.

**Investments**

OHCS D's Bond Indentures of Trust and investment policy authorize OHCS D to invest in the following types of investments: insured or registered securities explicitly or implicitly guaranteed by the U.S. Government; variable rate demand obligations of state agencies and Housing Finance Authorities outside of Oregon; and, investment agreements, collateralized or uncollateralized, with institutions that are rated by nationally recognized rating agencies and rated at least equal to the initial rating on the bonds.

Investments with OHCS D's Trustee consisted of \$23,028,594 in U.S. Treasury securities, \$207,554,230 in U.S. Agency securities, \$12,570,000 in municipal bonds, and \$23,356,265 in money market mutual funds. The investments are held by OHCS D's Bond Trustee in OHCS D's name.

Notes to the Financial Statements (Continued)  
June 30, 2018

Investments with the State Treasurer consisted of \$1,063,787 in U.S. Treasury Securities and \$521,962 in U.S. Agency securities. OHCS D's investments with the State Treasurer are held with the State Treasurer's agent in the name of the State of Oregon and segregated in the Treasurer's records in OHCS D's name.

Fair value is categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of an investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. OHCS D's money market mutual funds are Level 1 and all other investments are Level 2.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. OHCS D's investment policy specifies that, in order to mitigate interest rate risk, the investment portfolio shall be structured so that securities mature to meet cash requirements, limiting the need to sell securities on the open market before maturity. As of June 30, 2018, OHCS D had the following investments and maturities:

Investment Type	Credit Rating		Fair Value	Investment Maturities (in Years)			
	Moody's	Standard & Poor's		Less than 1	1-5	6-10	More than 10
U.S. Treasury Securities	Exempt from Disclosure		\$ 24,092,381	\$ 21,655,871	\$ 1,372,723	\$ -	\$ 1,063,787
U.S. Agency Securities	Aaa	AA+	40,920,761	991,700	7,395,604	10,104,024	22,429,433
U.S. Agency Securities	Not Rated *	Not Rated *	167,155,431	167,155,431	-	-	-
Municipal Bonds	Aaa/VMIG1	AA+/A-1	5,245,000	-	-	-	5,245,000
Municipal Bonds	Aa2/VMIG1	AA+/A-1+	7,325,000	-	-	-	7,325,000
Investment Derivative Instruments	Not Rated *	Not Rated *	(230,239)	-	-	-	(230,239)
Subtotal			244,508,334	\$ 189,803,002	\$ 8,768,327	\$ 10,104,024	\$ 35,832,981
Money Market Mutual Funds **	Aaa-mf	AAAm	23,356,265				
Total			\$ 267,864,599				

\* Also not rated by Fitch Ratings

\*\* Included in Cash and Cash Equivalents - Restricted on the Statement of Net Position

OHCS D has one investment derivative instruments. It is a pay-fixed, receive-variable interest rate swap with a total notional amount of \$23,550,000. At June 30, 2018 this interest rate swap had a total fair value of \$(230,239). Additional information about this swap can be found in Note 10.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to OHCS D's investment policy, to mitigate credit risk, funds shall be invested in U.S. Treasury securities, securities backed by the U.S. Government, or variable rate demand obligations of state agencies and Housing Finance Authorities outside of Oregon.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. On June 30, 2018, 62.0% of OHCS D's total investments are Federal Home Loan Bank securities and 5.6% are Federal National Mortgage Association (Fannie Mae) securities.

### Securities Lending

In accordance with State of Oregon investment policies, state agencies may participate in securities lending. OHCS D is involved in securities lending only with cash balances invested in the Oregon Short-Term Fund (OSTF).

Notes to the Financial Statements (Continued)  
June 30, 2018

As of June 30, 2018, amounts allocated to OHCSF's Enterprise Funds are as follows:

	<u>Fair Value</u>
Securities on loan	\$ 5,434,080
Securities lending cash and noncash collateral	\$ 5,546,483
Investments purchased with cash collateral	\$ 1,191,806

Securities on loan from the OSTF included U.S. Treasury securities (71.35%), U.S. Agency securities (15.32%), and domestic fixed income securities (13.33%). Additional information about the Oregon Short-Term Fund and securities lending can be found in the Oregon Short-Term Fund financial statements at [www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-%28OSTF%29.aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-%28OSTF%29.aspx).

**NOTE 3. Loans Receivable**

Loans receivable on June 30, 2018 consisted of:

	<u>Loans Receivable</u>
Elderly and Disabled Housing Fund	\$ 81,163,905
Housing Finance Fund:	
Single-Family Mortgage Program	
Mortgage Revenue Bonds	588,518,843
Housing Revenue Bonds	75,052,905
Multifamily Housing Revenue Bonds	88,933,386
Housing Finance Account	538,120
Total Housing Finance Fund	753,043,254
Total	<u>\$ 834,207,159</u>

The Elderly and Disabled Housing Program provides interim and permanent mortgage financing for the construction, acquisition, or rehabilitation of structures or facilities which serve elderly or disabled persons and their families.

Mortgage Revenue Bonds and Housing Revenue Bonds provide financing for single-family homes for at or below median income home buyers. These loans are collateralized by first lien mortgages on the applicable real estate. Of the total mortgage principal balance outstanding on June 30, 2018, 57.1% is federally insured or guaranteed, 3.2% is covered by pool insurance and/or private mortgage insurance and 39.7% is uninsured. Based on prior experience, OHCSF does not anticipate any material loss in the collection of mortgage loans receivable or in the disposition of acquired properties.

Multifamily Housing Revenue Bonds provide interim and permanent mortgage financing for the construction, acquisition, or rehabilitation of multi-family housing developments within the State that primarily contain housing units for persons or families of lower and moderate income.

Loans in the Housing Finance Account provide financing for the construction, acquisition and/or rehabilitation of affordable housing.

Notes to the Financial Statements (Continued)  
June 30, 2018

**NOTE 4. Capital Assets**

A summary of OHCS D's capital assets at June 30, 2018 is presented in the table below. OHCS D has no outstanding debt related to capital assets.

	Elderly and Disabled Housing Fund				Housing Finance Fund			
	Beginning Balance	Increases	Decreases	Ending Balance	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:								
Equipment	\$ 1,604	\$ -	\$ 110	\$ 1,494	\$ 3,594	\$ 311	\$ -	\$ 3,905
Data Processing Software	35,125	-	-	35,125	195,264	-	-	195,264
Total Capital Assets	36,729	-	110	36,619	198,858	311	-	199,169
Less Accumulated Depreciation/Amortization:								
Equipment	-	(149)	-	(149)	-	(392)	-	(392)
Data Processing Software	(28,411)	(876)	-	(29,287)	(147,251)	(7,035)	-	(154,286)
Total Accumulated Depr/Amort	(28,411)	(1,025)	-	(29,436)	(147,251)	(7,427)	-	(154,678)
Capital Assets, Net	<u>\$ 8,318</u>	<u>\$ (1,025)</u>	<u>\$ 110</u>	<u>\$ 7,183</u>	<u>\$ 51,607</u>	<u>\$ (7,116)</u>	<u>\$ -</u>	<u>\$ 44,491</u>

**NOTE 5. Interfund Balances**

The following schedule summarizes interfund receivables and payables for the year ended June 30, 2018:

	Interfund Receivable	Interfund Payable
Elderly and Disabled Housing Fund	\$ -	\$ 80,220
Housing Finance Fund	80,220	-
Total	<u>\$ 80,220</u>	<u>\$ 80,220</u>

Balances between funds are the result of timing differences related to the reallocation of expenses.

**NOTE 6. Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bond Principal	\$ 856,815,000	\$ 274,030,000	\$ 203,460,000	\$ 927,385,000	\$ 35,250,000
Bond Discount	(42,617)	-	(15,484)	(27,133)	-
Bond Premium	12,277,931	6,175,735	2,328,175	16,125,491	-
Bonds Payable	869,050,314	280,205,735	205,772,691	943,483,358	-
Compensated Absences Payable	271,186	73,306	-	344,492	223,920
Swap Fair Value Liability	1,864,021	-	1,726,293	137,728	-
Pension-related Debt Payable	531,182	-	30,150	501,032	30,100
Net Pension Liability	4,116,951	461,940	1,303,217	3,275,674	-
Net OPEB Liability	63,064	1,389	23,014	41,439	-
Total OPEB Liability	130,944	2,900	9,251	124,593	-
Total Long Term Liabilities	<u>\$ 876,027,662</u>	<u>\$ 280,745,270</u>	<u>\$ 208,864,616</u>	<u>\$ 947,908,316</u>	<u>\$ 35,504,020</u>

Notes to the Financial Statements (Continued)  
June 30, 2018

The beginning balances for Net OPEB Liability and Total OPEB Liability shown in the preceding table are the balances after the accounting change for GASB Statement No. 75. Both had a beginning balance of zero before the accounting change. The beginning balance for Net OPEB Obligation, which was \$87,445 before the accounting change for GASB Statement No. 75, is zero after the accounting change. Net OPEB Obligation is not shown in the preceding table because it does not have a beginning balance after the accounting change and has no increases or decreases.

**NOTE 7. Long-Term Debt**

The following table summarizes outstanding bonds by program and series as of June 30, 2018:

**General Obligation Bonds**

**Elderly and Disabled Housing Fund**

Original Issue					Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range		Amount	Beginning Balance	Increases	Decreases	Ending Balance	
1993 C	1994-2026	2.850	5.650%	\$ 13,915,000	\$ 2,545,000	\$ -	\$ 580,000	\$ 1,965,000	\$ -
1994 B	1996-2026	4.200	6.300%	24,400,000	45,000	-	-	45,000	15,000
1995 A	1996-2026	4.000	6.000%	14,100,000	2,030,000	-	1,020,000	1,010,000	-
1995 B	1997-2027	4.000	5.700%	24,240,000	6,535,000	-	835,000	5,700,000	445,000
1997 A	1999-2028	4.050	5.375%	8,475,000	1,520,000	-	1,515,000	5,000	-
1998 B	2001-2030	3.550	4.875%	10,285,000	840,000	-	835,000	5,000	-
1999 A	2000-2030	3.250	5.150%	10,840,000	60,000	-	60,000	-	-
1999 B	2000-2031	3.350	5.250%	4,485,000	65,000	-	60,000	5,000	-
1999 E	2001-2031	5.000	6.250%	19,105,000	20,000	-	-	20,000	-
2001 C	2002-2032	2.700	5.300%	25,325,000	300,000	-	200,000	100,000	-
2002 A	2003-2022	1.400	4.650%	10,840,000	3,970,000	-	985,000	2,985,000	1,150,000
2002 B	2003-2024	1.400	4.700%	37,905,000	265,000	-	50,000	215,000	-
2002 C	2003-2043	1.600	5.050%	13,595,000	4,065,000	-	510,000	3,555,000	-
2003 C	2013-2034	4.350	5.100%	2,930,000	1,695,000	-	165,000	1,530,000	-
2007 A	2008-2048	3.650	4.750%	26,300,000	20,755,000	-	980,000	19,775,000	-
<i>Total General Obligation Bonds</i>					\$ 44,710,000	\$ -	\$ 7,795,000	\$ 36,915,000	\$ 1,610,000

Notes to the Financial Statements (Continued)  
June 30, 2018

**Revenue Bonds**

**Mortgage Revenue Bonds**

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2006 G	2028	****	\$ 16,105,000	\$ 16,105,000	\$ -	\$ 16,105,000	\$ -	\$ -
2008 C	2038	****	35,000,000	24,785,000	-	24,785,000	-	-
2008 F	2039	****	35,000,000	25,510,000	-	25,510,000	-	-
2008 I	2037	****	34,650,000	27,460,000	-	27,460,000	-	-
2010 A	2011-2030	0.350 4.375%	35,900,000	6,030,000	-	2,050,000	3,980,000	1,200,000
2010 B	2011-2030	1.000 5.000%	52,540,000	8,465,000	-	2,330,000	6,135,000	-
2010 C	2042	4.750 4.750%	8,000,000	1,740,000	-	420,000	1,320,000	305,000
2013 A	2020-2043	2.200 4.050%	21,885,000	18,130,000	-	890,000	17,240,000	405,000
2013 B	2014-2034	0.450 5.000%	29,095,000	12,975,000	-	2,750,000	10,225,000	1,755,000
2013 C	2014-2033	0.350 3.564%	61,300,000	27,175,000	-	5,495,000	21,680,000	2,360,000
2013 D	2018-2043	1.650 4.200%	33,225,000	23,965,000	-	2,955,000	21,010,000	910,000
2013 E	2014-2018	0.230 2.100%	6,360,000	1,105,000	-	640,000	465,000	465,000
2013 F	2033	3.900 3.900%	8,335,000	6,910,000	-	420,000	6,490,000	45,000
2014 A	2019-2044	1.550 4.000%	57,710,000	48,865,000	-	3,220,000	45,645,000	350,000
2014 B	2015-2044	0.300 4.000%	29,960,000	14,840,000	-	3,620,000	11,220,000	2,665,000
2014 C	2015-2044	0.200 3.750%	30,900,000	27,215,000	-	1,875,000	25,340,000	1,275,000
2015 A	2019-2036	1.500 3.500%	79,195,000	66,625,000	-	6,920,000	59,705,000	1,420,000
2015 B	2017-2019	0.950 1.700%	8,645,000	4,360,000	-	1,610,000	2,750,000	2,615,000
2015 C	2045	****	33,600,000	33,600,000	-	-	33,600,000	-
2016 A	2017-2047	0.550 4.000%	56,275,000	50,280,000	-	4,770,000	45,510,000	2,200,000
2016 B	2033	****	13,140,000	13,140,000	-	-	13,140,000	-
2016 C	2037	****	15,000,000	15,000,000	-	-	15,000,000	-
2017 A	2018-2047	0.940 4.000%	81,510,000	81,510,000	-	10,705,000	70,805,000	2,010,000
2017 B	2019-2020	1.400 1.650%	5,050,000	5,050,000	-	755,000	4,295,000	1,475,000
2017 C	2039	****	44,000,000	44,000,000	-	-	44,000,000	-
2017 D	2022-2048	1.400 3.500%	87,390,000	-	87,390,000	980,000	86,410,000	1,025,000
2017 E	2018-2040	0.950 3.500%	22,775,000	-	22,775,000	935,000	21,840,000	1,840,000
2017 F	2042-2048	3.650 3.750%	11,440,000	-	11,440,000	400,000	11,040,000	345,000
2017 G	2018-2040	1.400 4.000%	43,730,000	-	43,730,000	1,915,000	41,815,000	2,395,000
2017 H	2023-2028	2.100 2.800%	16,105,000	-	16,105,000	-	16,105,000	-
2018 A	2019-2049	1.750 4.500%	62,590,000	-	62,590,000	-	62,590,000	-
2018 B	2043	****	30,000,000	-	30,000,000	-	30,000,000	-
<i>Total Mortgage Revenue Bonds</i>				\$ 604,840,000	\$ 274,030,000	\$ 149,515,000	\$ 729,355,000	\$ 27,060,000

\*\*\*\* Interest rates are adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 1.490% for 2016 B and 2018 B; 1.570% for 2016 C; and 1.600% for 2015 C and 2017 C.

**Housing Revenue Bonds**

Original Issue				Bonds Outstanding				Due Within One Year
Series	Due Dates	Interest Range	Amount	Beginning Balance	Increases	Decreases	Ending Balance	
2009 A-1	2041	0.830 3.280%	18,000,000	\$ 8,960,000	\$ -	\$ 1,530,000	\$ 7,430,000	\$ 100,000
2009 A-2	2041	0.770 3.700%	36,000,000	18,650,000	-	2,250,000	16,400,000	190,000
2009 A-3	2041	0.760 2.920%	27,000,000	14,650,000	-	2,160,000	12,490,000	450,000
2009 A-4	2041	0.800 3.090%	20,540,000	14,360,000	-	2,220,000	12,140,000	360,000
2009 A-5	2041	0.760 2.790%	18,460,000	13,230,000	-	2,060,000	11,170,000	350,000
2010 A	2011-2027	0.400 5.250%	12,000,000	3,970,000	-	825,000	3,145,000	425,000
2011 A	2012-2028	0.500 5.250%	24,000,000	9,640,000	-	1,740,000	7,900,000	725,000
2011 B	2012-2028	0.500 5.250%	18,000,000	7,630,000	-	1,440,000	6,190,000	695,000
2012 A	2013-2042	0.350 5.000%	9,460,000	4,425,000	-	845,000	3,580,000	490,000
2012 B	2013-2042	0.300 5.000%	6,540,000	3,005,000	-	865,000	2,140,000	500,000
<i>Total Housing Revenue Bonds</i>				\$ 98,520,000	\$ -	\$ 15,935,000	\$ 82,585,000	\$ 4,285,000

Notes to the Financial Statements (Continued)  
June 30, 2018

**Multifamily Housing Revenue Bonds**

Original Issue					Bonds Outstanding					Due Within One Year
Series	Due Dates	Interest Range		Amount	Beginning Balance	Increases		Decreases	Ending Balance	
2003 A	2013-2044	4.400	5.150%	\$ 5,675,000	\$ 4,605,000	\$ -	\$ 85,000	\$ 4,520,000	\$ 90,000	
2004 A	2014-2045	4.300	5.100%	5,120,000	4,170,000	-	75,000	4,095,000	80,000	
2004 B	2046	***		14,950,000	13,085,000	-	235,000	12,850,000	240,000	
2005 A	2007-2047	3.050	5.000%	9,855,000	7,875,000	-	4,320,000	3,555,000	55,000	
2006 A	2036	4.620	4.620%	5,680,000	3,620,000	-	195,000	3,425,000	210,000	
2010 A	2011-2042	0.900	5.150%	77,705,000	34,660,000	-	9,570,000	25,090,000	995,000	
2010 B	2013-2052	0.950	4.875%	16,425,000	8,980,000	-	120,000	8,860,000	125,000	
2012 A	2013-2032	0.300	3.250%	1,425,000	1,185,000	-	60,000	1,125,000	65,000	
2012 B	2013-2043	0.550	4.125%	35,335,000	30,565,000	-	15,555,000	15,010,000	435,000	
Total Multifamily Housing Revenue Bonds					\$ 108,745,000	\$ -	\$ 30,215,000	\$ 78,530,000	\$ 2,295,000	

\*\*\* The interest rate is adjusted weekly based on the weekly rate determined by the Remarketing Agent, not to exceed 12.00%. The interest rate at the end of the fiscal year was 1.580%.

<i>Total Revenue Bonds</i>	\$ 812,105,000	\$ 274,030,000	\$ 195,665,000	\$ 890,470,000	\$ 33,640,000
Total General Obligation and Revenue Bonds	<u>\$ 856,815,000</u>	<u>\$ 274,030,000</u>	<u>\$ 203,460,000</u>	<u>\$ 927,385,000</u>	<u>\$ 35,250,000</u>

**Bonds Payable:**

Bonds payable are presented on the Statement of Net Position at their carrying value. The carrying value is the outstanding bond principal plus unamortized bond premium less unamortized bond discount. Bonds payable balances on June 30, 2018 are summarized below:

	Principal: (per preceding schedule)	Plus: Premium	Less: Discount	Bonds Payable
General Obligation Bonds:				
Elderly and Disabled Housing Fund	\$ 36,915,000	\$ -	\$ (9,603)	\$ 36,905,397
Revenue Bonds (Housing Finance Fund):				
Mortgage Revenue Bonds	729,355,000	15,276,590	-	744,631,590
Housing Revenue Bonds	82,585,000	848,901	-	83,433,901
Multifamily Housing Revenue Bonds	78,530,000	-	(17,530)	78,512,470
Total Revenue Bonds	890,470,000	16,125,491	(17,530)	906,577,961
Total General Obligation and Revenue Bonds	<u>\$ 927,385,000</u>	<u>\$ 16,125,491</u>	<u>\$ (27,133)</u>	<u>\$ 943,483,358</u>

Notes to the Financial Statements (Continued)  
June 30, 2018

**Debt Service Requirements to Maturity:**

The following table summarizes the amounts necessary to pay all future bonded debt principal and interest requirements as of June 30, 2018 for each fiscal year during the next five year period ending June 30, 2023, and in five year increments thereafter.

