

PRELIMINARY OFFICIAL STATEMENT DATED MAY 20, 2025

*In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the 2025 Series C Bonds (the “2025 Series C Bonds”) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the 2025 Series D Bonds (the “2025 Series D Bonds”) is included in gross income for federal income tax purposes. For a more detailed description of such opinions of Bond Counsel, see “TAX MATTERS” herein.*

NEW ISSUE

**\$199,000,000\***  
**South Dakota Housing Development Authority**  
**Homeownership Mortgage Bonds**  
**\$125,000,000\* 2025 Series C (Non-AMT)**  
**\$74,000,000\* 2025 Series D (Taxable)**

Dated: Date of delivery

Due: As set forth on the inside cover

The 2025 Series C Bonds and the 2025 Series D Bonds (collectively, the “Offered Bonds”) are issuable only as fully registered bonds. The Offered Bonds 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 denominations of \$5,000 each or any integral multiple thereof and will bear interest at the rates set forth on the inside cover hereof. Interest on the Offered Bonds will be payable on May 1 and November 1 of each year, commencing November 1, 2025\*. Interest on and principal of the Offered Bonds will be payable in the manner set forth herein. Computershare Trust Company, National Association, St. Paul, Minnesota is the Trustee, Registrar and Paying Agent with respect to the Offered Bonds.

The Offered Bonds are subject to redemption prior to maturity at the times, under the conditions and at the prices set forth herein under the caption “The Offered Bonds,” including redemption from certain sources at any time.

The Offered Bonds are secured, on a parity with other Bonds which have been or will be issued under the Bond Resolution, by a pledge of and security interest in the proceeds of Bonds, Mortgage Loans, Guaranteed Mortgage Securities and Investments purchased therefrom and Revenues and assets and income held in and receivable by Funds and Accounts established under the Bond Resolution and are also payable, if necessary, from any other revenues or moneys of the Authority, subject only to any agreements with holders of other notes or bonds pledging any particular revenues for the payment thereof.

***The Authority has no taxing power. The Offered Bonds do not constitute a debt or liability or obligation of the State of South Dakota or of any political subdivision thereof, or a pledge of the faith and credit of the State of South Dakota or of any political subdivision thereof, but are payable solely from the revenues and assets of the Authority pledged therefor and any other revenues or money of the Authority not pledged to secure other obligations of the Authority.***

*The Offered Bonds are offered in book-entry form when, as and if issued by the Authority and accepted by the Underwriters, subject to approval of legality by Kutak Rock LLP, Omaha, Nebraska, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Dorsey & Whitney LLP, Des Moines, Iowa and Meierhenry Sargent, LLP, Sioux Falls, South Dakota. Certain legal matters will be passed upon by Davenport, Evans, Hurwitz & Smith, LLP, Sioux Falls, South Dakota, general counsel to the Authority. It is expected that the Offered Bonds will be available for delivery through the facilities of DTC on or about June 17, 2025\*.*

**Wells Fargo Securities**

**BofA Securities**

**Colliers Securities**

**J.P. Morgan**

May \_\_, 2025

\* Subject to change.

# MATURITY SCHEDULE\*

## \$125,000,000 2025 SERIES C BONDS (Non-AMT)

### \$5,240,000 Serial Bonds

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP†</u> <u>Number</u>	<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP†</u> <u>Number</u>
November 1, 2036	\$1,205,000	%	%		November 1, 2037	\$2,040,000	%	%	
May 1, 2037	1,995,000								

<b>\$13,255,000</b>	<b>%</b>	<b>Term Bonds due November 1, 2040</b>	<b>Price: %</b>	<b>CUSIP† Number</b>
<b>\$26,645,000</b>	<b>%</b>	<b>Term Bonds due November 1, 2045</b>	<b>Price: %</b>	<b>CUSIP† Number</b>
<b>\$42,130,000</b>	<b>%</b>	<b>Term Bonds due May 1, 2052</b>	<b>Price: %</b>	<b>CUSIP† Number</b>
<b>\$37,730,000</b>	<b>%</b>	<b>Term Bonds due November 1, 2056 (PAC)</b>	<b>Price: %</b>	<b>CUSIP† Number</b>

## \$74,000,000 2025 SERIES D BONDS (Taxable)

### \$41,925,000 Serial Bonds

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP†</u> <u>Number</u>	<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP†</u> <u>Number</u>
May 1, 2026	\$825,000	%	%		May 1, 2032	\$1,980,000	%	%	
November 1, 2026	1,455,000				November 1, 2032	2,030,000			
May 1, 2027	1,595,000				May 1, 2033	2,075,000			
November 1, 2027	1,630,000				November 1, 2033	2,125,000			
May 1, 2028	1,665,000				May 1, 2034	2,180,000			
November 1, 2028	1,700,000				November 1, 2034	2,235,000			
May 1, 2029	1,735,000				May 1, 2035	2,295,000			
November 1, 2029	1,775,000				November 1, 2035	2,355,000			
May 1, 2030	1,810,000				May 1, 2036	2,415,000			
November 1, 2030	1,850,000				November 1, 2036	1,275,000			
May 1, 2031	1,895,000				May 1, 2037	540,000			
November 1, 2031	1,935,000				November 1, 2037	550,000			