Year Ending June 30	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,610,000	\$ 1,773,063	\$ 3,383,063	\$ 33,640,000	\$ 25,946,742	\$ 59,586,742
2020	2,445,000	1,685,055	4,130,055	26,730,000	26,538,402	53,268,402
2021	2,195,000	1,571,034	3,766,034	29,595,000	25,921,831	55,516,831
2022	2,360,000	1,458,554	3,818,554	29,100,000	25,221,193	54,321,193
2023	2,425,000	1,337,897	3,762,897	31,155,000	24,474,993	55,629,993
2024-2028	9,515,000	5,130,330	14,645,330	159,920,000	108,408,825	268,328,825
2029-2033	5,665,000	3,285,835	8,950,835	172,000,000	82,546,501	254,546,501
2034-2038	6,525,000	1,850,340	8,375,340	171,080,000	55,055,918	226,135,918
2039-2043	3,165,000	516,386	3,681,386	137,035,000	30,241,345	167,276,345
2044-2048	1,010,000	130,129	1,140,129	92,175,000	10,323,522	102,498,522
2049-2053	-	-	-	8,040,000	436,578	8,476,578
Total	\$ 36,915,000	\$ 18,738,623	\$ 55,653,623	\$ 890,470,000	\$ 415,115,850	\$ 1,305,585,850

The interest stated above includes coupon interest OHCS D expects to pay over the life of the bonds outstanding. Coupon interest for revenue bonds is paid semiannually on January 1 and July 1. Coupon interest for general obligation bonds is paid February 1 and August 1.

As of June 30, 2018, various statutory or constitutional provisions limited the amount of bonds outstanding to \$2,500,000,000 in revenue bonds and \$3,104,548,584 in general obligation bonds.

**NOTE 8. Demand Bonds**

Included in OHCS D's long-term debt is \$148,590,000 in variable rate demand bonds. OHCS D's variable rate demand bonds are remarketed weekly by a remarketing agent. Bondholders may elect to tender their bonds by providing written notice to the remarketing agent as specified in the Official Statement for the series. On the date that bonds are tendered, the remarketing agent will use its best effort to sell the bonds or may purchase the bonds for its own account.

OHCS D has entered into standby bond purchase agreements to provide liquidity in the event that the remarketing agent is unable to sell the tendered bonds and does not choose to buy the bonds for its own account. The standby bond purchase agreement requires the liquidity provider to provide funds for the purchase of the tendered bonds. On the purchase date the bonds become known as liquidity provider bonds or bank bonds and bear interest at the bank rate in accordance with the standby bond purchase agreement. The maximum rate is 12%. The bonds remain bank bonds until they are sold by the remarketing agent or the remarketing agent purchases them for its own account. If the bonds are not remarketed or purchased by the remarketing agent for its own account, mandatory redemption in ten equal installments are to be paid on the first business day of January and July, commencing on the first such date to occur after the bonds become liquidity provider bonds (State Street Bank and Trust Company) or at least ninety days after the related purchase date (Bank of America, N.A.). There were no bank bonds on June 30, 2018.



Notes to the Financial Statements (Continued)  
June 30, 2018

Certain terms of the standby purchase agreements and remarketing agreements are listed in the following table:

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
MF <sup>@</sup> 2004 B	\$ 12,850,000	Bank of America, N.A.	08/18/2020	0.5000%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.08%
MRB <sup>*</sup> 2015 C	33,600,000	State Street Bank and Trust Company	09/01/2020	0.5500%	J.P. Morgan Securities LLC	0.07%
MRB 2016 B	13,140,000	State Street Bank and Trust Company	09/01/2020	0.5500%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.07%
MRB 2016 C	15,000,000	State Street Bank and Trust Company	09/01/2020	0.5500%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.07%
MRB 2017 C	44,000,000	State Street Bank and Trust Company	09/01/2020	0.4500%	J.P. Morgan Securities LLC	0.07%
MRB 2018 B	30,000,000	State Street Bank and Trust Company	06/05/2021	0.3800%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.07%

<sup>@</sup> Multifamily Housing Revenue Bonds

<sup>\*</sup> Mortgage Revenue Bonds

## NOTE 9. Debt Refundings

On October 12, 2017, OHCS D issued \$110,165,000 in 2017 Series D and E Mortgage Revenue Bonds with an average interest rate of 2.3882%. The 2017 Series E proceeds (par of \$22,775,000 and premium of \$734,821) were used to refund 2008 Series F Mortgage Revenue Bonds on November 16, 2017. The refunded bonds had an average interest rate of 3.941%. This current refunding will reduce the total debt service payments over the next 21 years by \$12,895,993 and resulted in an economic gain of \$7,434,843.

On December 28, 2017, OHCS D issued \$71,275,000 in 2017 Series F, G, and H Mortgage Revenue Bonds with an average interest rate of 3.131%. The 2018 Series G and H proceeds (par of \$59,835,000 and premium of \$1,536,387) were used to refund 2006 Series G, 2008 Series C, and 2008 Series I Mortgage Revenue Bonds on February 1, 2018. The refunded bonds had an average interest rate of 3.8641%. This current refunding will reduce the total debt service payments over the next 21 years by \$5,329,292 and resulted in an economic gain of \$3,860,246.

## NOTE 10. Interest Rate Swaps

OHCS D has entered into pay-fixed, receive-variable interest rate swaps to hedge against changes in variable rate interest and to lower borrowing costs compared to fixed-rate bonds. OHCS D had four swaps at the end of the fiscal year.

The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. This methodology is believed to be consistent with accepted practice in the market for interest rate swaps. The fair value is categorized as Level 2 within the fair value hierarchy described in Note 2.

The fair value of the swaps on June 30, 2018 totaled \$1,146,047 and the notional amount totaled \$64,540,000. The fair value of hedging derivatives is \$1,376,286. Hedging derivatives with positive fair values are shown on the Statement of Net Position as Accumulated Increase in Fair Value of Hedging Derivatives. Hedging derivatives with negative fair values are shown on the Statement of Net Position as Accumulated Decrease in Fair Value of Hedging Derivatives. During the fiscal year the fair value of hedging derivatives increased by \$2,340,729.

During the fiscal year the MRB 2008 F and MRB 2008 I swap fair values were reclassified from hedging derivative instruments to investment derivative instruments when the associated bonds were called. A total of \$746,205 was reclassified. The fair value of investment derivatives on June 30, 2018 is \$(230,239) and is included in Investments – Restricted on the Statement of Net Position. A total of \$6,113 from investment derivative instruments is included in investment income.

Notes to the Financial Statements (Continued)  
June 30, 2018

The following table lists the terms, fair values, counterparty, and credit ratings of the outstanding swaps as of June 30, 2018.

Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty	Counterparty Rating ***
<b>Hedging Derivative Instruments</b>								
MF <sup>@</sup> 2004 B	\$ 12,850,000	12/16/2004	3.894%	64% of 1-mo. LIBOR <sup>**</sup> +.27%	\$ (137,728)	7/1/2046	Merrill Lynch Capital Services <sup>@@</sup>	A3 / A- / A+
MRB 2016 B	13,140,000	1/1/2019	1.710%	66.5% of 1-mo. LIBOR +.08%	680,108	1/1/2033	Royal Bank of Canada	Aa3 / AA- / AA
MRB 2016 C	15,000,000	1/1/2019	2.000%	66.5% of 1-mo. LIBOR +.15%	833,906	7/1/2037	Royal Bank of Canada	Aa3 / AA- / AA
	40,990,000				1,376,286			
<b>Investment Derivative Instruments</b>								
MRB 2008 I	23,550,000	8/26/2008	3.723%	64% of 1-mo. LIBOR +.31%	(230,239)	7/1/2037	Bank of America, N.A. @@	Aa3 / A+ / AA-
	23,550,000				(230,239)			
	<u>\$ 64,540,000</u>				<u>\$ 1,146,047</u>			

<sup>@</sup> Multifamily Housing Revenue Bonds

<sup>\*</sup> Mortgage Revenue Bonds

<sup>@@</sup> Termination payments are guaranteed by Merrill Lynch Derivative Products AG (MLDP)

<sup>\*\*</sup> London Interbank Offered Rate

<sup>\*\*\*</sup> Moody's / S&P / Fitch

The MF 2004 B swap has a call option where OHCS D has the right to “call” (cancel) the swap in whole or in part semiannually on or after July 1, 2015. The MRB swaps include options giving OHCS D the right to call the swaps in whole or in part, depending on the exercise date, semiannually on or after January 1, 2016 (2008 I) and July 1, 2023 (2016 B and 2016 C). These options provide flexibility to manage the prepayments of loans and the related bonds.

**Basis Risk** Basis risk is the risk that arises when variable interest rates on a derivative and the associated bond are based on different indexes. All variable interest rates on OHCS D’s tax exempt bonds are determined weekly by a Remarketing Agent. OHCS D is exposed to basis risk when the variable rates received, which are based on the one month LIBOR rate, do not offset the variable rates paid on the bonds. As of June 30, 2018, the one month LIBOR rate was 2.09213%. OHCS D’s variable interest rates as of June 30, 2018 can be found in Note 7.

**Termination Risk** Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. OHCS D or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the swap agreement. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates and OHCS D would then be exposed to interest rate risk. Also, if any of the swaps had a negative value at termination, OHCS D would be liable to the counterparty for a payment equal to the fair value of the swap.

**Rollover Risk** Rollover risk is the risk that occurs when the swap termination date does not extend to the maturity date of the associated debt. OHCS D is not exposed to rollover risk because the swap termination dates match the associated bond maturity dates.

Notes to the Financial Statements (Continued)  
June 30, 2018

*Hedging Derivative Instrument Payments and Hedged Debt* Using rates as of June 30, 2018, debt service requirements of variable-rate debt with interest rate swaps and net swap payments are as follows:

Year Ending June 30	Variable-Rate Bonds		Net Swap	Total
	Principal	Interest	Payments	
2019	\$ 240,000	\$ 599,899	\$ 303,031	\$ 1,142,930
2020	255,000	629,529	378,203	1,262,732
2021	265,000	625,462	370,646	1,261,108
2022	275,000	621,233	366,324	1,262,557
2023	290,000	616,808	359,990	1,266,798
2024-2028	1,615,000	3,011,636	1,694,584	6,321,220
2029-2033	16,550,000	2,404,205	1,424,747	20,378,952
2034-2038	16,010,000	1,037,467	915,022	17,962,489
2039-2043	2,995,000	330,999	474,051	3,800,050
2044-2048	2,495,000	80,416	115,298	2,690,714
Total	<u>\$ 40,990,000</u>	<u>\$ 9,957,654</u>	<u>\$ 6,401,896</u>	<u>\$ 57,349,550</u>

*Contingencies* OHCS D's swaps, except for the MF 2004 B swap, include provisions that require collateral to be posted if the rating on the senior bonds issued under the 1988 indenture (Mortgage Revenue Bonds) is not above either Baa1 (Moody's) or BBB+ (Standard and Poor's). If the bonds are at or below these levels, collateral in the amount of the current swap fair value (rounded to the nearest \$10,000) is required to be posted. The minimum transfer amount is \$100,000 or \$0 if neither rating agency rates the bonds. The total fair value on June 30, 2018 of swaps that include these provisions is \$1,283,775. At June 30, 2018 the bonds subject to these provisions are rated Aa2 by Moody's and are not rated by Standard & Poor's.

**NOTE 11. Conduit Debt Obligations**

Bonds issued under the Housing Development Revenue Bond program are limited obligations of OHCS D payable only out of the trust estate specifically pledged to each bond issue. As of June 30, 2018, the total aggregate amount of Housing Development Revenue Bonds outstanding is \$280,014,982. No recourse may be taken against any properties, funds, or assets of OHCS D for the payment of any amounts owing with respect to these bonds. Bond owners will have no right to compel the payment of any amount owing with respect to these bonds out of any tax revenues, funds, or other assets of OHCS D or the State of Oregon, other than the security pledged to each bond issue.

Notes to the Financial Statements (Continued)  
June 30, 2018

**NOTE 12. Segment Information**

OHCS D issues revenue bonds to finance mortgage loans. Summary financial information for OHCS D's revenue bonds is presented below:

	Mortgage Revenue Bonds	Housing Revenue Bonds	Multifamily Housing Revenue Bonds
<b>Condensed Statement of Net Position</b>			
Assets:			
Other Current Assets	\$ 90,030,106	\$ 10,541,097	\$ 15,767,482
Noncurrent Assets	755,357,396	79,262,109	96,738,607
Total Assets	845,387,502	89,803,206	112,506,089
Deferred Outflows of Resources	1,573,533	-	479,567
Liabilities:			
Interfund Payables	2,529	-	-
Other Current Liabilities	37,275,229	5,855,007	4,040,405
Noncurrent Liabilities	717,571,590	79,148,901	76,355,198
Total Liabilities	754,849,348	85,003,908	80,395,603
Deferred Inflows of Resources	3,894,968	296,712	983,764
Net Position			
Restricted by Trust Indentures	88,216,719	4,502,586	31,606,289
Total Net Position	\$ 88,216,719	\$ 4,502,586	\$ 31,606,289
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>			
Interest on Loans	\$ 22,743,023	\$ 3,645,424	\$ 5,914,434
Investment Income	2,597,121	164,806	303,943
Other Operating Revenues	202,698	-	23,269
Operating Expenses	(25,616,116)	(3,317,856)	(4,645,626)
Operating Income (Loss)	(73,274)	492,374	1,596,020
Transfers In	5,145,901	-	281,458
Transfers Out	(4,300,000)	-	(750,000)
Increase (Decrease) in Net Position	772,627	492,374	1,127,478
Beginning Net Position	87,444,092	4,010,212	30,478,811
Ending Net Position	\$ 88,216,719	\$ 4,502,586	\$ 31,606,289
<b>Condensed Statement of Cash Flows</b>			
Net Cash Provided (Used) by:			
Operating Activities	\$ (66,423,587)	\$ 18,583,249	\$ 33,525,362
Noncapital Financing Activities	112,820,916	(19,418,454)	(35,389,693)
Investing Activities	(44,738,825)	1,159,808	1,885,718
Net Increase (Decrease)	1,658,504	324,603	21,387
Beginning Cash and Cash Equivalents	27,856,699	2,085,190	843,152
Ending Cash and Cash Equivalents	\$ 29,515,203	\$ 2,409,793	\$ 864,539

Notes to the Financial Statements (Continued)  
June 30, 2018

**NOTE 13. Restricted Assets**

Restricted asset account balances are as follows:

<u>Purpose:</u>	Elderly and Disabled Housing Fund	Housing Finance Fund
Loan Acquisition	\$ -	\$ 128,113,445
Current Debt Service	3,383,063	60,381,487
Future Debt Service	24,859,095	28,226,261
Debt Reserves	5,409,191	27,504,757
Insurance Reserves	-	14,978,708
Combined Program Account	-	18,242,270
Residential Assistance	-	1,782,260
Total	<u>\$ 33,651,349</u>	<u>\$ 279,229,188</u>
<u>Statement of Net Position Amounts:</u>		
Restricted Cash and Cash Equivalents – Current	\$ 3,383,063	\$ 3,233,358
Restricted Cash and Cash Equivalents – Noncurrent	28,682,537	33,073,245
Restricted Investments – Current	-	57,390,771
Restricted Investments - Noncurrent	1,585,749	185,531,814
Total	<u>\$ 33,651,349</u>	<u>\$ 279,229,188</u>

**NOTE 14. Employee Retirement Plans**

The Oregon Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans for OHCS D employees. PERS is administered by the Public Employees Retirement Board (Board), as required by Chapters 238 and 238A of the Oregon Revised Statutes (ORS). PERS is a cost-sharing multiple-employer defined benefit pension plan. The Tier One/Tier Two Retirement Benefit Plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. The Individual Account Program (IAP) is a defined contribution plan. Beginning January 1, 2004, all member contributions are deposited into the member's IAP account. The pension plans provide pension benefits, death benefits and disability benefits.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The rates in effect for the fiscal year ended June 30, 2018 were 16.85% for Tier One and Tier Two General Service Members, 9.97% for OPSRP Pension Program General Service Members.

The Oregon Public Employees Retirement System annual financial report and Actuarial Valuation is located at [www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx](http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx).

At June 30, 2018, the State of Oregon reported a liability of \$3.727 billion for its proportionate share of the net pension liability. OHCS D's allocated amount of the proportionate share of the net pension liability for its enterprise funds was \$3,275,674. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to June 30, 2017. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the State's proportion was 27.65% (the State's proportion at June 30, 2016 was 27.09%). As part of the State of Oregon, OHCS D's enterprise funds were allocated 0.08882715% of the State's proportionate share.

Notes to the Financial Statements (Continued)  
June 30, 2018

For the year ended June 30, 2018, OHCSO recognized pension expense of \$427,982. At June 30, 2018, OHCSO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between fund contributions and proportionate share of contributions	\$ 100,497	\$ 27,367
Difference between expected and actual experience	158,413	-
Net difference between projected and actual earnings on investments	33,747	-
Change in Assumptions	597,097	-
Subtotal	889,754	27,367
Net Deferred Outflows (Inflows) of Resources before contributions subsequent to measurement date	862,387	
Contributions subsequent to measurement date	293,902	
Net Deferred Outflows (Inflows) of Resources	1,156,289	

**NOTE 15. Other Postemployment Benefit Plans**

OHCSO's employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefits (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) as established by Oregon Revised Statutes (ORS) 238.410 and the Public Employees Benefit Board (PEBB) as established by ORS 243.302. The Oregon Public Employees Retirement System annual financial report is located at [www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx](http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx).

At June 30, 2018, OHCSO reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between fund contributions and proportionate share of contributions	\$ 247	\$ -
Net difference between projected and actual earnings on investments	-	5,754
Change in Assumptions	-	2,717
Subtotal	247	8,471
Net Deferred Outflows (Inflows) of Resources before contributions subsequent to measurement date	(8,224)	
Contributions subsequent to measurement date	26,721	
Net Deferred Outflows (Inflows) of Resources	18,497	

**Retirement Health Insurance Account plan**

The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Public Employees Retirement Board. The plan provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. OHCSO is required by statute to contribute actuarially computed amounts as determined by PERS. The rates in effect for the fiscal year ended June 30, 2018 were 0.50% for Tier One and Tier Two General Service Members and 0.43% for OPSRP Pension Program General Service Members.