<b>\$3,600,000</b>	<b>%</b>	<b>Term Bonds due November 1, 2040</b>	<b>Price: %</b>	<b>CUSIP† Number</b>
<b>\$7,305,000</b>	<b>%</b>	<b>Term Bonds due November 1, 2045</b>	<b>Price: %</b>	<b>CUSIP† Number</b>
<b>\$10,275,000</b>	<b>%</b>	<b>Term Bonds due May 1, 2051</b>	<b>Price: %</b>	<b>CUSIP† Number</b>
<b>\$10,895,000</b>	<b>%</b>	<b>Term Bonds due November 1, 2055 (PAC)</b>	<b>Price: %</b>	<b>CUSIP† Number</b>

\* Subject to change.

† CUSIP data herein is provided by the CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included for the convenience of the holders of the Offered Bonds. The Authority 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.

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Authority, and from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

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**Caine Mitter & Associates Incorporated**

*Financial Advisor*

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**OFFICIAL STATEMENT**  
**of the**  
**SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY**  
  
**\$199,000,000\***  
**Homeownership Mortgage Bonds**  
**\$125,000,000\* 2025 Series C (Non-AMT)**  
**\$74,000,000\* 2025 Series D (Taxable)**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, the inside cover page and Appendices hereto, is to set forth information in connection with the sale by the South Dakota Housing Development Authority (the "Authority") of its Homeownership Mortgage Bonds, 2025 Series C (the "2025 Series C Bonds") and, its Homeownership Mortgage Bonds, 2025 Series D (the "2025 Series D Bonds"). The 2025 Series C Bonds and the 2025 Series D Bonds are referred to herein as the "Offered Bonds". The Offered Bonds are being issued pursuant to the South Dakota Housing Development Authority Act, South Dakota Codified Laws, Chapter 11-11, as amended (the "Act"), Resolution No. 77-27, adopted by the Authority on June 16, 1977, as amended and supplemented as of March 11, 2008 and subsequently supplemented (the "Bond Resolution"), and pursuant to a resolution adopted by the Authority on January 17, 2025 and certain determinations made by authorized officers of the Authority (collectively, the "Series Resolution"). The Bond Resolution and the Series Resolution are collectively referred to as the "Resolution".

As of December 31, 2024, the Authority has issued 223 Series of Bonds, as defined below, under the Bond Resolution in an original aggregate principal amount of \$10,156,219,960 of which \$1,878,468,982 remain outstanding. The Offered Bonds, the Outstanding Homeownership Mortgage Bonds and any additional Homeownership Mortgage Bonds which may be issued under the Bond Resolution in the future (collectively, the "Bonds") are and will be on a parity, equally and ratably secured by the Bond Resolution.

The Bond Resolution authorizes the issuance of Bonds to provide funds to the Authority for making or purchasing mortgage loans, including participations therein (the "Mortgage Loans"), secured by first mortgage liens (subject to certain permitted encumbrances) on single family, owner-occupied, residential housing in the State of South Dakota (the "State") which consists of not more than four dwelling units, one of which must be occupied by the mortgagor, including condominium housing, and making or purchasing down payment assistance loans, to provide funds for other purposes, primarily to make deposits in various Funds and Accounts established under the Bond Resolution and the related series resolutions, and to pay Bond issuance costs. The Mortgage Loans made or purchased (the "Qualified Mortgage Loans") must meet certain other requirements as set forth in the Resolution and as summarized in this Official Statement. Bonds may also be issued to provide funds to purchase mortgage-backed securities, including participations therein, guaranteed as to payment of principal and interest by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), including Uniform Mortgage Backed Securities (collectively, the "Guaranteed Mortgage Securities"), which consist of pools of Qualified Mortgage Loans. The Bond Resolution also authorizes the issuance of Bonds to refund Outstanding Bonds and other single family mortgage bonds of the Authority.

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\* Subject to change

The Series Resolution authorizes the issuance of the Offered Bonds to make money available to purchase (or to reimburse the Authority for purchasing) newly originated Qualified Mortgage Loans and Guaranteed Mortgage Securities, to refund certain Outstanding Bonds, to fund down payment assistance loans and to make deposits to certain Funds and Accounts as described herein.

Brief descriptions of the Authority, the security for the Bonds, the Offered Bonds, the Authority's Homeownership Mortgage Bond Program (the "Program"), other programs of the Authority, and the Resolution are included in this Official Statement. The financial statements of the Authority, information regarding the Program, a summary of certain provisions of the Bond Resolution, information regarding the Outstanding Bonds of the Authority, DTC and the book-entry system, and the proposed form of the opinion of Bond Counsel are included as Appendices A, B, C, D, E, and F, respectively, to this Official Statement. Capitalized terms not otherwise defined herein are defined in the Resolution. All references herein to the Resolution and other documents are qualified in their entirety by reference to such documents, and references herein to the Offered Bonds are qualified in their entirety by reference to the forms thereof included in the Series Resolution and the information with respect thereto included in the aforesaid documents, copies of which are available from the Authority.

## THE AUTHORITY

The Authority was created in 1973 by the Act as a body politic and corporate and an independent public instrumentality for the purpose of encouraging the investment of private capital for the construction and rehabilitation of residential housing to meet the needs of persons and families in the State. Among other things, the Authority is authorized to issue its bonds and notes to obtain funds to purchase mortgage loans to be originated by mortgage lenders and to make mortgage loans to individuals for construction and permanent financing of single family housing; to make mortgage loans to qualified sponsors for the construction and permanent financing of multifamily housing; to purchase, under certain circumstances, existing mortgage loans; to purchase from mortgage lenders, securities guaranteed by an instrumentality of the United States that finances mortgage loans; and to issue bonds to refund outstanding bonds. In addition, the Authority has the power, among other powers, to provide technical, consulting and project assistance services to private housing sponsors; to assist in coordinating federal, State, regional and local public and private housing efforts; and to act as a housing and redevelopment commission. The Authority is also authorized to provide financing for day care facilities and assisted living and congregate care facilities, to guarantee mortgage loans, and to provide rehabilitation financing.

### Organization

The powers of the Authority are vested in seven Commissioners, each appointed by the Governor for five-year terms. The Executive Director is appointed by and serves at the pleasure of the Governor. The Authority is attached to the Governor's Office of Economic Development for reporting purposes. Commissioners whose terms have expired continue to serve until their successors have been appointed. The Authority's Chair and Commissioners and the respective term, expiration date, occupation, and residence location of each are:

Scott Erickson, Commissioner and Chair .....	Vice Chairman
June 30, 2027	American Bank & Trust Sioux Falls
Preston Steele, Commissioner and Vice Chair .....	Banker
June 30, 2025	American Bank & Trust Huron
Bill Hansen, Commissioner and Treasurer .....	Grain Farmer
June 30, 2024*	Centerville

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\* Serves until reappointed or replaced.

Rick Hohn, Commissioner .....	Retired
June 30, 2025	Watertown
Mark Roby, Commissioner.....	Retired
June 30, 2027	
Jonathan Guenther, Commissioner .....	Partner
June 30, 2028	ELO CPAs & Advisors
	Mitchell
Alex Jensen, Commissioner.....	Partner
June 30, 2028	VP of Business Development at Henry
	Carlson Construction
	Sioux Falls

As of December 31, 2024, the staff of the Authority consisted of 71 persons, including 10 professional staff members with responsibilities in the fields of finance, mortgage loan underwriting, architectural review, construction inspection and housing management. Members of the executive staff are as follows:

*Chas Olson*, Executive Director, joined the Authority in October, 2014, was named Director of Rental Housing Development in January, 2021 and was named Executive Director in July, 2023. He previously administered the HOME Program, Housing Trust Fund Program, and South Dakota's Housing Opportunity Fund Program. Mr. Olson has a Bachelor of Business Administration with an emphasis in Finance. Prior to joining the authority Mr. Olson was a bank manager for a national branch bank.

*Todd Hight*, Director of Finance and Assistant Treasurer, joined the Authority in February, 2004 and was named Director of Finance in April, 2006. He is a certified public accountant and a member of the South Dakota Society of Certified Public Accountants and the American Institute of Certified Public Accountants. Prior to joining the Authority, Mr. Hight was with the Department of Legislative Audit of the State.

*Tammy Jund*, Director of Homeownership Programs, joined the Authority in April, 2024 and was named Director in June, 2024. She was previously with the Authority from April, 2020 to May, 2022. She has over 26 years' experience in various capacities of the auto, banking and mortgage industries.

*Tasha Jones*, Director of Rental Housing Management, joined the Authority in February, 2003, and was named Director in December, 2016. She has served in various capacities at the Authority, primarily working with the rental housing programs.

*Amy Eldridge*, Director of Rental Housing Development, joined the Authority in September, 2019 and was named Director in September, 2023. Amy previously administered South Dakota's Housing Opportunity Fund Program. She has over 20 years' experience in various capacities of the banking industry.