At June 30, 2018, the State of Oregon reported an asset of \$13,013,780 for its proportionate share of the net OPEB asset. OHCSO's allocated amount of the proportionate share of the net OPEB asset for its enterprise funds was \$11,451. The net

Notes to the Financial Statements (Continued)  
June 30, 2018

OPEB asset was measured as of June 30, 2017 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015, rolled forward to June 30, 2017. The State's proportion of the net OPEB asset is determined by comparing the State's actual, legally required contributions made during the fiscal year with the total actual contributions made in the fiscal year of all employers. At June 30, 2017, the State's proportion was 31.18% (the State's proportion at June 30, 2016 was 29.76%). As part of the State of Oregon, OHCSO's enterprise funds were allocated 0.08882715% of the State's proportionate share. OHCSO's share of the net OPEB asset for the RHIA plan is shown on the Statement of Net Position as Net Other Postemployment Benefits Asset. For the year ended June 30, 2018, OHCSO recognized OPEB expense for RHIA of \$1,143.

**Retiree Health Insurance Premium Account plan**

The Retiree Health Insurance Premium Account (RHIPA) is a single-employer OPEB plan administered by the Oregon Public Employees Retirement Board (Board). The plan provides for payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the Board, and health insurance premiums paid by active state employees. OHCSO is required by statute to contribute actuarially computed amounts as determined by PERS. The rates in effect for the fiscal year ended June 30, 2018 were 0.49% for Tier One and Tier Two General Service Members and 0.38% for OPSRP Pension Program General Service Members.

At June 30, 2018, the State of Oregon reported a net OPEB liability of \$46,651,269. As part of the State of Oregon, OHCSO's enterprise funds were allocated 0.08882715% of the State's internal allocation, which was based on fiscal year 2017 actual contributions. OHCSO's share of the net OPEB liability for the RHIPA plan on June 30, 2018 for its enterprise funds was \$41,439. It is shown on the Statement of Net Position as Net Other Postemployment Benefits Liability. For the year ended June 30, 2018, OHCSO recognized OPEB income for RHIPA of \$855.

**Public Employees' Benefit Board Plan**

The Public Employees' Benefit Board (PEBB) plan is a single-employer plan administered by the Oregon Public Employees' Benefit Board. The PEBB plan allows qualifying retired employees to continue their "active" health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. The premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy. PEBB does not issue a separate, publicly available financial report.

At June 30, 2018, the State of Oregon reported a total OPEB liability of \$148,562,772. As part of the State of Oregon, OHCSO's enterprise funds were allocated 0.08386577% of the State's total. The State's internal allocation of the total OPEB liability is based on fiscal year 2018 health insurance premium costs. OHCSO's share of the total OPEB liability on June 30, 2018 for its enterprise funds was \$124,593. It is shown on the Statement of Net Position as Total Other Postemployment Benefits Liability. For the year ended June 30, 2018, OHCSO recognized OPEB expense for the PEBB plan of \$2,900.

**NOTE 16. Other Commitments**

As of June 30, 2018, OHCSO has made commitments for loans in the Single-Family Mortgage Program totaling \$66,442,052 and for grants totaling \$973,000.

**NOTE 17. Risk Financing**

Under Oregon Revised Statutes (ORS) Chapter 278 and ORS 30.260-300, the state pays its own cost of resolving tort liability claims. The state Insurance Fund provides self-insurance that pays the state's legal liability for torts and legal defense cost. These services are provided to state agencies by the Department of Administrative Services, Enterprise Goods & Services Risk Management program. As a state agency, OHCSO participates in the Insurance Fund.

For OHCSO, the amount of claim settlements did not exceed insurance coverage for each of the past three fiscal years.

Notes to the Financial Statements (Continued)  
June 30, 2018

**NOTE 18. Subsequent Events**

On July 1, 2018, OHCS D terminated the notional amount of the swap related to the Mortgage Revenue Bond series listed below. The termination was made pursuant to an optional par termination provisions included in the swap agreement.

	<u>Notional Amount</u>
2008 Series I	\$ 1,600,000

On July 1, 2018, OHCS D called the following Housing Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2009 Series A-1	\$ 100,000
2009 Series A-2	190,000
2009 Series A-3	450,000
2009 Series A-4	360,000
2009 Series A-5	350,000
2010 Series A	35,000
2011 Series A	80,000
2011 Series B	200,000
2012 Series A	95,000
2012 Series B	45,000

On July 1, 2018, OHCS D called the following Mortgage Revenue Bonds prior to maturity:

<u>Amount Called</u>		<u>Amount Called</u>	
2010 Series A	\$ 830,000	2015 Series B	\$ 60,000
2010 Series C	305,000	2016 Series A	280,000
2013 Series A	405,000	2017 Series A	315,000
2013 Series B	105,000	2017 Series B	35,000
2013 Series D	140,000	2017 Series D	1,025,000
2013 Series F	45,000	2017 Series E	180,000
2014 Series A	50,000	2017 Series F	345,000
2014 Series C	585,000	2017 Series G	780,000
2015 Series A	1,420,000		

On July 17, 2018, OHCS D called the following Elderly and Disabled Housing Bonds prior to maturity:

	<u>Amount Called</u>
1994 Series B	\$ 15,000
2002 Series A	735,000

On August 16, 2018, OHCS D called the following Elderly and Disabled Housing Bonds prior to maturity:

	<u>Amount Called</u>
1994 Series B	\$ 25,000
1999 Series E	10,000
2002 Series C	1,755,000



Notes to the Financial Statements (Continued)  
June 30, 2018

On September 6, 2018, OHCSO entered into a swap transaction for MRB 2015 Series C. The notional amount of the swap is \$33,600,000, the effective date is September 6, 2018, and the termination date is July 1, 2045. OHCSO will pay the counterparty (Royal Bank of Canada) a fixed rate of 2.751% and receive a variable payment of 70% of the LIBOR one month rate plus 0.05%.

On September 6, 2018, OHCSO entered into a swap transaction for MRB 2017 Series C. The notional amount of the swap is \$44,000,000, the effective date is July 1, 2019, and the termination date is July 1, 2039. OHCSO will pay the counterparty (Bank of America, N.A.) a fixed rate of 2.407% and receive a variable payment of 70% of the LIBOR one month rate plus 0.05%.

On September 25, 2018, OHCSO issued the following Mortgage Revenue Bonds:

	<u>Amount Issued</u>
2018 Series C	\$ 87,420,000

On October 1, 2018, OHCSO called the following Housing Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2009 Series A-1	\$ 120,000
2009 Series A-2	380,000
2009 Series A-3	480,000
2009 Series A-4	450,000
2009 Series A-5	370,000
2010 Series A	40,000
2011 Series A	165,000
2011 Series B	210,000
2012 Series A	105,000
2012 Series B	40,000

On October 1, 2018, OHCSO called the following Mortgage Revenue Bonds prior to maturity:

	<u>Amount Called</u>		<u>Amount Called</u>
2010 Series B	\$ 695,000	2015 Series A	\$ 2,065,000
2013 Series A	5,000	2016 Series A	1,625,000
2013 Series B	840,000	2017 Series A	2,155,000
2013 Series C	880,000	2017 Series B	55,000
2013 Series D	635,000	2017 Series D	860,000
2014 Series A	625,000	2017 Series E	310,000
2014 Series B	620,000	2017 Series G	850,000
2014 Series C	90,000		

On October 15, 2018, OHCSO called the following Elderly and Disabled Housing Bonds prior to maturity:

	<u>Amount Called</u>
1995 Series A	\$ 1,000,000
2001 Series C	95,000
2002 Series A	380,000
2002 Series B	30,000

Notes to the Financial Statements (Continued)  
June 30, 2018

On October 15, 2018, OHCSD called the following Multifamily Housing Revenue Bonds prior to maturity:

	<u>Amount Called</u>
2010 Series A	\$ 2,800,000

## Supplementary Information

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Statement of Net Position - Housing Finance Fund  
June 30, 2018

	Single-Family Mortgage Program		Multifamily
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds
<b><i>Assets and Deferred Outflows of Resources</i></b>			
<b>Assets</b>			
<b><i>Current Assets</i></b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted	2,578,543	404,777	200,528
Investments - Restricted	44,978,883	6,885,227	5,526,661
Securities Lending Cash Collateral	162,273	43,955	14,052
Accounts Receivable	21,210,703	644,000	7,130,000
Accrued Interest Receivable	2,757,708	321,752	346,797
Interfund Receivable	-	-	-
Due from Governmental Funds	-	-	-
Prepaid Expenses	-	-	-
Loans Receivable	16,694,192	2,047,439	2,549,444
Acquired Property	1,647,804	193,947	-
<b><i>Total Current Assets</i></b>	<b>90,030,106</b>	<b>10,541,097</b>	<b>15,767,482</b>
<b><i>Noncurrent Assets</i></b>			
Cash and Cash Equivalents - Restricted	26,936,660	2,005,016	664,011
Investments - Restricted	155,082,071	4,251,627	9,690,654
Loans Receivable	571,824,651	73,005,466	86,383,942
Swap Fair Value Asset	1,514,014	-	-
Net Other Postemployment Benefits Asset	-	-	-
Capital Assets (Net)	-	-	-
<b><i>Total Noncurrent Assets</i></b>	<b>755,357,396</b>	<b>79,262,109</b>	<b>96,738,607</b>
<b>Total Assets</b>	<b>845,387,502</b>	<b>89,803,206</b>	<b>112,506,089</b>
<b>Deferred Outflows of Resources</b>			
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	137,728
Loss on Debt Refundings	1,573,533	-	341,839
Related to Pensions	-	-	-
Related to Other Postemployment Benefits	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>1,573,533</b>	<b>-</b>	<b>479,567</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 846,961,035</b>	<b>\$ 89,803,206</b>	<b>\$ 112,985,656</b>

Combined Program Account	Housing Finance Account	Total
\$ -	\$ 8,174,843	\$ 8,174,843
-	49,510	3,233,358
-	-	57,390,771
-	210,961	431,241
-	198,009	29,182,712
151,562	50,688	3,628,507
-	82,749	82,749 **
-	24,789	24,789
-	1,140	1,140
-	27,149	21,318,224
-	-	1,841,751
<u>151,562</u>	<u>8,819,838</u>	<u>125,310,085</u>
2,710,305	757,253	33,073,245
15,531,965	975,497	185,531,814
-	510,971	731,725,030
-	-	1,514,014
-	8,533	8,533
-	44,491	44,491
<u>18,242,270</u>	<u>2,296,745</u>	<u>951,897,127</u>
<u>18,393,832</u>	<u>11,116,583</u>	<u>1,077,207,212</u>
-	-	137,728
-	-	1,915,372
-	881,645	881,645
-	20,060	20,060
<u>-</u>	<u>901,705</u>	<u>2,954,805</u>
<u>\$ 18,393,832</u>	<u>\$ 12,018,288</u>	<u>\$1,080,162,017</u>

Continued on the next page

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling \$2,529 are not included in the Statement of Net Position on pages B-14 and B-15.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Statement of Net Position - Housing Finance Fund  
June 30, 2018

Continued from the previous page

	Single-Family Mortgage Program		Multifamily
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 355,718	\$ 34,729	\$ 3,238
Accrued Interest Payable	9,687,538	1,489,751	1,728,115
Obligations Under Securities Lending	162,273	43,955	14,052
Interfund Payable	2,529	-	-
Due to Governmental Funds	-	-	-
Unearned Revenue	9,700	1,572	-
Compensated Absences Payable	-	-	-
Bonds Payable	27,060,000	4,285,000	2,295,000
Pension-related Debt Payable	-	-	-
<b>Total Current Liabilities</b>	<b>37,277,758</b>	<b>5,855,007</b>	<b>4,040,405</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	-	-	-
Bonds Payable	717,571,590	79,148,901	76,217,470
Swap Fair Value Liability	-	-	137,728
Pension-related Debt Payable	-	-	-
Net Pension Liability	-	-	-
Net Other Postemployment Benefits Liability	-	-	-
Total Other Postemployment Benefits Liability	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>717,571,590</b>	<b>79,148,901</b>	<b>76,355,198</b>
<b>Total Liabilities</b>	<b>754,849,348</b>	<b>85,003,908</b>	<b>80,395,603</b>
<b>Deferred Inflows of Resources</b>			
Accumulated Increase in Fair Value of Hedging Derivatives	1,514,014	-	-
Deferred Loan Origination Fees	2,380,954	296,712	983,764
Related to Pensions	-	-	-
Related to Other Postemployment Benefits	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>3,894,968</b>	<b>296,712</b>	<b>983,764</b>
<b>Net Position</b>			
Net Investment in Capital Assets	-	-	-
Restricted for Residential Assistance	-	-	-
Restricted for Other Postemployment Benefits	-	-	-
Restricted by Trust Indentures	88,216,719	4,502,586	31,606,289
Unrestricted	-	-	-
<b>Total Net Position</b>	<b>88,216,719</b>	<b>4,502,586</b>	<b>31,606,289</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 846,961,035</b>	<b>\$ 89,803,206</b>	<b>\$ 112,985,656</b>

Combined Program Account	Housing Finance Account	Total
\$ -	\$ 194,479	\$ 588,164
-	-	12,905,404
-	210,961	431,241
-	-	2,529 **
-	41,875	41,875
-	987,551	998,823
-	188,274	188,274
-	-	33,640,000
-	23,532	23,532
-	1,646,672	48,819,842
-	101,378	101,378
-	-	872,937,961
-	-	137,728
-	368,175	368,175
-	2,447,968	2,447,968
-	31,132	31,132
-	92,495	92,495
-	3,041,148	876,116,837
-	4,687,820	924,936,679
-	-	1,514,014
-	-	3,661,430
-	20,452	20,452
-	6,318	6,318
-	26,770	5,202,214
-	44,491	44,491
-	2,089,298	2,089,298
-	8,533	8,533
18,393,832	-	142,719,426
-	5,161,376	5,161,376
18,393,832	7,303,698	150,023,124
\$ 18,393,832	\$ 12,018,288	\$1,080,162,017

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling \$2,529 are not included in the Statement of Net Position on pages B-14 and B-15.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position -  
Housing Finance Fund  
For the Year Ended June 30, 2018

	Single-Family Mortgage Program		Multifamily
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds
<b>Operating Revenues</b>			
Interest on Loans	\$ 22,743,023	\$ 3,645,424	\$ 5,914,434
Investment Income	2,597,121	164,806	303,943
Administrative Charges and Fees	-	-	-
Low Income Housing Tax Credit Fees	-	-	-
Gain on Sale of Foreclosed Property	146,174	-	-
Miscellaneous Revenue	56,524	-	23,269
<b>Total Operating Revenues</b>	<b>25,542,842</b>	<b>3,810,230</b>	<b>6,241,646</b>
<b>Operating Expenses</b>			
Personal Services	-	-	-
Services and Supplies	709,805	1,799	227,618
Mortgage Service Fees	1,986,888	356,385	15,973
Foreclosure Costs	437,355	1,145	-
Interest Expense - Bonds	18,069,126	3,046,656	4,139,791
Interest Expense - Securities Lending	1,396	5,992	1,338
Other Related Program Expenses	4,411,546	(94,121)	260,906
Depreciation/Amortization	-	-	-
<b>Total Operating Expenses</b>	<b>25,616,116</b>	<b>3,317,856</b>	<b>4,645,626</b>
<b>Operating Income (Loss)</b>	<b>(73,274)</b>	<b>492,374</b>	<b>1,596,020</b>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Expense - Pension-related Debt	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Transfers</b>	<b>(73,274)</b>	<b>492,374</b>	<b>1,596,020</b>
Transfers from Other Funds	5,145,901	-	281,458
Transfers to Other Funds	(4,300,000)	-	(750,000)
Transfers to Other State Agencies	-	-	-
<b>Increase (Decrease) in Net Position</b>	<b>772,627</b>	<b>492,374</b>	<b>1,127,478</b>
<b>Net Position - Beginning</b>	<b>87,444,092</b>	<b>4,010,212</b>	<b>30,478,811</b>
Change in Accounting Principle (GASB 75)	-	-	-
<b>Net Position - Beginning (Restated)</b>	<b>87,444,092</b>	<b>4,010,212</b>	<b>30,478,811</b>
<b>Net Position - Ending</b>	<b>\$ 88,216,719</b>	<b>\$ 4,502,586</b>	<b>\$ 31,606,289</b>



Combined Program Account	Housing Finance Account	Total
\$ -	\$ 10,369	\$ 32,313,250
(76,565)	155,934	3,145,239
-	3,191,886	3,191,886
-	2,924,199	2,924,199
-	-	146,174
-	13,269	93,062
(76,565)	6,295,657	41,813,810
-	3,863,564	3,863,564
-	1,862,959	2,802,181
-	-	2,359,246
-	-	438,500
-	-	25,255,573
-	2,850	11,576
-	54,364	4,632,695
-	7,427	7,427
-	5,791,164	39,370,762
(76,565)	504,493	2,443,048
-	(25,796)	(25,796)
-	(25,796)	(25,796)
(76,565)	478,697	2,417,252
-	5,050,000	10,477,359 **
-	(5,427,359)	(10,477,359) **
-	(136,431)	(136,431)
(76,565)	(35,093)	2,280,821
18,470,397	7,397,351	147,800,863
-	(58,560)	(58,560)
18,470,397	7,338,791	147,742,303
\$ 18,393,832	\$ 7,303,698	\$ 150,023,124

\*\* Transfers within the Housing Finance Fund totaling \$10,477,359 are not included in the Statement of Revenues, Expenses, and Changes in Fund Net Position on page B-16.

**OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT**  
Combining Statement of Cash Flows - Housing Finance Fund  
For the Year Ended June 30, 2018

	Single-Family Mortgage Program		Multifamily
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds
<b>Cash Flows from Operating Activities</b>			
Received from Customers	\$ 780,661	\$ -	\$ -
Program Loan Principal Repayments	72,875,472	15,368,336	28,151,838
Program Loan Interest Received	22,178,920	3,620,235	5,671,283
Program Loans Made	(156,131,888)	-	-
Payments to Employees for Services	-	-	-
Payments to Suppliers for Goods and Services	(2,659,610)	(374,624)	(243,918)
Other Receipts (Payments)	(3,467,142)	(30,698)	(53,841)
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>(66,423,587)</b>	<b>18,583,249</b>	<b>33,525,362</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Bond Sales	280,205,736	-	-
Principal Payments - Bonds	(149,515,000)	(15,935,000)	(30,215,000)
Interest Payments - Bonds	(17,048,251)	(3,483,454)	(4,706,151)
Bond Issuance Costs	(1,763,294)	-	-
Principal Payments - Pension-related Debt	-	-	-
Interest Payments - Pension-related Debt	-	-	-
Transfers from Other Funds	5,241,725	-	281,458
Transfers to Other Funds	(4,300,000)	-	(750,000)
Transfers to Other State Agencies	-	-	-
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	<b>112,820,916</b>	<b>(19,418,454)</b>	<b>(35,389,693)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	-	-	-
<b>Net Cash Provided (Used) in Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	(426,614,121)	(13,483,904)	(45,848,963)
Proceeds from Sales and Maturities of Investments	380,639,961	14,436,033	47,437,977
Interest on Cash and Investments	1,235,335	207,679	296,704
Investment Income on Securities Lending	1,396	5,992	1,338
Interest Paid on Securities Lending	(1,396)	(5,992)	(1,338)
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>(44,738,825)</b>	<b>1,159,808</b>	<b>1,885,718</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,658,504</b>	<b>324,603</b>	<b>21,387</b>
<b>Cash and Cash Equivalents Balance - Beginning</b>	<b>27,856,699</b>	<b>2,085,190</b>	<b>843,152</b>
<b>Cash and Cash Equivalents Balance - Ending</b>	<b>\$ 29,515,203</b>	<b>\$ 2,409,793</b>	<b>\$ 864,539</b>
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Cash and Cash Equivalents - Restricted (Current)	2,578,543	404,777	200,528
Cash and Cash Equivalents - Restricted (Noncurrent)	26,936,660	2,005,016	664,011
<b>Total Cash and Cash Equivalents</b>	<b>\$ 29,515,203</b>	<b>\$ 2,409,793</b>	<b>\$ 864,539</b>

Combined Program Account	Housing Finance Account	Total	
\$ -	\$ 6,184,135	\$ 6,964,796	
-	67,240	116,462,886	
-	4,250	31,474,688	
-	(50,816)	(156,182,704)	
-	(3,795,930)	(3,795,930)	
-	(1,817,871)	(5,096,023)	
-	(107,145)	(3,658,826)	
-	483,863	(13,831,113)	
-	-	280,205,736	
-	-	(195,665,000)	
-	-	(25,237,856)	
-	-	(1,763,294)	
-	(23,571)	(23,571)	
-	(25,796)	(25,796)	
-	5,050,000	10,573,183	**
-	(5,523,183)	(10,573,183)	**
-	(152,531)	(152,531)	
-	(675,081)	57,337,688	
-	6,939	6,939	
-	6,939	6,939	
(12,030,926)	(159,355)	(498,137,269)	
13,151,691	115,000	455,780,662	
662,972	193,319	2,596,009	
-	2,850	11,576	
-	(2,850)	(11,576)	
1,783,737	148,964	(39,760,598)	
1,783,737	(35,315)	3,752,916	
926,568	9,016,921	40,728,530	
\$ 2,710,305	\$ 8,981,606	\$ 44,481,446	
\$ -	\$ 8,174,843	\$ 8,174,843	
-	49,510	3,233,358	
2,710,305	757,253	33,073,245	
\$ 2,710,305	\$ 8,981,606	\$ 44,481,446	

Continued on the next page

\*\* Transfers within the Housing Finance Fund totaling \$10,573,183 are not included in the Statement of Cash Flows on page B-18.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Combining Statement of Cash Flows - Housing Finance Fund  
For the Year Ended June 30, 2018

	Single-Family Mortgage Program		Multifamily
	Mortgage Revenue Bonds	Housing Revenue Bonds	Housing Revenue Bonds
<b>Reconciliation of Operating Income to</b>			
<b>Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ (73,274)	\$ 492,374	\$ 1,596,020
<b>Adjustments to Reconcile Operating Income to</b>			
<b>Net Cash Provided by Operating Activities</b>			
Capital Asset Depreciation/Amortization	-	-	-
Investment Income Reported as Operating Revenue	(2,597,121)	(164,806)	(303,943)
Interest Expense Reported as Operating Expense	18,070,522	3,052,648	4,141,129
Bond Issuance Costs Reported as Operating Expense	1,777,843	-	-
Amortization of Discount/Premium/Loss on Debt			
Refunding - Bond Calls	(1,233,091)	(94,122)	181,234
(Increase)/Decrease in Assets:			
Loan Interest Receivable	(121,087)	61,212	115,583
Accounts Receivable	9,855	-	-
Interfund Receivable	210	-	-
Due from Governmental Funds	-	-	-
Prepaid Expenses	-	-	-
Loans Receivable	(83,926,051)	15,467,457	28,151,838
Acquired Property	1,260,256	(106,050)	-
Net Other Postemployment Benefit Asset	-	-	-
(Increase)/Decrease in Deferred Outflows of Resources:			
Related to Pensions	-	-	-
Related to Other Postemployment Benefits	-	-	-
Increase/(Decrease) in Liabilities:			
Accounts Payable	(31,005)	(45,993)	2,235
Interfund Payable	(743)	-	-
Due to Governmental Funds	-	-	-
Unearned Revenue	(2,990)	(2,992)	-
Compensated Absences Payable	-	-	-
Net Pension Liability	-	-	-
Net Other Postemployment Benefit Liability	-	-	-
Total Other Postemployment Benefit Liability	-	-	-
Increase/(Decrease) in Deferred Inflows of Resources:			
Deferred Loan Origination Fees	443,089	(76,479)	(358,734)
Related to Pensions	-	-	-
Related to Other Postemployment Benefits	-	-	-
<b>Net Cash Provided (Used) in Operating Activities</b>	<u>\$ (66,423,587)</u>	<u>\$ 18,583,249</u>	<u>\$ 33,525,362</u>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Net Change in Fair Value of Investments	\$ 284,183	\$ (49,542)	\$ (19,837)
Foreclosed Property	1,604,184	106,050	-
Loan Modifications	102,454	6,929	-
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<u>\$ 1,990,821</u>	<u>\$ 63,437</u>	<u>\$ (19,837)</u>

Combined Program Account	Housing Finance Account	Total	
\$ (76,565)	\$ 504,493	\$ 2,443,048	
-	7,427	7,427	
76,565	(155,934)	(3,145,239)	
-	2,850	25,267,149	
-	-	1,777,843	
-	-	(1,145,979)	
-	(6,119)	49,589	
-	191,414	201,269	
-	(65,794)	(65,584)	**
-	50,679	50,679	
-	(626)	(626)	
-	16,424	(40,290,332)	
-	-	1,154,206	
-	(8,533)	(8,533)	
-	794,511	794,511	
-	758	758	
-	(95,957)	(170,720)	
-	(2,280)	(3,023)	**
-	21,745	21,745	
-	(125,705)	(131,687)	
-	64,332	64,332	
-	(685,736)	(685,736)	
-	(16,186)	(16,186)	
-	(4,464)	(4,464)	
-	-	7,876	
-	(9,754)	(9,754)	
-	6,318	6,318	
<u>\$ -</u>	<u>\$ 483,863</u>	<u>\$ (13,831,113)</u>	
\$ (710,657)	\$ (40,235)	\$ (536,088)	
-	-	1,710,234	
-	-	109,383	
<u>\$ (710,657)</u>	<u>\$ (40,235)</u>	<u>\$ 1,283,529</u>	

\*\* Interfund Receivables and Payables within the Housing Finance Fund totaling an increase of \$953 are not included in the Statement of Cash Flows on page B-19.

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## Statistical Section

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflow of Resources, and Net Position Enterprise Funds Last Ten Fiscal Years

	2018	2017	2016	2015
<b>Assets</b>				
Cash and Cash Equivalents	\$ 9,388,621	\$ 9,915,911	\$ 8,730,328	\$ 10,077,977
Cash and Cash Equivalents - Restricted	68,372,203	59,447,712	80,466,457	66,585,531
Investments - Restricted	244,508,334	232,640,617	278,624,844	229,912,957
Securities Lending Cash Collateral	1,191,697	357,168	2,041,190	4,032,437
Accounts Receivable	29,182,712	409,631	131,122	177,215
Accrued Interest Receivable	3,924,987	3,729,012	4,209,653	4,618,750
Interfund Receivable	80,220	16,939	6,780	607
Due from Governmental Funds	24,797	82,468	23,931	1,795
Prepaid Expenses	1,140	514	28,996	675
Acquired Property	1,841,751	2,995,957	3,766,377	4,407,890
Deferred Charges	-	-	-	-
Loans Receivable (Net)	834,207,159	804,071,640	847,251,131	918,003,978
Swap Fair Value Asset	1,514,014	899,578	-	-
Net Pension Asset	-	-	-	558,607
Net Other Postemployment Benefits Asset	11,451	-	-	-
Capital Assets (Net)	51,674	59,925	62,637	70,549
<b>Total Assets</b>	<b>1,194,300,760</b>	<b>1,114,627,072</b>	<b>1,225,343,446</b>	<b>1,238,448,968</b>
<b>Deferred Outflows of Resources</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives	137,728	1,864,021	6,906,793	11,379,103
Loss on Debt Refunding	1,942,159	1,761,830	2,092,930	2,344,757
Related to Pensions	1,183,656	2,170,765	407,457	206,746
Related to Other Postemployment Benefits	26,968	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>3,290,511</b>	<b>5,796,616</b>	<b>9,407,180</b>	<b>13,930,606</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,197,591,271</b>	<b>\$ 1,120,423,688</b>	<b>\$ 1,234,750,626</b>	<b>\$ 1,252,379,574</b>



Unaudited

2014	2013	2012	2011	2010	2009
\$ 4,060,107	\$ 5,469,303	\$ 5,746,697	\$ 5,873,763	\$ 4,367,875	\$ 5,917,589
64,782,925	61,578,919	78,600,165	54,144,451	91,492,695	93,518,300
310,056,935	359,607,162	266,227,125	320,169,513	352,352,552	278,734,777
3,393,772	3,849,298	5,600,831	18,153,910	37,016,172	44,918,260
189,304	166,750	150,640	1,351,777	155,045	9,794
5,443,641	5,899,925	7,336,307	7,708,720	8,280,181	8,573,207
164	4,019	11,434	1,252	745	979
10,979	79,323	32,697	53,013	10,009	11,380
8,655	15,305	44,401	1,900	-	-
7,135,654	3,809,023	10,640,035	10,783,923	8,049,817	1,660,608
-	9,019,358	9,522,524	10,526,280	11,128,757	12,594,903
1,009,415,693	1,079,738,292	1,223,594,532	1,288,879,901	1,327,271,965	1,416,942,114
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
22,340	9,874	11,074	-	2,604	3,538
1,404,520,169	1,529,246,551	1,607,518,462	1,717,648,403	1,840,128,417	1,862,885,449
17,276,495	27,550,227	37,196,930	25,409,179	31,208,266	-
2,262,264	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,538,759	27,550,227	37,196,930	25,409,179	31,208,266	-
\$ 1,424,058,928	\$ 1,556,796,778	\$ 1,644,715,392	\$ 1,743,057,582	\$ 1,871,336,683	\$ 1,862,885,449

Continued on the next page

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflow of Resources, and Net Position Enterprise Funds

Last Ten Fiscal Years

Continued from the previous page

	2018	2017	2016	2015
<b>Liabilities</b>				
Accounts Payable	\$ 609,703	\$ 808,431	\$ 626,684	\$ 495,218
Accrued Interest Payable	13,660,865	13,031,173	15,411,597	17,957,672
Obligations Under Securities Lending	1,191,697	357,168	2,041,190	4,032,437
Interfund Payable	80,220	16,939	6,780	607
Due to Governmental Funds	53,689	6,959	50,880	101,511
Due to Other Governments	-	-	-	-
Matured Bonds and Interest Payable	-	-	-	-
Unearned Revenue	998,823	1,130,510	1,265,880	1,402,406
Compensated Absences Payable	344,492	271,186	252,162	276,849
Bonds Payable	943,483,358	869,050,314	979,243,468	997,155,163
Swap Fair Value Liability	137,728	1,864,021	6,906,793	11,379,103
Arbitrage Rebate Liability	-	-	-	-
Loans Payable	-	-	-	-
Pension-related Debt Payable	501,032	531,182	556,146	575,223
Net Pension Liability	3,275,674	4,116,951	1,580,442	-
Net Other Postemployment Benefits Liability	41,439	-	-	-
Total Other Postemployment Benefits Liability	124,593	-	-	-
Net Other Postemployment Benefits Obligation	-	87,445	85,234	92,770
<b>Total Liabilities</b>	<b>964,503,313</b>	<b>891,272,279</b>	<b>1,008,027,256</b>	<b>1,033,468,959</b>
<b>Deferred Inflows of Resources</b>				
Accumulated Increase in Fair Value of Hedging Derivatives	1,514,014	899,578	-	-
Deferred Loan Origination Fees	4,261,350	4,354,736	4,733,476	5,281,561
Related to Pensions	27,367	39,119	384,804	1,077,887
Related to Other Postemployment Benefits	8,471	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>5,811,202</b>	<b>5,293,433</b>	<b>5,118,280</b>	<b>6,359,448</b>
<b>Net Position</b>				
Net Investment in Capital Assets	51,674	59,925	62,637	70,549
Restricted for Residential Assistance	2,089,298	2,074,043	2,098,015	2,029,118
Restricted for Other Postemployment Benefits	11,451	-	-	-
Restricted by Trust Indentures	212,669,994	207,706,209	213,665,954	201,453,112
Unrestricted	12,454,339	14,017,799	5,778,484	8,998,388
<b>Total Net Position</b>	<b>227,276,756</b>	<b>223,857,976</b>	<b>221,605,090</b>	<b>212,551,167</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 1,197,591,271</b>	<b>\$ 1,120,423,688</b>	<b>\$ 1,234,750,626</b>	<b>\$ 1,252,379,574</b>

Unaudited

2014	2013	2012	2011	2010	2009
\$ 1,021,618	\$ 979,108	\$ 913,537	\$ 742,263	\$ 997,085	\$ 910,380
20,477,454	23,731,731	27,843,800	28,943,961	32,391,722	35,717,572
3,393,772	3,849,298	5,600,831	18,153,910	37,016,172	44,918,260
164	4,019	11,434	1,252	745	979
47,284	23	7,092	15,511	43,551	24,129
-	-	-	-	-	75,000
-	-	-	-	-	5,145
1,539,946	1,666,618	1,250,739	1,045,713	914,354	963,134
296,128	263,931	208,313	246,027	346,874	394,674
1,170,857,616	1,281,246,940	1,349,497,180	1,456,870,106	1,560,048,696	1,583,757,344
17,276,495	27,550,227	37,196,930	25,409,179	31,208,266	-
-	366,889	482,076	102,194	85,740	1,202,460
-	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
600,689	616,550	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
88,299	84,812	75,366	66,597	59,529	50,109
1,215,599,465	1,341,860,146	1,424,587,298	1,533,096,713	1,664,612,734	1,669,519,186
-	-	-	-	-	-
5,905,347	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,905,347	-	-	-	-	-
22,340	9,874	11,074	-	2,604	3,538
2,019,413	2,272,946	2,581,560	2,219,237	1,835,608	1,540,902
-	-	-	-	-	-
196,447,800	208,167,826	211,381,841	200,498,355	199,185,070	185,650,034
4,064,563	4,485,986	6,153,619	7,243,277	5,700,667	6,171,789
202,554,116	214,936,632	220,128,094	209,960,869	206,723,949	193,366,263
<u>\$ 1,424,058,928</u>	<u>\$ 1,556,796,778</u>	<u>\$ 1,644,715,392</u>	<u>\$ 1,743,057,582</u>	<u>\$ 1,871,336,683</u>	<u>\$ 1,862,885,449</u>

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Revenue, Expenses, and Changes in Net Position  
Enterprise Funds  
Last Ten Fiscal Years

	2018	2017	2016	2015
<b>Operating Revenues</b>				
Interest on Loans	\$ 36,644,795	\$ 39,626,363	\$ 46,381,931	\$ 50,954,045
Investment Income (Loss)	3,650,448	332,374	6,767,972	3,484,174
Administrative Charges and Fees	3,295,836	2,537,227	2,111,542	2,444,692
Low Income Housing Tax Credit Fees	2,924,199	1,604,511	1,126,415	3,174,641
Gain (Loss) on Sale of Foreclosed Property	146,174	373,502	314,222	288,970
Miscellaneous Revenue	93,062	358,328	115,962	60,801
<b>Total Operating Revenues</b>	<b>46,754,514</b>	<b>44,832,305</b>	<b>56,818,044</b>	<b>60,407,323</b>
<b>Operating Expenses</b>				
Personal Services	5,206,618	5,126,065	5,828,772	3,868,949
Services and Supplies	3,084,561	2,508,940	2,437,292	2,392,345
Mortgage Service Fees	2,394,668	2,264,580	2,393,209	2,619,687
Foreclosure Costs	438,500	616,407	422,662	324,684
Interest Expense - Bonds	27,235,723	28,487,108	33,287,518	38,491,579
Interest Expense - Securities Lending	21,699	1,974	22,326	12,347
Interest Expense - Loans	-	-	-	-
Other Related Program Expenses	4,649,406	3,307,065	3,134,887	1,428,928
Amortization of Deferred Bond Issuance Costs	-	-	-	-
Depreciation/Amortization	8,452	7,910	7,912	4,394
Bad Debt Expense	-	33,583	-	-
<b>Total Operating Expenses</b>	<b>43,039,627</b>	<b>42,353,632</b>	<b>47,534,578</b>	<b>49,142,913</b>
<b>Operating Income (Loss)</b>	<b>3,714,887</b>	<b>2,478,673</b>	<b>9,283,466</b>	<b>11,264,410</b>
<b>Nonoperating Revenue/(Expenses)</b>				
Gain/(Loss) on Disposition of Capital Assets	-	-	-	-
Interest Expense - Pension-related Debt	(32,996)	(38,010)	(37,729)	(39,019)
<b>Total Nonoperating Revenue/(Expenses)</b>	<b>(32,996)</b>	<b>(38,010)</b>	<b>(37,729)</b>	<b>(39,019)</b>
<b>Transfers</b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Transfers to Other State Agencies	(184,404)	(187,777)	(191,814)	(211,415)
Transfers to State General Fund	-	-	-	-
<b>Total Transfers</b>	<b>(184,404)</b>	<b>(187,777)</b>	<b>(191,814)</b>	<b>(211,415)</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 3,497,487</b>	<b>\$ 2,252,886</b>	<b>\$ 9,053,923</b>	<b>\$ 11,013,976</b>
<b>Net Position - Beginning</b>	<b>223,857,976</b>	<b>221,605,090</b>	<b>212,551,167</b>	<b>202,554,116</b>
Prior Period Adjustment	-	-	-	2,979
Change in Accounting Principle	(78,707)	-	-	(1,019,904)
<b>Net Position - Beginning (Restated)</b>	<b>223,779,269</b>	<b>221,605,090</b>	<b>212,551,167</b>	<b>201,537,191</b>
<b>Net Position - Ending</b>	<b>\$ 227,276,756</b>	<b>\$ 223,857,976</b>	<b>\$ 221,605,090</b>	<b>\$ 212,551,167</b>

Unaudited

2014	2013	2012	2011	2010	2009
\$ 52,542,197	\$ 59,217,071	\$ 68,917,920	\$ 72,357,706	\$ 79,035,078	\$ 82,876,589
4,844,825	(2,508,456)	13,938,305	3,319,834	11,813,383	13,333,320
833,012	1,465,554	1,598,870	3,696,833	3,789,130	1,450,956
1,566,180	2,350,450	1,968,720	2,149,904	1,936,433	1,381,961
548,575	408,021	(276,931)	(259,296)	66,272	51,044
16,350	2,474,127	110,579	14,230	17,984	41,151
60,351,139	63,406,767	86,257,463	81,279,211	96,658,280	99,135,021
4,250,998	3,982,480	4,091,672	4,194,543	4,959,949	5,127,493
2,429,232	2,139,476	2,753,928	3,600,289	3,663,290	3,312,232
2,820,877	3,148,492	3,534,690	3,665,713	3,974,512	4,171,676
995,546	1,728,780	1,427,384	1,902,931	698,808	313,141
43,280,173	52,057,391	58,695,970	62,458,803	68,618,190	75,927,690
13,410	42,107	20,787	79,233	81,219	838,652
24,575	48,750	48,801	48,814	49,624	57,417
3,224,872	3,973,210	2,385,223	1,085,204	209,575	1,150,806
-	641,555	752,880	884,674	937,454	905,772
2,034	1,200	934	233	934	1,284
-	-	2,211,594	(54,028)	(100,788)	193,911
57,041,717	67,763,441	75,923,863	77,866,409	83,092,767	92,000,074
3,309,422	(4,356,674)	10,333,600	3,412,802	13,565,513	7,134,947
-	-	-	(2,371)	-	-
(38,942)	(40,754)	-	-	-	-
(38,942)	(40,754)	-	(2,371)	-	-
-	68,726	117,816	117,816	117,816	117,816
-	(68,726)	(117,816)	(117,816)	(117,816)	(117,816)
(185,435)	(163,735)	(166,375)	(173,511)	(207,827)	(204,782)
-	-	-	-	-	(589,355)
(185,435)	(163,735)	(166,375)	(173,511)	(207,827)	(794,137)
\$ 3,085,045	\$ (4,561,163)	\$ 10,167,225	\$ 3,236,920	\$ 13,357,686	\$ 6,340,810
214,936,632	220,128,094	209,960,869	206,723,949	193,366,263	187,025,453
(6,448,203)	(630,299)	-	-	-	-
(9,019,358)	-	-	-	-	-
199,469,071	219,497,795	209,960,869	206,723,949	193,366,263	187,025,453
\$ 202,554,116	\$ 214,936,632	\$ 220,128,094	\$ 209,960,869	\$ 206,723,949	\$ 193,366,263