The Authority is located at 3060 East Elizabeth Street, P.O. Box 1237, Pierre, South Dakota 57501-1237. The Authority's telephone number is (605) 773-3181, TTY (605) 773-6107. The Authority's website is located at [www.sdhousing.org](http://www.sdhousing.org); this reference to the Authority's website is for information purposes only and does not incorporate the materials contained thereon into this Official Statement.

## Summary of Operations – General Operating Account

The following summary of revenues, expenses and net position for the General Operating Account of the Authority includes information for each of the five fiscal years ended on or prior to June 30, 2024 derived from the audited financial statements of the Authority, which have been audited on a combined fund basis, and also includes information for the six-month period ended December 31, 2024, which is unaudited. The fiscal year data should be read in conjunction with the audited financial statements of the Authority for each of such years and the auditor's reports thereon. The Authority's audited financial statements for the fiscal years ended on June 30, 2024 and June 30, 2023 are contained in Appendix A, and other financial statements are available from the Authority upon request.

	Six-Month Period Ended Dec. 31, 2024 (Unaudited)	Fiscal Year Ended June 30				
		2024	2023	2022	2021	2020
Revenues:						
Fee, grant and other income.....	\$6,181,580	\$11,311,124	\$7,021,799	\$157,819,652	\$7,881,601	\$8,549,407
Investment income.....	(255,142)	7,849,142	4,936,514	109,006	112,319	314,054
Net change in inv. market value..	1,048,447	1,631,605	(2,680,052)	(10,214)	(10,162)	(7,510)
HUD contributions.....	29,920,531	51,193,634	40,500,014	35,553,876	33,012,711	30,895,572
US Treasury contributions/COVID.....	8,510,732	16,708,872	20,446,249	31,855,968	13,883,212	-
<b>Total revenues.....</b>	<b>45,406,148</b>	<b>88,694,377</b>	<b>70,224,524</b>	<b>225,328,288</b>	<b>54,879,681</b>	<b>39,751,523</b>
Expenses:						
Housing assistance payments/HUD.....	14,642,527	27,647,481	27,647,206	26,948,190	24,075,234	23,326,229
Housing assistance payments/COVID...	8,510,732	16,708,872	20,446,249	31,855,968	13,883,212	-
General and administrative expenses.....	3,799,929	7,627,940	7,167,480	6,049,940	5,938,066	6,023,788
Provision for loan loss.....	18,868	6,513,890	4,986,584	3,110,632	3,047,214	3,482,958
Other housing programs.....	28,452,036	25,319,303	9,212,053	9,752,639	9,423,177	8,612,061
<b>Total expenses.....</b>	<b>55,424,092</b>	<b>83,817,486</b>	<b>69,459,572</b>	<b>77,717,369</b>	<b>56,366,903</b>	<b>41,445,036</b>
Revenues over (under) expenses.....	(10,017,944)	4,876,891	764,952	147,610,919	(1,487,222)	(1,693,513)
Operating transfers.....	5,324,781	8,112,904	5,523,316	8,493,124	5,478,750	1,549,250
Changes in net position.....	(4,693,163)	12,989,795	6,288,268	156,104,043	3,991,528	(144,263)
Net position, beginning of period.....	274,993,731	262,003,936	255,715,668	99,611,625	95,620,097	95,764,360
Net position, end of period.....	\$270,300,568	\$274,993,731	\$262,003,936	\$255,715,668	\$99,611,625	\$95,620,097
Portion restricted for programs of the Authority.....	\$254,674,104	\$264,872,876	\$254,370,436	\$247,200,500	\$95,189,428	\$89,428,777

Fee, grant, and other income consists primarily of the United States Department of Housing and Urban Development (“HUD”) administrative fees, program application fees and sales of homes under the Governor’s House Program. Commitment fees are recorded as income as received and will fluctuate depending upon the amount of mortgage loans that the Authority commits to make or purchase. Income on investments will fluctuate depending upon interest rates and the amounts available for investment in the General Operating Account. Net changes in investment market value occur when investments are valued at fair market value. HUD contributions are received from HUD for specific programs and are not available for the payment of the Bonds.

Housing assistance payments relate to the expenditure of funds received from HUD. The general and administrative expenses for all programs of the Authority are generally charged to the General Operating Account. The Authority may make operating transfers of available amounts of Revenues from the Resolution and the Multiple Purpose Bonds General Indenture to reimburse the General Operating Account for general and administrative expenses relating to the ongoing operation of these and other programs. The Authority also transfers monthly to the General Operating Account from the Single Family Mortgage Bond Resolution an amount equal to 1/12 of 0.500% of the outstanding principal amount of each mortgage loan financed with Single Family Mortgage Bonds (see “OTHER PROGRAMS OF THE AUTHORITY— *Single Family Mortgage Bond Program*” below).