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Cash Flows

### Enterprise Funds

### Last Ten Fiscal Years

	2018	2017	2016
<b>Cash Flows from Operating Activities</b>			
Received from Customers	\$ 7,079,496	\$ 4,163,809	\$ 3,569,340
Program Loan Principal Repayments	126,654,062	138,955,178	142,159,092
Program Loan Interest Received	35,717,096	38,803,932	44,151,928
Program Loans Made	(156,182,704)	(97,014,283)	(71,715,430)
Payments to Employees for Services	(5,025,280)	(4,707,259)	(4,609,749)
Payments to Suppliers for Goods and Services	(5,422,079)	(4,650,950)	(4,923,555)
Other Receipts (Payments)	(3,658,826)	(791,680)	47,139
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>(838,235)</b>	<b>74,758,747</b>	<b>108,678,765</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Bond Sales	280,205,736	134,026,831	211,033,001
Principal Payments - Bonds	(203,460,000)	(242,255,000)	(227,045,000)
Interest Payments - Bonds	(27,367,083)	(31,402,394)	(36,186,445)
Bond Issuance Costs	(1,763,294)	(774,512)	(1,514,836)
Bond Call Costs	-	-	-
Principal Payments - Loans	-	-	-
Interest Payments - Loans	-	-	-
Principal Payments - Pension-related Debt	(30,150)	(24,964)	(19,077)
Interest Payments - Pension-related Debt	(32,996)	(38,010)	(37,729)
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	-
Transfers to Other State Agencies	(203,500)	(188,958)	(191,894)
Transfers to State General Fund	-	-	-
<b>Net Cash Provided (Used) in Noncapital Financing Activities</b>	<b>47,348,713</b>	<b>(140,657,007)</b>	<b>(53,961,980)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	5,445	(10,844)	-
<b>Net Cash Provided (Used) in Capital and Related Financing Activities</b>	<b>5,445</b>	<b>(10,844)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	(498,137,269)	(368,836,911)	(441,963,836)
Proceeds from Sales and Maturities of Investments	456,787,746	411,676,140	396,996,896
Interest on Cash and Investments	3,230,801	3,236,713	2,783,432
Investment Income on Securities Lending	21,699	1,974	22,326
Interest Paid on Securities Lending	(21,699)	(1,974)	(22,326)
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>(38,118,722)</b>	<b>46,075,942</b>	<b>(42,183,508)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>8,397,201</b>	<b>(19,833,162)</b>	<b>12,533,277</b>
<b>Cash and Cash Equivalents Balance - Beginning</b>	<b>69,363,623</b>	<b>89,196,785</b>	<b>76,663,508</b>
<b>Cash and Cash Equivalents Balance - Ending</b>	<b>\$ 77,760,824</b>	<b>\$ 69,363,623</b>	<b>\$ 89,196,785</b>

Unaudited

2015	2014	2013	2012	2011	2010	2009
\$ 5,721,238	\$ 2,596,251	\$ 4,231,488	\$ 3,817,788	\$ 5,950,885	\$ 5,506,696	\$ 3,052,981
145,611,724	120,322,978	195,141,571	136,040,641	117,147,144	106,970,691	103,201,572
50,261,428	54,750,757	61,595,811	68,928,782	72,665,054	79,020,543	82,345,992
(54,220,431)	(61,116,633)	(50,657,880)	(80,485,104)	(90,650,348)	(28,336,930)	(140,938,966)
(4,587,915)	(4,175,801)	(3,955,271)	(4,127,721)	(4,331,258)	(4,990,333)	(4,940,017)
(5,064,173)	(5,182,403)	(5,279,251)	(6,491,400)	(7,626,701)	(7,392,663)	(7,663,867)
941,970	1,431,972	1,740,694	3,336,124	5,103,222	2,652,019	(288,438)
138,663,841	108,627,121	202,817,162	121,019,110	98,257,998	153,430,023	34,769,257
31,377,604	139,605,754	156,930,314	28,790,153	229,409,935	120,000,000	92,710,000
(202,930,000)	(249,975,000)	(222,950,000)	(134,265,000)	(328,800,000)	(141,465,000)	(194,231,011)
(40,849,857)	(46,745,465)	(56,418,920)	(60,092,434)	(66,122,552)	(72,216,962)	(76,638,158)
(565,215)	(1,409,003)	(1,564,025)	(489,166)	(2,599,161)	(251,803)	(861,070)
-	-	-	-	(50,101)	-	-
-	(1,500,000)	-	-	-	-	-
-	(36,729)	(48,709)	(48,946)	(48,685)	(51,137)	(59,249)
(22,487)	(15,861)	-	-	-	-	-
(39,019)	(38,942)	-	-	-	-	-
-	-	68,726	117,816	117,816	117,816	117,816
-	-	(68,726)	(117,816)	(117,816)	(117,816)	(117,816)
(209,314)	(186,039)	(163,389)	(166,413)	(173,241)	(207,827)	(204,782)
-	-	-	-	-	-	(589,355)
(213,238,288)	(160,301,285)	(124,214,729)	(166,271,806)	(168,383,805)	(94,192,729)	(179,873,625)
(52,603)	(14,500)	-	(12,008)	-	-	-
(52,603)	(14,500)	-	(12,008)	-	-	-
(289,867,498)	(390,462,021)	(574,207,348)	(725,126,170)	(1,956,792,819)	(1,028,085,776)	(410,856,041)
370,368,568	440,622,813	473,758,011	788,529,034	1,986,224,054	960,201,794	577,845,150
1,946,456	3,322,682	4,548,264	6,190,488	4,852,216	5,071,369	9,053,258
12,347	13,410	42,107	20,787	79,233	81,219	838,652
(12,347)	(13,410)	(42,107)	(20,787)	(79,233)	(81,219)	(838,652)
82,447,526	53,483,474	(95,901,073)	69,593,352	34,283,451	(62,812,613)	176,042,367
7,820,476	1,794,810	(17,298,640)	24,328,648	(35,842,356)	(3,575,319)	30,937,999
68,843,032	67,048,222	84,346,862	60,018,214	95,860,570	99,435,889	68,497,890
\$ 76,663,508	\$ 68,843,032	\$ 67,048,222	\$ 84,346,862	\$ 60,018,214	\$ 95,860,570	\$ 99,435,889

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Weighted Average Interest Rate - New Mortgage Loans

### Enterprise Funds

*Unaudited*

### Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Overall Weighted Average Interest Rate	3.62%	3.26%	3.44%	3.29%	3.18%	3.24%	3.79%	4.65%	4.50%	5.49%
Elderly and Disabled Housing Program	-	-	-	-	-	-	-	5.97%	-	5.97%
Mortgage Revenue Bonds	3.62%	3.26%	3.44%	3.29%	3.09%	0.45%	0.60%	0.91%	4.50%	5.44%
Housing Revenue Bonds	-	-	-	-	3.30%	3.63%	3.95%	4.46%	-	-
Multifamily Housing Revenue Bonds	-	-	-	-	-	-	6.25%	-	-	5.90%

Weighted average interest rate is calculated by multiplying each loan amount by the interest rate on the loan, adding all results together, then dividing by the total amount of new loans.



# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Principal Program Loan Interest Payers

### Enterprise Funds

### Current Year and Nine Years Ago

*Unaudited*

	Fiscal Year 2018			Fiscal Year 2009		
	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received	Rank	Program Loan Interest Received	Percent of Total Program Loan Interest Received
Emerald Pointe	1	\$ 1,102,274	3.09%			
Westridge Meadows Apartments	2	786,098	2.20%	2	974,008	1.18%
Willamette Gardens Apartments	3	782,614	2.19%	4	879,770	1.07%
Troutdale Terrace	4	658,451	1.84%	3	891,817	1.08%
Beaver State Apartments	5	553,912	1.55%			
The Hazelwood Apartments	6	348,487	0.98%	6	480,600	0.58%
Woodridge Apartments	7	312,216	0.87%	1	999,193	1.21%
Gateway Park Apartments	8	278,970	0.78%	8	429,680	0.52%
Autumn Park	9	277,187	0.78%			
Fifth Avenue Court Apartments	10	265,581	0.74%	10	409,994	0.50%
Lake Crest Apartments				5	618,940	0.75%
Buckman Heights Apartments				7	429,787	0.52%
Cascadia Village Retirement Center				9	416,464	0.51%
Total		<u>\$ 5,365,790</u>	<u>15.02%</u>		<u>\$ 6,530,253</u>	<u>7.92%</u>

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Ratio of Outstanding Debt

Enterprise Fund

Last Ten Fiscal Years

*Unaudited*

Fiscal Year	<b>Business-Type Activities - Enterprise Funds</b>				Percentage of Personal Income <sup>(3)</sup>	Per Capita <sup>(3)</sup>
	General Obligation Bonds <sup>(1)</sup>	Revenue Bonds <sup>(2)</sup>	Loans Payable	Total		
2018	\$ 36,915,000	\$ 890,470,000	\$ -	\$ 927,385,000	0.47%	\$ 224
2017	44,710,000	812,105,000	-	856,815,000	0.45%	210
2016	50,810,000	917,700,000	-	968,510,000	0.54%	241
2015	85,480,000	904,220,000	-	989,700,000	0.59%	250
2014	112,615,000	1,049,115,000	-	1,161,730,000	0.74%	296
2013	119,985,000	1,156,130,000	1,500,000	1,277,615,000	0.83%	328
2012	124,985,000	1,218,500,000	1,500,000	1,344,985,000	0.92%	348
2011	146,945,000	1,303,345,000	1,500,000	1,451,790,000	1.05%	378
2010	173,125,000	1,379,395,000	1,500,000	1,554,020,000	1.15%	408
2009	182,890,000	1,391,095,000	1,500,000	1,575,485,000	1.13%	418

<sup>(1)</sup> Elderly and Disabled Housing Bonds

<sup>(2)</sup> Mortgage Revenue Bonds, Housing Revenue Bonds (beginning in FY 2010), Multifamily Housing Revenue Bonds, and Multiple Purpose Bonds (FY 2009 - FY 2014)

<sup>(3)</sup> Personal Income and Population Source: Bureau of Economic Analysis, U.S. Department of Commerce (SA1)  
[www.bea.gov/itable/itable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1](http://www.bea.gov/itable/itable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1)

Population and Personal Income information can be found on page B-66.

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Legal Debt Margin Information

Enterprise Fund

Unaudited

Last Ten Fiscal Years

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Percentage of Debt Limit
<u>General Obligation Bonds</u>				
2018	\$ 3,104,548,584	\$ 36,915,000	\$ 3,067,633,584	1.19%
2017	2,795,635,633	44,710,000	2,750,925,633	1.60%
2016	2,530,877,318	50,810,000	2,480,067,318	2.01%
2015	2,347,393,704	85,480,000	2,261,913,704	3.64%
2014	2,167,365,136	112,615,000	2,054,750,136	5.20%
2013	2,107,955,009	119,985,000	1,987,970,009	5.69%
2012	2,172,146,238	124,985,000	2,047,161,238	5.75%
2011	2,292,594,338	146,945,000	2,145,649,338	6.41%
2010	2,493,422,754	173,125,000	2,320,297,754	6.94%
2009	2,626,781,365	182,890,000	2,443,891,365	6.96%
<u>Revenue Bonds</u>				
2018	\$ 2,500,000,000	\$ 890,470,000	\$ 1,609,530,000	35.62%
2017	2,500,000,000	812,105,000	1,687,895,000	32.48%
2016	2,500,000,000	917,700,000	1,582,300,000	36.71%
2015	2,500,000,000	904,220,000	1,595,780,000	36.17%
2014	2,500,000,000	1,049,115,000	1,450,885,000	41.96%
2013	2,500,000,000	1,156,130,000	1,343,870,000	46.25%
2012	2,500,000,000	1,218,500,000	1,281,500,000	48.74%
2011	2,500,000,000	1,303,345,000	1,196,655,000	52.13%
2010	2,500,000,000	1,379,395,000	1,120,605,000	55.18%
2009	2,500,000,000	1,391,095,000	1,108,905,000	55.64%

### Legal Debt Margin for Fiscal Year 2018

#### General Obligation Bonds

True cash value of all taxable property in the state	\$ 620,909,716,704
Debt Limit (0.5% of true cash value)	3,104,548,584
Less: Debt applicable to the limit (Elderly and Disabled Housing Bonds)	(36,915,000)
Legal Debt Margin	<u>\$ 3,067,633,584</u>

#### Revenue Bonds

The legal debt margin for OHCS D's revenue bonds is set by statute (Oregon Revised Statute 456.661).

For additional bond information see Note 7.

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Demographic and Economic Data - State of Oregon  
Last Ten Years

*Unaudited*

Calendar Year	Population <sup>(1)</sup>	Personal Income <sup>(1)</sup> (in thousands)	Per Capita Personal Income	Annual Unemployment Rate <sup>(2)</sup>
2017	4,142,776	\$ 199,422,200	\$ 48,137	4.1%
2016	4,085,989	189,644,395	46,413	4.8%
2015	4,016,537	181,022,258	45,069	5.6%
2014	3,960,673	167,977,534	42,411	6.8%
2013	3,919,664	156,644,028	39,964	7.9%
2012	3,893,920	154,066,838	39,566	8.8%
2011	3,865,845	146,081,624	37,788	9.5%
2010	3,837,073	138,328,202	36,050	10.6%
2009	3,808,600	134,830,942	35,402	11.3%
2008	3,768,748	139,499,803	37,015	6.5%

<sup>(1)</sup> Source: Bureau of Economic Analysis, U.S. Department of Commerce (SA1 )

<https://apps.bea.gov/iTable/iTable.cfm?acrdn=6&isuri=1&reqid=70&step=1#reqid=70&step=1&isuri=1>

<sup>(2)</sup> Source: Oregon Employment Department - <https://www.qualityinfo.org/ed-uesti/?at=1&t1=410100000~unemprate~y,n~2008~2017>

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Employment Data - State of Oregon

Current Year and Nine Years Ago

*Unaudited*

	Calendar Year 2017		Calendar Year 2008		Change
	Number of Employees	Percent of Total	Number of Employees	Percent of Total	
Health Care and Social Assistance	292,681	11.70%	245,292	10.72%	19.32%
Retail Trade	257,352	10.29%	243,880	10.66%	5.52%
Manufacturing	209,080	8.36%	207,650	9.07%	0.69%
Accommodation and Food Services	195,501	7.82%	161,766	7.07%	20.85%
Professional, Scientific, and Technical Services	163,551	6.54%	134,174	5.86%	21.89%
Construction	133,912	5.35%	134,797	5.89%	-0.66%
Administrative and Support Services	124,337	4.97%	114,654	5.01%	8.45%
Real Estate and Rental and Leasing	117,109	4.68%	103,615	4.53%	13.02%
Finance and Insurance	98,228	3.93%	91,612	4.00%	7.22%
Wholesale Trade	84,188	3.37%	87,828	3.84%	-4.14%
Transportation and Warehousing	81,895	3.28%	67,559	2.95%	21.22%
Arts, Entertainment, and Recreation	62,878	2.51%	53,154	2.32%	18.29%
Farm Employment	62,268	2.49%	65,329	2.86%	-4.69%
Educational Services	59,524	2.38%	49,883	2.18%	19.33%
Management of Companies and Enterprises	49,525	1.98%	33,517	1.47%	47.76%
Information	42,535	1.70%	42,780	1.87%	-0.57%
Forestry, Fishing, and Related Activities	32,075	1.28%	31,426	1.37%	2.07%
Mining, quarrying, and oil and gas extraction	6,769	0.27%	4,608	0.20%	46.90%
Waste Management and Remediation Services	5,797	0.23%	5,794	0.25%	0.05%
Utilities	5,621	0.23%	5,146	0.23%	9.23%
Other Services	128,142	5.12%	120,172	5.25%	6.63%
Federal Government (Civilian)	28,273	1.13%	29,552	1.29%	-4.33%
Military	11,427	0.46%	12,159	0.53%	-6.02%
State Government	44,703	1.79%	56,404	2.46%	-20.74%
Local Government	203,686	8.14%	185,868	8.12%	9.59%
Total Employment	<u>2,501,057</u>	<u>100.00%</u>	<u>2,288,619</u>	<u>100.00%</u>	9.28%

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Loans Outstanding - by Interest Rate

### Enterprise Funds

*Unaudited*

### Current Year and Nine Years Ago

Interest Rate	Fiscal Year 2018				Fiscal Year 2009			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
0.00 - 2.99%	219	4.03%	\$ 40,764,466	4.89%	101	1.10%	\$ 13,273,303	0.94%
3.00 - 3.99%	2,253	41.48%	379,711,142	45.52%	7	0.08%	4,846,463	0.34%
4.00 - 4.99%	1,196	22.02%	144,679,452	17.34%	2,162	23.65%	268,690,863	18.94%
5.00 - 5.99%	1,174	21.61%	182,657,377	21.90%	4,607	50.39%	655,972,747	46.24%
6.00 - 6.99%	367	6.76%	74,037,239	8.87%	1,562	17.09%	326,020,267	22.99%
7.00 - 7.99%	181	3.33%	10,787,055	1.29%	475	5.20%	103,534,365	7.30%
8.00 - 8.99%	42	0.77%	1,570,428	0.19%	163	1.78%	22,775,841	1.61%
9.00 - 9.99%	-	-	-	-	33	0.36%	10,471,061	0.74%
10.00% or More	-	-	-	-	32	0.35%	12,790,916	0.90%
Total	5,432	100.00%	\$ 834,207,159	100.00%	9,142	100.00%	\$ 1,418,375,826	100.00%

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Loans Outstanding - by Monthly Payment Amount

### Enterprise Funds

*Unaudited*

### Current Year and Nine Years Ago

Monthly Payment <sup>(1)</sup>	Fiscal Year 2018				Fiscal Year 2009			
	Number of Loans	Percent	Principal Amount	Percent	Number of Loans	Percent	Principal Amount	Percent
<u>Single Family Loans</u> <sup>(2)</sup>								
\$ 0 - \$ 200	35	0.68%	\$ 751,215	0.11%	55	0.63%	\$ 1,545,802	0.14%
\$ 201 - \$ 400	396	7.67%	16,722,690	2.52%	676	7.79%	28,879,959	2.64%
\$ 401 - \$ 600	1,292	25.03%	99,353,420	14.96%	1,996	23.01%	153,968,330	14.09%
\$ 601 - \$ 800	1,544	29.91%	182,597,355	27.52%	2,319	26.73%	264,540,166	24.21%
\$ 801 - \$1,000	1,056	20.46%	171,922,062	25.91%	1,772	20.43%	266,078,241	24.35%
\$1,001 - \$1,200	523	10.13%	109,528,309	16.51%	1,075	12.39%	199,692,123	18.27%
\$1,201 - \$1,400	235	4.55%	58,450,105	8.81%	577	6.65%	125,538,879	11.49%
\$1,401 - \$1,600	70	1.36%	20,754,196	3.13%	155	1.79%	38,359,451	3.51%
\$1,601 - \$1,800	11	0.21%	3,492,396	0.53%	44	0.51%	12,315,926	1.13%
\$1,801 or more	-	0.00%	-	0.00%	6	0.07%	1,854,391	0.17%
Total	5,162	100.00%	663,571,748	100.00%	8,675	100.00%	1,092,773,268	100.00%
<u>Multi-Family Loans</u> <sup>(3)</sup>								
\$ 0 - \$ 1,000	158	58.52%	4,781,642	2.80%	237	50.75%	10,677,947	3.28%
\$ 1,001 - \$ 5,000	44	16.30%	12,057,701	7.07%	76	16.27%	21,978,455	6.75%
\$ 5,001 - \$10,000	27	10.00%	19,534,891	11.45%	45	9.64%	27,077,191	8.32%
\$10,001 - \$15,000	14	5.19%	14,509,016	8.50%	34	7.28%	40,977,882	12.59%
\$15,001 - \$20,000	8	2.96%	13,382,377	7.84%	21	4.50%	40,688,681	12.50%
\$20,001 - \$25,000	5	1.85%	10,324,340	6.05%	18	3.85%	41,365,236	12.70%
\$25,001 - \$30,000	4	1.48%	12,093,118	7.09%	7	1.50%	25,542,696	7.84%
\$30,001 or more	10	3.70%	83,952,326	49.20%	16	3.43%	114,454,009	35.15%
Due at Maturity	-	-	-	-	13	2.78%	2,840,461	0.87%
Total	270	100.00%	170,635,411	100.00%	467	100.00%	325,602,558	100.00%
Grand Total	5,432		\$ 834,207,159		9,142		\$ 1,418,375,826	

<sup>(1)</sup> Principal and Interest only. Does not include taxes or insurance.