As of December 31, 2024, the Authority had a net position of \$270,300,568 in the General Operating Account, including \$130,000,000 remaining from funds received from the State for the development of housing infrastructure. As noted in the table above, up to \$254,674,104 of such amount is restricted for use in various programs of the Authority, and \$641,410 is restricted for the Authority’s participation in a State pension plan. Such restricted amounts are not available for the payment of bonds of the Authority. The remaining amount of \$15,626,464 is deposited in the General Reserve Account of the General Fund (General Operating Account). In resolutions and indentures under which bonds and notes have been issued, the Authority has covenanted that it will deposit all money that, under the provisions of such resolutions and indentures, is transferred to the General Fund (General Operating Account) into a general reserve account. All funds on deposit in the General Fund (General Operating Account) are in the General Reserve Account of the General Fund (General Operating Account). The General Reserve Account may be used only for the administration and financing of programs in accordance with the policy and purpose of the Act, as it may be amended from time to time, including reserves for the payment of bonds, and the Authority is required to accumulate and maintain in the General Reserve Account a balance of funds and investments that will be sufficient for such purpose.



## **Operations Disruption Risk**

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Authority's ability to conduct its business. A prolonged disruption in the Authority's operations could have an adverse effect on the Authority's financial condition and results of operations. To plan for such event, and mitigate the impact such an event may have on its operations, the Authority has developed and maintains its Continuity Plan (the "Plan"). The Plan establishes policy and guidance to ensure the execution of essential functions in the event that an emergency threatens or incapacitates operations and the relocation of selected personnel and functions of any essential facilities as required. No assurances can be given that the Authority's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations in the event of an emergency.

## **Cybersecurity**

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

The Authority uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Authority conducts regular information security and privacy awareness training that is mandatory for all Authority staff and regularly conducts risk assessments and tests of its cybersecurity systems and infrastructure. The Authority's Senior Systems Administrator focuses on and leads the efforts of the Authority to keep its cyber assets secure.

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

## **SECURITY FOR THE BONDS**

The Bonds are payable from the Revenues and other assets pledged therefor pursuant to the Bond Resolution (other than any amounts deposited in trust for the redemption of outstanding Bonds or amounts deposited to any Bond Purchase Account or Bond Purchase Fund established pursuant to a series resolution) and, if necessary, from any other revenues or moneys of the Authority, subject only to any agreements with the holders of particular notes or bonds (other than the Bonds) pledging any particular revenues for the payment thereof. Most of the Authority's revenues and moneys not pledged for the payment of the Bonds are presently pledged for the payment of other notes or bonds.

*The Authority has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision thereof, but are payable solely from the revenues and assets of the Authority pledged therefor and any other revenues or money of the Authority not pledged to secure other obligations of the Authority or appropriated by state or federal laws for a specified purpose.*

Under the Bond Resolution, as summarized in Appendix C hereto, the Bonds, including the Offered Bonds, are further secured by a pledge of and security interest in (1) all proceeds of the sale of Bonds, (2) all Mortgage Loans, Guaranteed Mortgage Securities and Investments made or purchased from such proceeds, (3) all Revenues and (4) all money, Investments and other assets and income held in and receivable by Funds and Accounts established by or pursuant to the Bond Resolution (other than any amounts deposited in trust for the redemption of outstanding Bonds or amounts deposited to any Bond Purchase Account or Bond Purchase Fund). The pledge and security interest are subject to the power of the Authority to direct the release of amounts free and clear of such pledge and security interest after satisfying the then current requirements for all Funds and Accounts and certain other conditions set forth in the Bond Resolution.

The ability of the Authority to pay debt service on the Bonds depends upon the receipt of sufficient Revenues under the Program, primarily principal and interest on Mortgage Loans and Guaranteed Mortgage Securities, and the earnings from the investment or reinvestment of moneys and Investments held in Funds and Accounts under the Bond Resolution. The Mortgage Reserve Fund and the Capital Reserve Fund have been established to provide for the payment of debt service on the Bonds if Revenues for that purpose are at any time insufficient.

## **Qualified Mortgage Loans**

### *General*

The Authority expects to use the amounts deposited to the Mortgage Loan Accounts relating to the Offered Bonds to purchase Guaranteed Mortgage Securities consisting of Qualified Mortgage Loans. The Authority does not expect to use such amounts to directly purchase Mortgage Loans.

### *Security Requirements*

Each Qualified Mortgage Loan must be secured by a first mortgage lien (subject to certain permitted encumbrances) on single family owner-occupied residential housing which consists of not more than four dwelling units, one of which must be occupied by the mortgagor (including condominium housing) in the State, and must be covered by a title insurance policy insuring that the Qualified Mortgage Loan is a valid first lien on the residential property, subject to certain permitted encumbrances. Each residential property on which a Qualified Mortgage Loan is made must be covered by a fire and an extended coverage insurance policy at least equal to the lesser of the remaining principal balance of the Qualified Mortgage Loan or the full insurable value of the property.