<sup>(2)</sup> Mortgage Revenue Bonds and Housing Revenue Bonds

<sup>(3)</sup> Elderly and Disabled Housing Fund, Multifamily Housing Revenue Bond, and Housing Finance Account Loans

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Loans Outstanding - By County

### Enterprise Funds

June 30, 2018

County	Elderly and Disabled Housing Program		Single-Family Mortgage Program		Multifamily Housing Revenue Bonds	
	Number of Loans	Principal Amount	Number of Loans	Principal Amount	Number of Loans	Principal Amount
Baker	1	\$ 119,505	26	\$ 1,776,364	-	-
Benton	7	1,823,355	64	7,629,610	-	-
Clackamas	16	5,278,734	296	48,193,133	2	7,476,334
Clatsop	2	41,151	17	1,938,992	-	-
Columbia	5	649,371	60	9,221,252	1	1,438,815
Coos	4	88,940	93	9,431,301	-	-
Crook	1	796,784	34	3,919,168	-	-
Curry	2	30,087	7	784,553	-	-
Deschutes	4	2,136,277	253	35,724,744	-	-
Douglas	3	1,089,571	100	10,628,936	1	1,103,669
Gilliam	2	374,499	1	22,128	-	-
Grant	-	-	-	-	-	-
Harney	2	1,249,272	13	740,659	-	-
Hood River	2	875,236	13	2,260,696	-	-
Jackson	8	3,765,526	269	37,394,150	1	795,408
Jefferson	2	102,188	36	3,611,165	-	-
Josephine	3	896,654	377	61,107,961	-	-
Klamath	-	-	198	16,664,743	-	-
Lake	1	70,501	19	1,421,698	-	-
Lane	16	1,506,039	289	28,378,192	2	14,617,851
Lincoln	7	4,137,936	48	4,545,620	-	-
Linn	10	1,206,230	127	14,676,261	-	-
Malheur	3	987,132	34	1,913,734	-	-
Marion	43	26,955,865	527	55,042,661	2	1,097,242
Morrow	-	-	31	1,825,073	-	-
Multnomah	52	16,585,246	1,413	197,817,744	12	37,900,621
Polk	6	1,222,939	76	9,074,052	-	-
Sherman	1	161,967	-	-	-	-
Tillamook	1	475,592	11	1,148,777	-	-
Umatilla	6	1,850,268	152	8,886,487	-	-
Union	2	409,260	50	3,871,050	2	1,331,137
Wallowa	1	815,488	5	290,312	1	8,821,851
Wasco	1	17,514	5	669,828	-	-
Washington	13	2,743,508	398	65,685,714	2	14,350,458
Wheeler	1	146,054	1	209,790	-	-
Yamhill	9	2,555,216	119	17,065,200	-	-
Total	237	\$ 81,163,905	5,162	\$ 663,571,748	26	\$ 88,933,386



Unaudited

Housing Finance Account		Total	
Number of Loans	Principal Amount	Number of Loans	Principal Amount
-	-	27	\$ 1,895,869
-	-	71	9,452,965
-	-	314	60,948,201
-	-	19	1,980,143
-	-	66	11,309,438
-	-	97	9,520,241
-	-	35	4,715,952
-	-	9	814,640
-	-	257	37,861,021
-	-	104	12,822,176
-	-	3	396,627
-	-	-	-
-	-	15	1,989,931
-	-	15	3,135,932
-	-	278	41,955,084
4	192,113	42	3,905,466
-	-	380	62,004,615
-	-	198	16,664,743
-	-	20	1,492,199
-	-	307	44,502,082
-	-	55	8,683,556
-	-	137	15,882,491
-	-	37	2,900,866
-	-	572	83,095,768
-	-	31	1,825,073
-	-	1,477	252,303,611
-	-	82	10,296,991
-	-	1	161,967
-	-	12	1,624,369
-	-	158	10,736,755
-	-	54	5,611,447
-	-	7	9,927,651
1	235,299	7	922,641
2	110,708	415	82,890,388
-	-	2	355,844
-	-	128	19,620,416
7	\$ 538,120	5,432	\$ 834,207,159

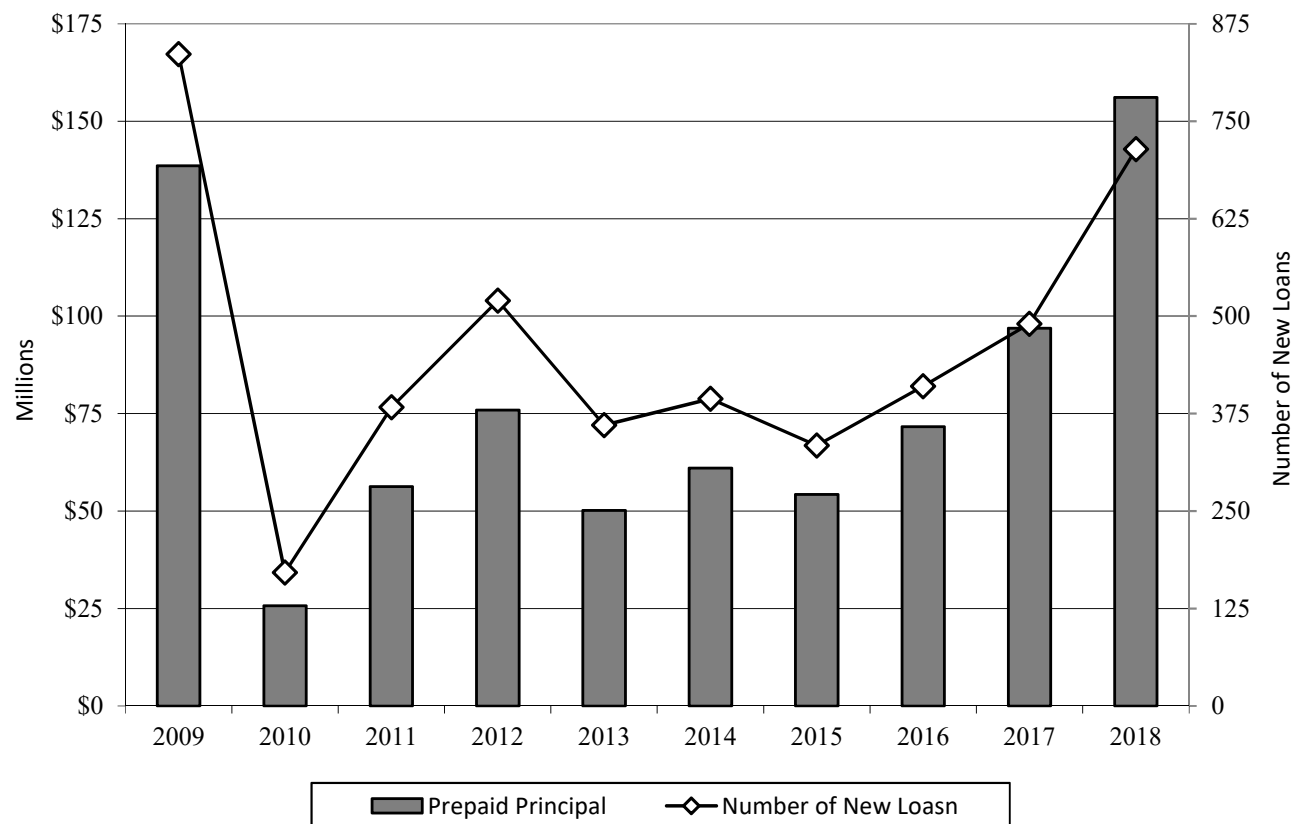
# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## New Mortgage Loans - Single-Family Mortgage Program

Enterprise Funds

Last Ten Fiscal Years

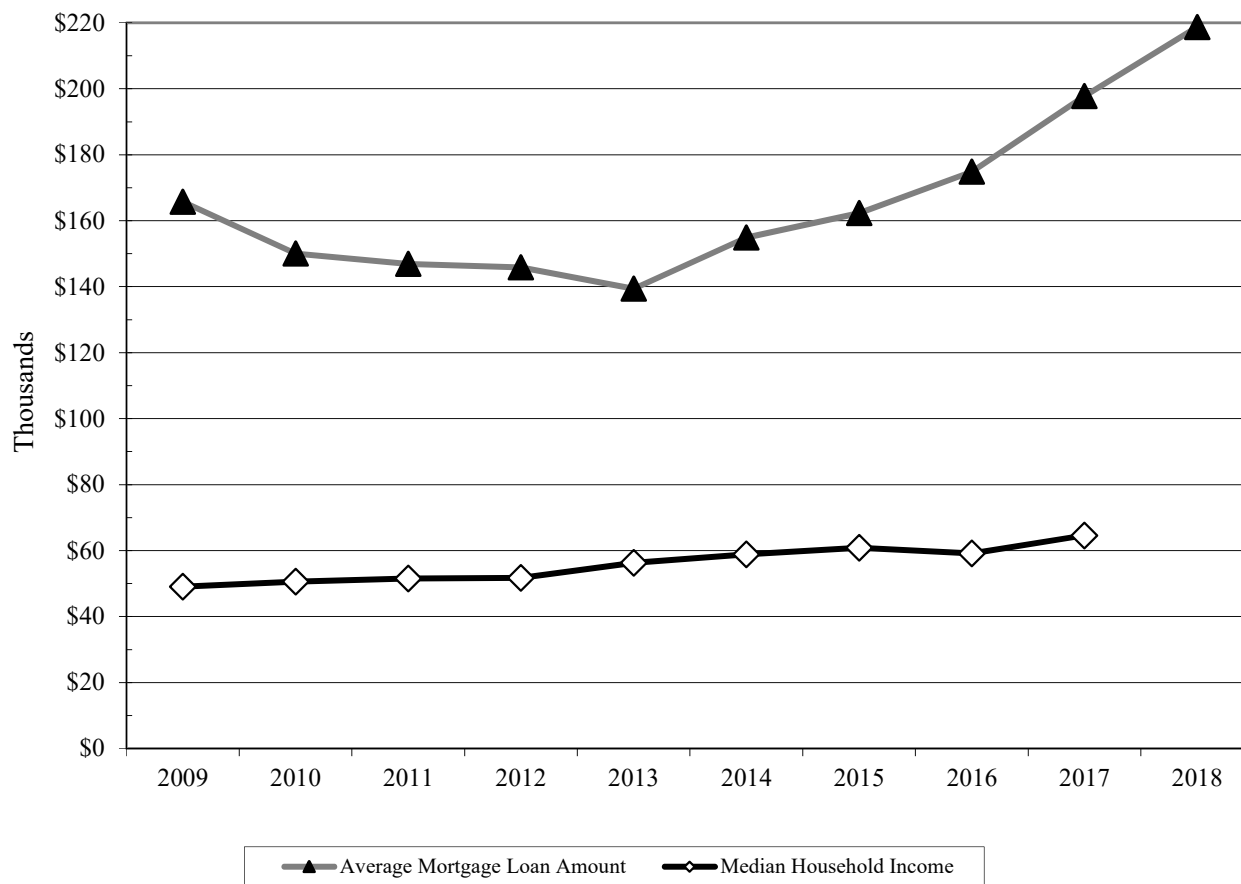
*Unaudited*



<u>Fiscal Year</u>	<u>Number of New Loans</u>	<u>Original Loan Amount</u>
2018	714	\$ 156,131,888
2017	490	96,914,554
2016	410	71,664,632
2015	334	54,219,431
2014	394	61,016,633
2013	360	50,176,880
2012	520	75,861,516
2011	383	56,271,932
2010	171	25,660,493
2009	836	138,570,444

OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT  
Average New Mortgage Loan Amount Versus Median Household Income -  
Single Family Mortgage Program  
Enterprise Funds  
Last Ten Years

Unaudited



<b>Fiscal Year</b>	<b>Average Loan Amount</b>	<b>Calendar Year</b>	<b>Median Household Income in the State of Oregon <sup>(1)</sup></b>
2018	\$ 218,672		
2017	197,785	2017	\$ 64,610
2016	174,792	2016	59,135
2015	162,334	2015	60,834
2014	154,865	2014	58,875
2013	139,380	2013	56,307
2012	145,888	2012	51,775
2011	146,924	2011	51,526
2010	150,061	2010	50,602
2009	165,754	2009	49,098

<sup>(1)</sup> Source: US Census Bureau - <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-households.html> (Table H-8)

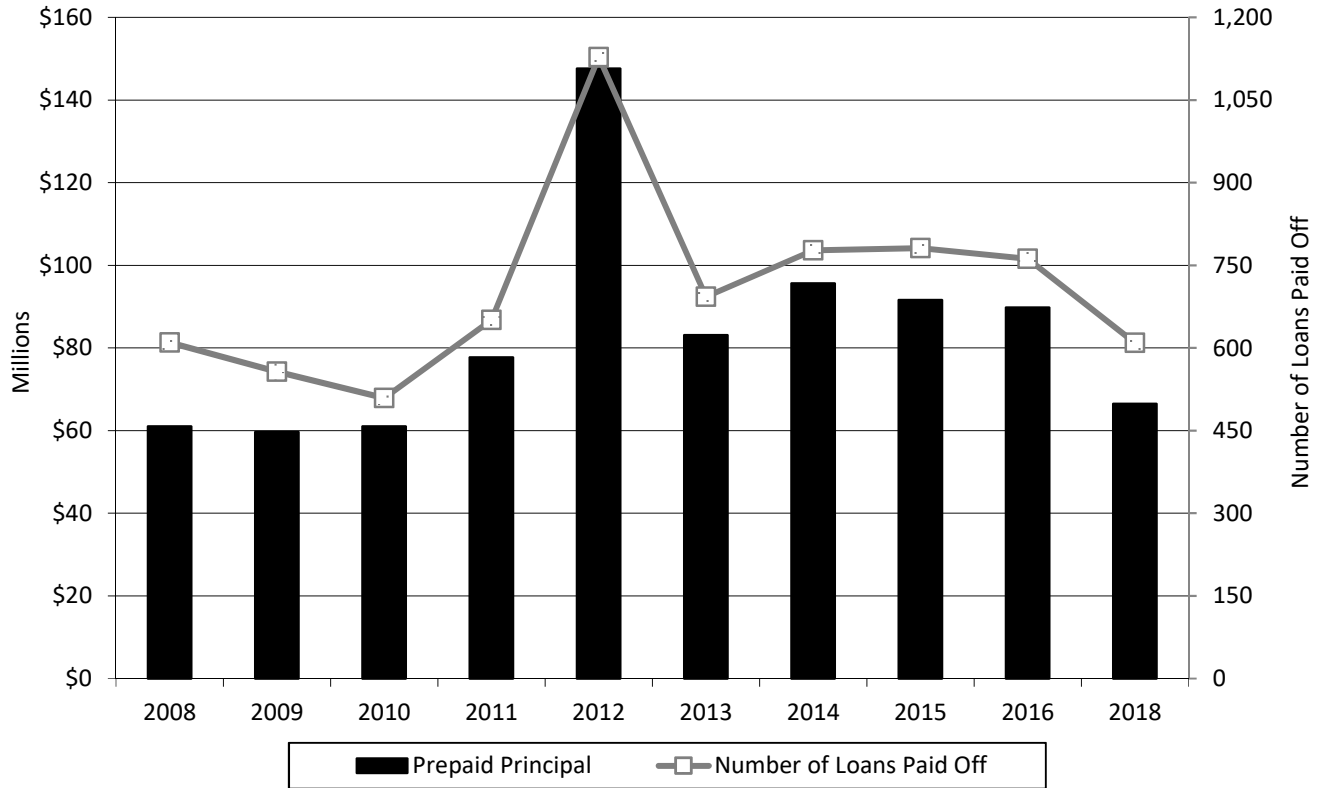
# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Mortgage Loans Paid Off - Single-Family Mortgage Program

Enterprise Funds

Last Ten Fiscal Years

*Unaudited*



<u>Fiscal Year</u>	<u>Number of Loans Paid Off</u>	<u>Prepaid Principal</u>
2018	609	\$ 66,400,638
2016	762	89,704,744
2015	781	91,544,807
2014	777	95,583,596
2013	693	83,050,591
2012	1128	147,566,970
2011	651	77,679,998
2010	509	60,939,133
2009	557	59,574,865
2008	610	60,988,051

# OREGON HOUSING & COMMUNITY SERVICES DEPARTMENT

## Number of Employees

Last Ten Fiscal Years

*Unaudited*

	Full-Time-Equivalent Employees as of June 30									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Director's Office	3.0	13.0	11.0	10.0	2.0	5.0	6.0	8.0	9.0	9.0
Public Affairs Division	9.0	7.0	7.0	10.0	9.0	13.0	15.0			
Housing Stabilization Division	32.8	29.5	23.5	27.8						
Housing Finance Division	71.0	65.5	51.5	53.5						
Chief Financial Office	19.0	22.0	21.0	20.0						
Chief Operations Office	18.0									
Business Operations Division					54.5	50.0	46.8			
Program Delivery Division					60.0	79.5	84.5			
Community Resources Division								33.0	29.0	23.0
Housing Division								31.0	31.5	26.7
Asset & Property Management Division								30.0	32.0	31.0
Oregon Housing Stabilization Initiative Division								22.0		
Financial Management Division								21.8	24.0	21.5
Information Services Division								15.0	11.9	12.8
Human Resources								3.0	3.0	2.0
Total	152.8	137.0	114.0	121.3	125.5	147.5	152.3	163.8	140.4	126.0

OHCS's divisions were reorganized in 2012 and in 2015.

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## Other Reports

**Office of the Secretary of State**

Dennis Richardson  
Secretary of State

Leslie Cummings, Ph.D.  
Deputy Secretary of State



**Audits Division**

Kip R. Memmott, MA, CGAP, CRMA  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

(503) 986-2255

**Independent Auditor's 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**

The Honorable Kate Brown, Governor of Oregon  
Margaret Salazar, Director, Oregon Housing and Community Services Department

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 Elderly and Disabled Housing Fund and Housing Finance Fund, enterprise funds of the State of Oregon, Housing and Community Services Department (Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 may exist that have not been identified.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department'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 determination of financial statement amounts. 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.

*Office of the Secretary of State, Audits Division*

State of Oregon  
October 29, 2018

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## SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL LIQUIDITY FACILITY

*The following is a summary of certain provisions of the Initial Liquidity Facility. This summary is not to be considered a full statement of the terms of the Initial Liquidity Facility and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise defined in this summary or in this Official Statement have the respective meanings set forth in the Initial Liquidity Facility.*

The Initial Liquidity Facility provides liquidity for the Variable Rate Bonds and the Department's Mortgage Revenue Bonds (Single-Family Mortgage Program), 2015 Series C, 2016 Series B, 2016 Series C, 2017 Series C and 2018 Series B (collectively, with the Variable Rate Bonds, the "Initial Liquidity Facility Covered Bonds"). Upon the effectiveness of the Initial Liquidity Facility, the amount available under the Initial Liquidity Facility for the purchase of Initial Liquidity Facility Covered Bonds will equal the aggregate principal amount of the Initial Liquidity Facility Covered Bonds, plus 189 days interest thereon calculated at 12% per 360 day year.

*General.* The Initial Liquidity Facility requires the Bank to provide funds for the purchase of Initial Liquidity Facility Covered Bonds that have been tendered and not remarketed subject to certain conditions described below. Bank Bonds will bear interest at the Bank Rate, in accordance with the Initial Liquidity Facility, payable monthly.

*Expiration of the Initial Liquidity Facility.* The Bank is obligated to purchase the Initial Liquidity Facility Covered Bonds pursuant to the Initial Liquidity Facility from the Effective Date until the earliest to occur of the following dates and events (the "Commitment Period"): (1) the later of 5:00 p.m. Eastern United States time on June 5, 2021, or the date to which such expiration date is extended at the sole discretion of the Bank (or if such date is not a Business Day, the Business Day next preceding such day); (2) the first date on which no Initial Liquidity Facility Covered Bonds are Outstanding; (3) 5:00 p.m. Eastern United States time on the Auction Rate Conversion Date or the Conversion Date on which the interest rate borne by all of the Initial Liquidity Facility Covered Bonds has been converted to, as applicable, an Auction Rate, a Fixed Interest Rate or an Indexed Rate; (4) 5:00 p.m. Eastern United States time on the forty-fifth (45th) day following the date on which a Notice of Termination Date (defined below in paragraph (2) of "Remedies Upon Occurrence of an Event of Default") is received by the Issuer, the Trustee and the Tender Agent, or if such forty-fifth (45th) day is not a Business Day, the next succeeding Business Day; (5) 5:00 p.m. Eastern United States time on the date on which an Alternate Liquidity Facility, a Non-Conforming Liquidity Facility or Self-Liquidity has become effective with respect to all Initial Liquidity Facility Covered Bonds; (6) 30 days after the Issuer delivers a notice of voluntary termination of the Initial Liquidity Facility (or immediately upon delivery of such notice if the Bank has defaulted on any payment obligations under the Initial Liquidity Facility), and payment of all amounts owing to the Bank under the Initial Liquidity Facility and the Fee Letter Agreement; and (7) the occurrence of a Termination Event (as defined below).

If there is a Termination Event applicable to a Series of Initial Liquidity Facility Covered Bonds, the obligation of the Bank to purchase such Initial Liquidity Facility Covered Bonds immediately terminates without notice or demand to any person. In such event, holders of such Initial Liquidity Facility Covered Bonds will have no right to optionally tender their Initial Liquidity Facility Covered Bonds and may be required to hold such Initial Liquidity Facility Covered Bonds until the earlier of the redemption or maturity thereof.

*Purchase of Initial Liquidity Facility Covered Bonds.* The Tender Agent will notify the Bank in writing by not later than 11:00 a.m. Eastern United States time on the Business Day immediately following the seventh day prior to a Purchase Date of the maximum amount which could be payable on such Purchase Date to pay the Purchase Price of tendered Initial Liquidity Facility Covered Bonds. On each Purchase Date on which the Initial Liquidity Facility Covered Bonds are to be tendered to the Tender Agent, by no later than 12:30 p.m. Eastern United States time, the Tender Agent shall give the Bank notice by telecopier or email and promptly confirmed in writing of the aggregate Purchase Price of the tendered Initial Liquidity Facility Covered Bonds required to be purchased by the Bank pursuant to the Initial Liquidity Facility, and the amount of principal and interest constituting such Purchase Price. Upon receipt of the notice set forth above, the Bank, unless it determines that its obligation to purchase pursuant to the Initial Liquidity Facility has been terminated in accordance therewith, shall, by no later than 2:00 p.m. Eastern United States time on the same day, (or not later than 2:00 p.m. Eastern United States time on the next Business Day if the Bank receives such notice after 12:30 p.m. Eastern United States time) make available to the Tender Agent, in immediately

available funds, such Purchase Price, to be deposited in accordance with the Indenture and the Applicable Bond Declaration. As soon as such funds become available, the Tender Agent is required to purchase therewith, for the account of the Bank, that portion of the tendered Initial Liquidity Facility Covered Bonds for the purchase of which immediately available funds are not otherwise then available for such purposes under the Indenture and the Applicable Bond Declaration. The Tender Agent is required to remit immediately to the Bank such funds that are not so used to purchase tendered Initial Liquidity Facility Covered Bonds.

*Events of Default Under the Initial Liquidity Facility.* The following events constitute events of default under the Initial Liquidity Facility.

(1) (a) Any principal of, or interest on, any Initial Liquidity Facility Covered Bond (including any Bank Bond) or (b) any other amount owed to the Bank as owner of any Initial Liquidity Facility Covered Bond or Bank Bond pursuant to the Initial Liquidity Facility, shall not be paid when due; or

(2) The Issuer shall fail to pay any fee to the Bank due under the Fee Letter Agreement within fifteen (15) days after the same shall become due; or

(3) Any representation or warranty made or deemed to be made to the Bank by or on behalf of the Issuer in any Related Document, or in any certificate or statement delivered under the Related Documents shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(4) The Issuer shall fail to observe or perform any covenant or agreement of the Issuer contained (or incorporated by reference) in the Initial Liquidity Facility and such failure shall continue for 60 days (or such longer period as provided in any such covenant or agreement) or more after written notice thereof requesting that such default be remedied has been given to it by the Bank; provided that the Issuer's failure to observe or perform certain enumerated covenants shall constitute an event of default immediately and without regard to any grace period; or

(5) The Issuer shall default in the due performance or observance of any other term, covenant or agreement contained in the Initial Liquidity Facility (other than those referred to in paragraphs (1) through (4) above) and such default shall remain unremedied for a period of thirty (30) days after the Bank shall have given written notice thereof to the Issuer; or

(6) Any Event of Default under the Indenture or any "event of default" which is not cured within any applicable cure period under any of the Related Documents shall occur which, if not cured, would give rise to remedies available thereunder; or

(7) (a) Any material provision of the Initial Liquidity Facility or any Related Document shall at any time for any reason cease to be valid and binding on the Issuer or any other party thereto or shall be declared to be null and void, or (b) the validity or enforceability thereof shall be contested by the Issuer or such other party thereto or by any Governmental Authority having jurisdiction, or the Issuer or such other party shall deny that it has any or further liability or obligation under any such document; or

(8) The rating assigned to the Initial Liquidity Facility Covered Bonds shall fall below Investment Grade; or

(9) The Issuer shall default in any payment of principal of or premium, if any, or interest on any general obligation of the Issuer for borrowed money in excess of \$10,000,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or the Issuer shall fail to perform any other agreement, term or condition contained in any agreement under which any such obligation is created or secured, which shall permit or result in the declaring due and payable of such obligation prior to the date on which it would otherwise have become due and payable; or

(10) A final judgment or order for the payment of money from the Housing Finance Fund in excess of \$5,000,000 shall have been rendered against the Issuer and such judgment or order shall not have been satisfied, stayed or bonded pending appeal within a period of sixty (60) days from the date on which it was first so rendered.

*Remedies Upon Occurrence of an Event of Default.* Following the occurrence of certain of the above referenced events of default, the Bank may take any one or more of the following actions.

(1) In the case of a Termination Event, the obligations of the Bank under the Initial Liquidity Facility to purchase the Initial Liquidity Facility Covered Bonds shall immediately terminate without notice or demand to any Person, and thereafter the Bank shall be under no obligation to purchase the Initial Liquidity Facility Covered Bonds. Promptly upon such event of default, the Bank shall give written notice of the same to the Issuer, the Trustee and the Remarketing Agent; *provided*, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment with respect to such Initial Liquidity Facility Covered Bonds and of its obligation to purchase such Initial Liquidity Facility Covered Bonds pursuant to the Initial Liquidity Facility. The Issuer shall cause the Trustee to notify all holders of Initial Liquidity Facility Covered Bonds of the applicable Series of the termination of the Available Commitment and the termination of the obligation of the Bank to purchase such Initial Liquidity Facility Covered Bonds.

(2) In the case of the occurrence of any event of default specified in paragraphs (1)(b), (2), (3), (4) or (9) under "Events of Default Under the Initial Liquidity Facility" above, or the occurrence of an event of default specified in either paragraph (6) or (7) above for which the remedy set forth in the preceding paragraph above does not apply, the Bank may give written notice of such event of default and termination of the Initial Liquidity Facility (a "Notice of Termination Date") to the Trustee, the Tender Agent, the Issuer, and the Remarketing Agent, requesting a mandatory tender of the Initial Liquidity Facility Covered Bonds. The obligation of the Bank to purchase the Initial Liquidity Facility Covered Bonds shall terminate on the forty-fifth (45th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Tender Agent and on such date the Bank shall be under no obligation under the Initial Liquidity Facility to purchase Initial Liquidity Facility Covered Bonds.

(3) Upon the occurrence of any event of default, the Bank may declare all accrued and unpaid amounts payable to it under the Initial Liquidity Facility immediately due and payable (other than payments of principal of and interest on Bank Bonds, acceleration rights with respect to which are governed by the Indenture), and the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, the Bank agrees to purchase the Initial Liquidity Facility Covered Bonds on the terms and conditions of the Initial Liquidity Facility notwithstanding the occurrence of an event of default which does not terminate its obligation to purchase Initial Liquidity Facility Covered Bonds under paragraph (1) or (2) under this heading "Remedies Upon Occurrence of an Event of Default").

(4) The remedies provided under paragraphs (1) and (2) under "Remedies Upon Occurrence of an Event of Default" shall only be exclusive with respect to such Events of Default to the extent they are obtained by the Bank. If, for any reason whatsoever, the Bank is not able to obtain all such remedies, then the Bank reserves the right and shall have the right to pursue any other available remedies, whether provided by law, equity or the Initial Liquidity Facility.

*Defined Terms.* As used in this appendix entitled "SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL LIQUIDITY FACILITY" the following terms have the meanings indicated below:

*"Applicable Bond Declaration"* means the housing finance bond declaration related to the applicable Series of Initial Liquidity Facility Covered Bonds.

*"Applicable Remarketing Agreement"* means the remarketing agreement related to the applicable Series of Initial Liquidity Facility Covered Bonds.

*"Available Commitment"* means, on any day, the sum of the Available Interest Commitment and the Available Principal Commitment on such day, initially \$186,811,620\*.

*"Available Interest Commitment"* initially means \$11,071,620\*, which initial amount equals 189 days' interest on the initial amount of the Available Principal Commitment based upon an assumed rate of interest of 12% per annum and a year of 360 days, and thereafter means such initial amount adjusted from time to time as follows: (a)

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\* Subject to change.

downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Available Principal Commitment, in accordance with clause (a), (b) or (c) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment and (b) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (d) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment.

*“Available Principal Commitment”* means, initially, the aggregate principal amount of the Initial Liquidity Facility Covered Bonds Outstanding, \$175,740,000\* and thereafter means such initial amount adjusted from time to time as follows: (a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the Initial Liquidity Facility; (b) downward by the principal amount of any Initial Liquidity Facility Covered Bonds for the purchase of which funds are made available by the Bank to purchase Initial Liquidity Facility Covered Bonds pursuant to the Initial Liquidity Facility; (c) downward by the principal amount of any Initial Liquidity Facility Covered Bonds of which the interest rate borne by such Initial Liquidity Facility Covered Bonds has been changed to an Auction Rate (if applicable) or converted to an Indexed Rate or a Fixed Interest Rate; and (d) upward by the principal amount of any Initial Liquidity Facility Covered Bonds theretofore purchased by the Bank pursuant to the Initial Liquidity Facility which are remarketed (or deemed to be remarketed) by the Remarketing Agent and for which the Bank has received immediately available funds equal to the principal amount thereof and accrued interest thereon. Any adjustments to the Available Principal Commitment pursuant to clauses (a), (b), (c), and (d) hereof shall occur simultaneously with the occurrence of the events described in such clauses.

*“Bank Bond”* means each Initial Liquidity Facility Covered Bond purchased with funds provided under the Initial Liquidity Facility by the Bank, until remarketed or deemed to be remarketed in accordance with the Initial Liquidity Facility.

*“Bank Rate”* means, for each day of determination with respect to any Bank Bond, except as otherwise provided in the Initial Liquidity Facility, (i) for the period from and including the Purchase Date of such Bank Bond to but not including the earliest to occur of (x) the last day of the Commitment Period and (y) the 31st calendar day following the related Purchase Date, the Base Rate plus 0.50%, (ii) for the period from and including the 31st calendar day following the related Purchase Date to but not including the earliest to occur of (x) the last day of the Commitment Period and (y) the 90th calendar day following the related Purchase Date, the rate per annum equal to the Base Rate from time to time in effect plus 0.75%, and (iii) thereafter, the rate per annum equal to the Base Rate from time to time in effect plus 1.50%; *provided* that from and after the occurrence of an event of default, the Bank Rate shall equal the Default Rate; and provided further, that at no time shall the Bank Rate with respect to any Bank Bonds be less than the interest rate on Initial Liquidity Facility Covered Bonds of such Series that are not Bank Bonds.

*“Base Rate”* means, for any day, the greater of (i) the rate of interest most recently designated by the Bank in the United States as its “prime rate” (or equivalent) plus two percent (2.00%) per annum, (ii) the Fed Funds Rate plus three percent (3.00%) per annum, or (iii) seven and one-half percent (7.50%) per annum.

*“Bond Purchase Agreement”* means the Bond Purchase Agreement, dated May 8, 2018, relating to the Variable Rate Bonds.

*“Debt”* of any Person means and includes (a) all indebtedness of such Person for borrowed money; (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (c) all obligations of such Person to reimburse or repay any bank or other Person in respect of amounts paid or advances under a letter of credit, credit agreement, standby bond purchase agreement or any other similar instrument; (d) obligations with respect to any conditional sale agreement or title retention agreement; (e) Guarantees by such Person of Debt of other Persons; (f) obligations under leases which are required to be capitalized by generally accepted accounting principles; (g) indebtedness of others secured by a Lien on any asset of such Person, whether or not such indebtedness is assumed by such Person; (h) obligations of such Person under any Swap Contract; and (i) all other items or obligations which would be included in determining total liabilities on the balance sheet of such Person; *provided, however*, that “Debt” shall not include trade payables and similar obligations incurred in the ordinary course of business.

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\* Subject to change.

*“Default”* means any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or giving of notice, would constitute an event of default.

*“Default Rate”* means the Base Rate from time to time in effect plus 3.00%.

*“Department”* means the State of Oregon Housing and Community Services Department, including any successors and assigns.

*“Effective Date”* means December \_\_, 2018.

*“Fed Funds Rate”* means for any day the rate of interest per annum as determined by the Bank at which overnight Federal Funds are offered to the Bank for such day by major banks in the interbank market, with any change in such rate to become effective on the date of any change in such rate. Each determination of the Fed Funds Rate by the Bank shall be deemed conclusive and binding on the Issuer absent manifest error.

*“Fee Letter Agreement”* means the fee letter agreement, by and between the Bank and the Issuer, relating to the Initial Liquidity Facility as the terms thereof may be amended or supplemented by agreement of the parties thereto from time to time.

*“Governmental Authority”* means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasigovernmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), any arbitrator with authority to bind a party at law, or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of or pertaining to government.

*“Investment Grade”* means a rating of “Baa3” (or its equivalent) or better by Moody’s (if the Initial Liquidity Facility Covered Bonds are rated by Moody’s), a rating of “BBB-” (or its equivalent) or better by S&P (if the Initial Liquidity Facility Covered Bonds are rated by S&P), or a rating of “Baa3” (or its equivalent) or better by Moody’s and a rating of “BBB-” (or its equivalent) or better by S&P (if the Initial Liquidity Facility Covered Bonds are rated by both Moody’s and S&P).

*“Issuer”* means the State of Oregon acting by and through The Housing and Community Services Department. In addition, the term “Issuer,” or references to assets or property of the Issuer, shall not be construed to include the general fund or any other funds or accounts held in the Oregon State Treasury, apart from the Housing Finance Fund. References to obligations or debts of the Issuer shall not be construed as a full faith and credit obligation of the State or any of its agencies, other than the Department.

*“Maximum Rate”* means, with respect to Bank Bonds, the lesser of (A) the maximum non-usurious lawful rate of interest permitted by applicable law and (B) twelve percent (12%) per annum.

*“Parity Debt”* means Debt of the Issuer described in clauses (b), (c), (f) and (h) (and in the case of (f), excluding any lease, the obligation of which is subject to appropriation at the discretion of the State, and in the case of (h), only with respect to (1) Swap Contracts that provide interest rate support and (2) obligations that constitute regularly scheduled payments that relate to any such Debt that is secured on a basis that is senior to or on parity with the Bonds and the Bank Bonds); *provided*, that such Debt is secured by a security interest in the Revenues that is on a parity with, or senior to, the Bonds pursuant to the Indenture and the applicable Bond Declaration.

*“Related Documents”* means the Initial Liquidity Facility, the Initial Liquidity Facility Covered Bonds, the Liquidity Provider Bond Custody Agreement, the Indenture, the Applicable Bond Declarations, the Bond Purchase Agreement, the Fee Letter Agreement, and the Applicable Remarketing Agreements.