### *Mortgage Insurance Requirements*

At the time of acquisition, each Qualified Mortgage Loan made or purchased with the proceeds of the Bonds must (1) have an unpaid principal balance not exceeding 80% of the Fair Market Value of the mortgaged Home, or (2) be insured or guaranteed by (a) the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), or any other agency of the United States having similar powers to insure or guarantee mortgage loans, including but not limited to Farmers Home Administration (or its successor the Rural Housing and Community Development Service) ("RD") or (b) a Private Mortgage Insurer ("PMI") approved by Freddie Mac or Fannie Mae, or (3) have an equivalent insurance policy, guaranty, letter of credit or other security.

The Authority may vary from certain requirements otherwise set forth in the Bond Resolution relating to Qualified Mortgage Loans to the extent required by the United States or any agency or instrumentality thereof guaranteeing or insuring the Mortgage Loans, including guaranteeing Guaranteed Mortgage Securities.

Information concerning mortgage insurance and guaranty programs, Fannie Mae, Freddie Mac, and GNMA mortgage-backed securities, and federal legislation terminating mortgage insurance coverage in certain cases, is contained in Appendix B hereto.

## **Valuation of Assets**

As of each Interest Payment Date and as of the date of issuance of any Series of Bonds, the Authority is required to compute the value of certain assets in accordance with the terms of the Bond Resolution. Such value is not

indicative of the market value of the assets pledged under the Bond Resolution. The computation of such value is for certain purposes under the Bond Resolution, including issuance of any Series of Bonds and the release of amounts free and clear of the pledge of the Bond Resolution. Such value is subject to fluctuation as a result of prepayments, foreclosures, purchases of additional Mortgage Loans and Guaranteed Mortgage Securities, issuance of additional Series of Bonds and the release and expenditure of funds. As of December 31, 2024, such value was \$2,245,868,270 and the amount of Outstanding Bonds was \$1,878,468,982. The amount of such value in excess of 102% of the Outstanding Bonds (the “Parity Test”) is available to the Authority, subject to certain other conditions (including satisfaction of the Cash Flow Test defined in the summary of the Bond Resolution contained in Appendix C hereto), for any purpose under the Act, including other Programs of the Authority. Such value is computed as follows:

(1) For a Mortgage Loan (including any Guaranteed Mortgage Security), the unpaid principal amount thereof;

(2) Cash and Investments held in a Mortgage Loan Account for the first two years after the issuance of the Bonds funding that Account, at the par amount thereof; and

(3) For other Investments and deposits: (a) the principal amount or amortized cost of an Investment, whichever is lower, if it matures more than twenty-four (24) months after the date of computation or is held subject to a repurchase agreement, and (b) the principal amount of a deposit or of an Investment that matures within twenty-four (24) months after the date of computation and is not held subject to a repurchase agreement, provided further that (c) accrued interest shall be excluded from each such computation.

## **Mortgage Reserve Fund**

The Bond Resolution creates and establishes the Mortgage Reserve Fund and provides for a Mortgage Reserve Requirement which may be funded from the proceeds of Bonds or accumulated from Revenues over a four-year period following the issuance of each Series of Bonds. The Mortgage Reserve Requirement is equal to 2% of the principal amount of the Mortgage Loans (not including any Guaranteed Mortgage Securities) then outstanding.

Amounts in the Mortgage Reserve Fund are available for payment of principal, interest and redemption premium due on Bonds if other moneys under the Bond Resolution are insufficient for such purpose.

Upon delivery of the Offered Bonds, the Mortgage Reserve Fund will have at least \$2,500,000\* on deposit which at least equals the Mortgage Reserve Requirement. Amounts in the Mortgage Reserve Fund are included as assets when determining the value of assets for the purpose of the Parity Test under the Bond Resolution.

## **Capital Reserve Fund**

In accordance with the Act, the Bond Resolution creates and establishes a capital reserve fund (the “Capital Reserve Fund”). The Capital Reserve Requirement, as of any date, is an amount equal to the sum of amounts required by the Series Resolution, but not less than 3% of the aggregate amount of Outstanding Bonds. The Authority is not permitted to issue Bonds unless the amount in the Capital Reserve Fund will be at least equal to the Capital Reserve Requirement after such issuance.

Amounts in the Capital Reserve Fund are only available for payment of principal and sinking fund payments and interest due on the Bonds, and then only if other moneys available under the Bond Resolution, including moneys in the Mortgage Reserve Fund, are insufficient for such purpose. In accordance with the Act, the Chair of the Authority is required annually to submit to the Governor a budget estimate stating the amount, if any, needed to restore the Capital Reserve Fund to the Capital Reserve Requirement, and the Governor is required to include such amount in a budget submitted to the Legislature. Amounts appropriated pursuant to such budget are required to be deposited by the Authority into the Capital Reserve Fund. In the opinion of Bond Counsel, the Legislature is legally authorized, but is not legally obligated, to appropriate such amounts. Since the inception of the Program, the Authority has not made unscheduled withdrawals from the Capital Reserve Fund for payment of principal or sinking fund payments or interest

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\* Subject to change.

due on the Bonds, nor has the Chair been required to submit a budget estimate requesting an amount to restore the Capital Reserve Fund to the Capital Reserve Requirement.

Upon delivery of the Offered Bonds, the Capital Reserve Fund will have at least \$66,500,000\* on deposit (less any amounts released due to Bond redemptions or payments at maturity) which at least equals the Capital Reserve Requirement. Amounts in the Capital Reserve Fund are included as assets when determining the value of assets for the purpose of the Parity Test under the Bond Resolution.

## **Investments**

The Authority is permitted to invest in Investments as defined in the summary of the Bond Resolution contained in Appendix C hereto. Currently, such permitted Investments include: (1) direct general obligations of the United States of America; (2) obligations the payment of the principal of and interest on which is unconditionally guaranteed by the United States of America; (3) direct and general obligations of any state within the United States of America or of any political subdivision of such a state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency then rating the Bonds at the request of the Authority; (4) bonds, debentures, participation certificates, notes or other obligations issued or unconditionally guaranteed by any of the following: Federal Home Loan Banks, Farm Credit System (including the Bank of Cooperatives, Federal Land Banks, Federal Farm Credit Banks and Federal Intermediate Credit Banks), Fannie Mae, Farmers Home Administration (or its successor, the Rural Housing and Community Development Service), Freddie Mac, GNMA, Small Business Administration, Resolution Funding Corporation or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (5) money market funds with ratings in the highest category of each Rating Agency then rating the Bonds at the request of the Authority; (6) unsecured certificates of deposit, time deposits, banker's acceptances, repurchase agreements, and commercial paper having maturities of not more than 365 days provided that such obligations are rated in the highest short term category of each Rating Agency then rating the Bonds at the request of the Authority; (7) deposits that are fully insured by the Federal Deposit Insurance Corporation; (8) stripped securities: principal-only strips and interest-only strips of noncallable obligations issued by the U.S. Treasury, and REFCORP securities stripped by the Federal Reserve Bank of New York; and (9) guaranteed investment contracts or similar deposit agreements with insurance companies, banks or other financial institutions, provided the ratings on general unsecured obligations of such an institution are not lower than one rating below the rating on the Bonds by each Rating Agency then rating the Bonds at the request of the Authority. The definition of Investments shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Bond Resolution, thus permitting investments with different characteristics from those permitted which an Authorized Officer deems from time to time to be in the interest of the Authority to include as Investments, as reflected in an Officer's Certificate or in a Supplemental Bond Resolution, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current rating on the Bonds by each Rating Agency then rating the Bonds at the request of the Authority.

## **Variable Rate Debt and Interest Rate Hedging Transactions**

The Authority issues certain Series of Bonds that bear interest at variable rates to reduce its overall cost of funds and to further its objective of providing affordable mortgage rates for homebuyers in the State. The Authority's outstanding variable rate Bonds currently bear interest at rates determined weekly and are currently subject to optional tender upon seven days' notice. Through standby bond purchase agreements, certain financial institutions (the "Liquidity Providers") have agreed to purchase certain variable rate Bonds that have been tendered and cannot be remarketed. Variable rate Bonds purchased by a Liquidity Provider bear interest at various special negotiated interest rates and have accelerated principal payments over various terms of years, as set forth in each such agreement. In addition to the Liquidity Providers, the Authority has, from time to time, agreed to act as a Liquidity Provider and purchase certain variable rate Bonds that have been tendered and cannot be remarketed.

In order to hedge certain risks associated with variable rate Bonds, the Authority has entered into variable to fixed rate swap transactions with certain financial institutions (the "Counterparties"). In such swap transactions, the Authority makes fixed interest rate payments on a specified notional amount to a Counterparty that makes floating

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\* Subject to change

rate payments on the same notional amount to the Authority based on a variable interest rate index. The purpose of each swap transaction is to make the Authority's interest payment obligation with respect to the related variable rate Bonds approximate a fixed interest rate obligation. The Authority does not anticipate that the actual variable interest rate payments received on the swap transactions will be exactly the same as the actual variable interest rate payments paid on the related variable rate Bonds. In 2004, the Authority adopted an Interest Rate Swap Management Policy, which has since been amended and may be further amended from time to time (the "Swap Policy"). Pursuant to the Swap Policy, the Authority may enter into swap transactions with Counterparties whose ratings are sufficient to support the outstanding ratings on the Bonds or whose obligations are guaranteed by entities with such ratings. The Swap Policy currently provides that the total notional amount of swaps with any single Counterparty may not exceed \$150,000,000 and the total notional amount of all swaps may not exceed 30% of all Outstanding Bonds. Certain information concerning Liquidity Providers and Interest Rate Swap Counterparties is contained in Appendix D hereto.