*“Termination Event”* means the occurrence of an event of default specified in paragraphs (1)(a), (6), (7), (8), or (10) of section “*Events of Default Under the Initial Liquidity Facility*” above, each of which shall result in the termination of the Available Commitment and the Bank’s obligation to purchase Initial Liquidity Facility Covered Bonds under the Initial Liquidity Facility; *provided that*, the occurrence of an event of default specified in paragraph

(6) shall constitute a Termination Event only to the extent that such event of default relates to the Issuer's obligation to make timely payments of principal of, or interest on, any Parity Debt under the Indenture, and the occurrence of an event of default specified in paragraph (7) shall constitute a Termination Event only to the extent that such event of default relates to the invalidity of the Initial Liquidity Facility, the Indenture, or the Applicable Bond Declaration.



## INFORMATION CONCERNING THE BANK<sup>†</sup>

State Street Bank and Trust Company (the “Bank”) is a wholly-owned subsidiary of State Street Corporation (the “Corporation”). The Corporation (NYSE: STT) through its subsidiaries, including the Bank, provides a broad range of financial products and services to institutional investors worldwide. With \$33.12 trillion in assets under custody and administration and \$2.78 trillion in assets under management as of December 31, 2017, the Corporation operates in more than 100 geographic markets worldwide. As of December 31, 2017, the Corporation had consolidated total assets of \$238.43 billion, consolidated total deposits (including deposits in non-U.S. offices) of \$184.90 billion, total investment securities of \$97.58 billion, total loans and leases, net of unearned income and allowance for loan losses, of \$23.24 billion, and total shareholders’ equity of \$22.32 billion.

The Bank’s *Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices Only -- FFIEC 031* (the “Call Reports”) through December 31, 2017 have been submitted through the Federal Financial Institutions Examination Council and provided to the Board of Governors of the Federal Reserve System, the primary U.S. federal banking agency responsible for regulating the Corporation and the Bank. Publicly available portions of those Call Reports, and future Call Reports so submitted by the Bank, are available on the Federal Deposit Insurance Corporation’s website at [www.fdic.gov](http://www.fdic.gov). The Call Reports are prepared in conformity with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles.

Additional financial and other information related to the Corporation and the Bank, including the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2017 and additional annual, quarterly and current reports subsequently filed or furnished by the Corporation with the U.S. Securities and Exchange Commission (the “SEC”), can be accessed free of charge on the SEC’s website at [www.sec.gov](http://www.sec.gov).

Any statement contained in any document referred to above shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently submitted, filed or furnished document that also is referred to above modifies or supersedes such statement. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank or the Corporation since the date hereof, or that information contained or referred to in this Appendix is correct as of any time subsequent to this date. The information concerning the Corporation, the Bank or any of their respective affiliates is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced here.

A copy of any or all of the publicly available portions of the documents referred to above, other than exhibits to such documents, may be obtained without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

**The Initial Liquidity Facility is an obligation solely of the Bank and is not an obligation of, or otherwise guaranteed by, the Corporation or any of its affiliates (other than the Bank). Neither the Corporation nor any of its affiliates (other than the Bank) is required to make payments under the Initial Liquidity Facility. None of the Bank, the Corporation or any of their respective affiliates makes any representation as to, or is responsible for the suitability of the Offered Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations. The Offered Bonds are not direct obligations of, or guaranteed by, the Bank, the Corporation or any of their respective affiliates, except to the extent provided by in the Initial Liquidity Facility.**

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<sup>†</sup> The information in this Appendix was provided by the Bank.

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**DTC AND BOOK-ENTRY**

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) (information on the DTC website is not a part of the Official Statement).

Purchases of the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC’s records. The ownership interest of each actual purchaser of each Offered Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 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.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults and proposed amendments

to the Bond documents. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

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

Principal, redemption price, purchase price and interest payments on the Offered Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, purchase price (if applicable) and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

The Department may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor depository). In that event, Offered Bond certificates will be printed and delivered to DTC.

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

So long as Cede & Co. is the registered owner of the Offered Bonds, as nominee for DTC, reference herein to the registered owners of the Offered Bonds (other than under the heading "Tax Matters" in the Official Statement) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Offered Bonds.

## PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”), dated December \_\_, 2018, is executed and delivered by the State of Oregon, acting by and through its State Treasurer (the “State”) and its Housing and Community Services Department (the “Department”, and together with the State, the “Issuer”), in connection with the issuance of the State of Oregon Housing and Community Services Department Mortgage Revenue Bonds (Single-Family Mortgage Program), 2018 Series D and 2018 Series E (collectively, the “Offered Bonds”). The Offered Bonds are being issued and delivered pursuant to a Trust Indenture dated as of May 1, 1988, as amended and restated (the “Indenture”), and two Housing Finance Bond Declarations, each approved and filed in the Office of the State Treasurer (collectively, the “Bond Declarations”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Indenture and the Bond Declarations.

Section 1. *Purpose of Certificate.* This Certificate is being executed and delivered by the Issuer for the benefit of holders of the Offered Bonds and to assist the underwriters of the Offered Bonds in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the “Rule”).

Section 2. *Annual Financial Information.* The Issuer, as the “obligated person” for purposes of the Rule, hereby agrees to provide or cause to be provided at least annually to the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions thereof contemplated by this Certificate (the “MSRB”), financial information regarding the Department and the Single-Family Mortgage Program (the “Program”) of the type set forth in the Official Statement for the Offered Bonds under the following captions:

The Department

- Funds and Accounts of the Department
- *Combined Program Account in the Housing Finance Fund*

The Program

- Amounts Available to Purchase Mortgage Loans
- Certain Information Relating to Mortgage Loans
- Certain Information Relating to Mortgage Delinquencies and Foreclosures
- Outstanding Mortgage Revenue Bonds

Appendix B - Oregon Housing and Community Services Department Financial Statements

Such financial information shall also include information with respect to the amounts on deposit in the Insurance Reserve Account and the Debt Reserve Account.

The financial information described above will be filed no later than 9 months after the fiscal year end of the Department. Such information will include audited financial statements prepared in accordance with generally accepted accounting principles as established by the Government Accounting Standards Board as in effect from time to time; provided, however, that if audited financial statements are not available within 9 months after the end of the preceding fiscal year, unaudited financial statements will be provided with audited financial statements to follow when available.

Certain items of annual financial information may be provided by way of cross-reference to other documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the U.S. Securities and Exchange Commission. If the document included by cross-reference is a final official statement, it must be available from the MSRB.

Section 3. *Notice Events.* The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of such event, to the MSRB, notice of the occurrence of any of the following events with respect to the Offered Bonds:

- a. principal and interest payment delinquencies;
- b. nonpayment related defaults, if material;
- c. unscheduled draws on debt service reserves reflecting financial difficulties;
- d. unscheduled draws on credit enhancements reflecting financial difficulties;
- e. substitution of credit or liquidity providers, or their failure to perform;
- f. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds;
- g. modifications to rights of the holders of the Offered Bonds, if material;
- h. Offered Bond calls, if material and tender offers;
- i. defeasances;
- j. release, substitution, or sale of property securing repayment of the Offered Bonds, if material;
- k. rating changes;
- l. bankruptcy, insolvency, receivership or similar event of the Issuer<sup>†</sup>;
- m. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Offered Bonds, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above.

Section 4. *Failure to File Annual Financial Information.* The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the annual financial information described in Section 2 above on or prior to the time set forth in Section 2.

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

Section 5. *Dissemination Agent.* The Issuer may, from time to time, engage or appoint an agent to assist the Issuer in disseminating information hereunder (the “Dissemination Agent”). The Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 6. *Transmission of Notices, Documents and Information.* (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB’s Electronic Municipal Markets Access (“EMMA”) system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB (currently, portable document format (pdf), which must be word-searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. *Termination of Obligations.* Pursuant to paragraph (b)(5)(iii) of the Rule, the Issuer’s obligation to provide annual financial information and notice of material events, as set forth herein, shall terminate if and when the Issuer no longer remains an obligated person with respect to the Offered Bonds, which shall occur upon payment or redemption of the Offered Bonds in full or upon the legal defeasance of the Offered Bonds in accordance with Article XI of the Indenture. In addition, and notwithstanding the provisions of Section 9 below, the Issuer may rescind its obligations under this Certificate, in whole or in part, if (i) the Issuer obtains an opinion of nationally recognized bond counsel that those portions of the Rule that required the execution and delivery of this Certificate are invalid, have been repealed, or otherwise do not apply to the Offered Bonds, and (ii) the Issuer notifies and provides to the MSRB a copy of such legal opinion.

Section 8. *Enforceability and Remedies.* The Issuer agrees that this Certificate is intended to be for the benefit of the beneficial holders and holders of the Offered Bonds and shall be enforceable by or on behalf of any such holders; provided that the right of any beneficial bondholder to challenge the adequacy of the information furnished pursuant to this Certificate shall be limited to an action by or on behalf of the holders of the Offered Bonds representing at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Offered Bonds. Any failure by the Issuer to comply with the provisions of this Certificate shall not be an Event of Default under the Indenture or the Bond Declarations. This Certificate confers no rights on any person or entity other than the Issuer, the beneficial holders and holders of the Offered Bonds and any Dissemination Agent.

Section 9. *Amendment.* Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, without the consent of the holders of the Offered Bonds, under the following conditions.

(1) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Issuer, or type of business conducted;

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

(3) The amendment does not materially impair the interest of the holders of the Offered Bonds, as determined either by parties unaffiliated with the Issuer (such as the trustee for the Offered Bonds or nationally recognized bond counsel), or by approving vote of holders of the Offered Bonds pursuant to the terms of the Indenture at the time of the amendment.

The Issuer shall provide notice of any amendment which changes the accounting principles followed by the Department in preparation of its annual financial information to the MSRB.

The initial annual financial information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change in the type of operating data or financial information being provided.

Section 10. *Choice of Law.* This Certificate shall be governed by and construed in accordance with the laws of the State, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 11. *Counterparts*. This Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

STATE OF OREGON

By \_\_\_\_\_  
State Treasurer or designee

Date: November \_\_, 2018

HOUSING AND COMMUNITY SERVICES  
DEPARTMENT of the State of Oregon

By \_\_\_\_\_  
Director

Date: November \_\_, 2018



**REDEMPTION PRICE TABLE FOR CERTAIN REDEMPTIONS**

The PAC Bonds that are redeemed from Unexpended Proceeds as described in this Official Statement in the first paragraph under “The Offered Bonds – Redemption Provisions – Special Redemption” will be redeemed at the respective Redemption Prices on the redemption dates set forth below.

<u>Redemption Dates</u>	<u>Redemption Prices</u>
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The applicable Redemption Price for any date other than those above will be determined by the Department using straight-line interpolation between the respective Redemption Prices for the immediately preceding and succeeding dates, based on the number of days between such dates.

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**PROJECTED PERCENTAGES OF INITIAL PRINCIPAL BALANCE OUTSTANDING  
AND PROJECTED WEIGHTED AVERAGE LIVES\***

Set forth in the table below are projected percentages of initial principal balance outstanding and projected weighted average lives for the PAC Bonds under various prepayment speeds. “Projected percentages of initial principal balance outstanding” refers to the principal balance of a security that will be outstanding on a specified date expressed as a percentage of the initial principal amount of such security. The “projected weighted average life” of a security refers to the average amount of time, measured here in years, that is projected to elapse from the date of delivery of such security to the date of projected payment to the investor of each dollar paid to reduce the principal of such security (assuming no losses). The projected weighted average life of a security is determined by (a) multiplying each projected reduction, if any, of the outstanding amount of such security by the number of years from the date of delivery of such security to the related redemption date or maturity date, (b) adding the results and (c) dividing the sum by the initial outstanding amount of such security. The calculation of the projected weighted average life of the PAC Bonds set forth below is hypothetical, based on the making of certain assumptions, which are the same as those made under the caption “The Offered Bonds – Redemption Provisions – *Special Redemption of the PAC Bonds*” in the Official Statement, except, in the case of the last row of the following table, clause (7) thereunder.

**Projected Percentages of Initial Principal Balance Outstanding and Weighted Average Lives  
\$36,155,000 2018 Series D PAC Bonds due January 1, 2050**

**Prepayment Assumption (expressed as a percentage of SIFMA Standard Prepayment Model)**

	<u>0</u>	<u>25</u>	<u>50</u>	<u>75</u>	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>650</u>	<u>800</u>
Initial Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
July 1, 2019	100.0	100.0	100.0	99.9	99.9	99.9	99.9	99.9	99.9	99.8	99.7
July 1, 2020	100.0	99.1	98.1	97.2	96.2	96.2	96.2	96.2	94.5	92.0	89.4
July 1, 2021	100.0	96.4	92.8	89.2	85.6	85.6	85.6	85.6	79.3	68.3	56.1
July 1, 2022	100.0	92.1	84.4	76.7	69.2	69.2	69.2	69.2	56.7	32.3	12.0
July 1, 2023	100.0	87.6	75.5	63.8	52.4	52.4	52.4	52.4	33.9	3.2	-
July 1, 2024	100.0	83.2	67.0	51.6	36.7	36.7	36.7	36.7	16.5	-	-
July 1, 2025	100.0	78.9	59.0	40.2	22.4	22.4	22.4	22.4	4.2	-	-
July 1, 2026	100.0	74.9	51.4	29.6	9.2	9.2	9.2	9.2	-	-	-
July 1, 2027	100.0	70.9	44.2	19.7	-	-	-	-	-	-	-
July 1, 2028	100.0	67.2	37.5	10.6	-	-	-	-	-	-	-
July 1, 2029	100.0	63.6	31.1	2.1	-	-	-	-	-	-	-
July 1, 2030	100.0	60.2	25.1	-	-	-	-	-	-	-	-
July 1, 2031	100.0	57.0	19.5	-	-	-	-	-	-	-	-
July 1, 2032	100.0	53.9	14.3	-	-	-	-	-	-	-	-
July 1, 2033	100.0	51.0	9.4	-	-	-	-	-	-	-	-
July 1, 2034	100.0	48.3	4.9	-	-	-	-	-	-	-	-
July 1, 2035	100.0	45.7	0.7	-	-	-	-	-	-	-	-
July 1, 2036	100.0	43.3	-	-	-	-	-	-	-	-	-
July 1, 2037	100.0	41.0	-	-	-	-	-	-	-	-	-
July 1, 2038	100.0	39.0	-	-	-	-	-	-	-	-	-
July 1, 2039	100.0	37.1	-	-	-	-	-	-	-	-	-
July 1, 2040	100.0	35.4	-	-	-	-	-	-	-	-	-
July 1, 2041	100.0	33.8	-	-	-	-	-	-	-	-	-
July 1, 2042	100.0	32.5	-	-	-	-	-	-	-	-	-
July 1, 2043	97.5	30.5	-	-	-	-	-	-	-	-	-
July 1, 2044	83.0	24.9	-	-	-	-	-	-	-	-	-
July 1, 2045	67.9	19.6	-	-	-	-	-	-	-	-	-
July 1, 2046	52.2	14.5	-	-	-	-	-	-	-	-	-
July 1, 2047	35.9	9.6	-	-	-	-	-	-	-	-	-
July 1, 2048	18.9	4.8	-	-	-	-	-	-	-	-	-
July 1, 2049	2.8	0.7	-	-	-	-	-	-	-	-	-
First Payment or Redemption Date	7/1/2043	7/1/2019	7/1/2019	7/1/2019	7/1/2019	7/1/2019	7/1/2019	7/1/2019	7/1/2019	7/1/2019	7/1/2019
Last Payment or Redemption Date	1/1/2050	1/1/2050	1/1/2036	1/1/2030	7/1/2027	7/1/2027	7/1/2027	7/1/2027	1/1/2026	1/1/2024	1/1/2023
Weighted Average Life (in years)											
Optional Call Not Exercised	27.9	16.3	8.4	6.1	5.0	5.0	5.0	5.0	4.1	3.2	2.8
Optional Call on 1/1/2028 Exercised	9.0	7.9	6.9	5.9	5.0	5.0	5.0	5.0	4.1	3.2	2.8

\* Subject to change.

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**FORM OF PROPOSED APPROVING OPINION OF BOND COUNSEL**

(Letterhead of Hawkins Delafield & Wood LLP)

State of Oregon Housing  
and Community Services Department  
725 Summer Street NE, Suite B  
Salem, Oregon

We have examined a record of proceedings relating to the issuance by the State of Oregon (the "State") of its Mortgage Revenue Bonds (Single-Family Mortgage Program), 2018 Series D, in the aggregate principal amount of \$\_\_\_\_\_ (the "Series D Bonds") and its Mortgage Revenue Bonds (Single-Family Mortgage Program), 2018 Series E, in the aggregate principal amount of \$\_\_\_\_\_ (the "Series E Bonds"; together with the Series D Bonds, the "Bonds") as Bond Counsel to the Housing and Community Services Department of the State of Oregon (the "Department").

The Bonds are issued under and pursuant to the applicable provisions of the Oregon Constitution and Sections 456.515 to 456.725, inclusive, of the Oregon Revised Statutes, as amended (the "Act"), a Trust Indenture by and between the State, acting by and through the Department, and U.S. Bank National Association, Portland, Oregon, as trustee (the "Trustee"), dated as of May 1, 1988, as amended and restated (the "Indenture"), and two Housing Finance Bond Declarations (collectively, the "Bond Declarations") of the Department. The Bonds are dated, mature on the dates, in the principal amounts, bear interest, if any, and are payable, as provided in the Indenture and the Bond Declarations. The Bonds are subject to redemption prior to maturity, in whole or in part, as set forth in the Indenture and the Bond Declarations.

Applicable federal tax law establishes certain requirements that must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds not be included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). The Department has adopted documents with respect to its program (the "Program Documents") that establish procedures under which, if followed, such requirements can be met. The State has covenanted in the Indenture to at all times perform all acts and things permitted by law and necessary and desirable in order to assure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under any valid provision of law. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of the reasonable expectations made by the Department and others in connection with the Bonds. We have relied upon such covenant and have assumed compliance with and enforcement by the State of the provisions of the Indenture, the Bond Declarations and the Program Documents.

The State is not obligated to pay the Bonds or the interest thereon except from the revenues and assets pledged therefor under the Indenture. The Bonds do not constitute a debt, liability or general obligation of the State or any political subdivision thereof, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

We are of the opinion that:

1. The State has the right and power pursuant to the Act to enter into the Indenture, and the Indenture has been duly authorized, executed and delivered and, assuming due authorization, execution and delivery by the Trustee, constitutes a legally valid and binding obligation of the State enforceable in accordance with its terms.

2. The Bond Declarations have been duly adopted by the State, acting by and through the Department, and are valid and binding upon the State.

3. The Bonds are valid and legally binding special revenue obligations of the State secured in the manner and to the extent set forth in the Indenture and the Bond Declarations and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained therein.

4. Under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (ii) interest on the Bonds maturing on January 1, 2020 is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed, for tax years beginning before January 1, 2018, on such corporations, and (iii) interest on the Bonds maturing on or after July 1, 2020 is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. No opinion as to the exclusion from gross income of interest on any of the Bonds is expressed subsequent to any date on which action is taken pursuant to the Indenture or the Bond Declarations for which action the Indenture or the Bond Declarations requires a legal opinion to the effect that taking such action will not adversely affect such exclusion, should the undersigned not deliver an opinion as of such date to such effect.

5. Under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds. We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Bonds and express herein no opinion relating thereto.

In rendering this opinion, we are advising you that the enforceability of the Bonds, the Indenture and the Bond Declarations may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors' rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Bond of each Series and, in our opinion, the form of said Bonds and their execution are regular and proper.

Very truly yours,