## Additional Bonds

The Bond Resolution permits the issuance of additional Bonds without limitation as to amount (except as may be limited by law) to provide funds for the purpose of making or purchasing Qualified Mortgage Loans and Guaranteed Mortgage Securities and, in addition, refunding Outstanding Bonds issued under the Bond Resolution or other obligations issued to finance Qualified Mortgage Loans and Guaranteed Mortgage Securities, but only upon satisfying certain conditions set forth in the Bond Resolution, including the Parity Test, the Cash Flow Test, the Capital Reserve Requirement and the Mortgage Reserve Requirement. The Offered Bonds, all other Outstanding Bonds and any additional Bonds issued under the Bond Resolution will be on a parity and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution. Certain information concerning Outstanding Bonds is contained in Appendix D hereto.

## APPLICATION OF THE PROCEEDS OF THE OFFERED BONDS\*

The Authority expects to apply the proceeds of the sale of the Offered Bonds as follows (1) to make a deposit to the 2025 Series C/D Mortgage Loan Account and (2) to make a deposit to the 2025 Series C/D Account of the Capital Reserve Fund.

Following the issuance of the Offered Bonds, the Authority expects the proceeds thereof to be deposited as follows:

2025 Series C/D Mortgage Loan Account.....	\$ _____
2025 Series C/D Account of the Capital Reserve Fund.....	_____
Total.....	<u>\$ _____</u>

Funds deposited into the 2025 Series C/D Mortgage Loan Account will be used to purchase approximately \$13,000,000 of Guaranteed Mortgage Securities shortly after the delivery of the Offered Bonds. The remaining funds deposited into the 2025 Series C/D Mortgage Loan Account are expected to be used to purchase Guaranteed Mortgage Securities prior to June 1, 2026. Guaranteed Mortgage Securities purchased with funds deposited into the 2025 Series C/D Mortgage Loan Account are expected to have a weighted average remaining term of 360 months and an estimated weighted average mortgage rate of 6.100%.

Funds deposited into the 2025 Series C/D Account of the Capital Reserve Fund will be used to purchase approximately \$2,500,000 of Guaranteed Mortgage Securities prior to December 1, 2025.

The Authority will pay the costs of issuance associated with the Offered Bonds from available funds under the Bond Resolution.

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\* Subject to change

## THE OFFERED BONDS\*

### General

The Offered Bonds are issuable only as fully registered bonds. The Offered Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Offered Bonds. The individual purchases of the Offered Bonds will be in book-entry form only. Payments of interest will be made by wire transfer from Computershare Trust Company, National Association, Minneapolis, Minnesota (the “Trustee”), to Cede & Co., as registered owner. Certain information relating to DTC and the book-entry system is contained in Appendix E hereto. In the event that the book-entry system is discontinued, the requirements of the Bond Resolution relating to payments and transfers will apply.

The Offered Bonds subsequently issued in exchange for, or upon the registration or transfer of, Offered Bonds will be dated the date of authentication thereof, will mature on the same date or dates and will bear interest from the Interest Payment Date next preceding the date of the authentication thereof, unless the date of such authentication is after the applicable Record Date and on or prior to the next succeeding Interest Payment Date, in which case they will bear interest from such Interest Payment Date; provided, however, that if interest on the Offered Bonds is in default, the Offered Bonds issued in place of Offered Bonds surrendered for transfer or exchange will bear interest from the date to which interest has been paid in full on the Offered Bonds, or made available for payment in full on Outstanding Offered Bonds. The Offered Bonds may not be exchanged for coupon Bonds.

The Offered Bonds are being issued in denominations of \$5,000 or any integral multiple thereof. The Offered Bonds will bear interest from the date of delivery at the rates shown on the inside cover page of this Official Statement, payable on May 1 and November 1 of each year, commencing November 1, 2025, until their respective maturities or earlier redemption. Interest on the Offered Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Record Date for the Offered Bonds is the 15<sup>th</sup> day of the calendar month (whether or not a Business Day) preceding any Interest Payment Date. The Offered Bonds will mature in the years and principal amounts set forth on the inside cover page of this Official Statement.

### Redemption Provisions

#### *Sinking Fund Redemption*

The 2025 Series C Bonds maturing on November 1, 2040 are subject to mandatory redemption in part on May 1, 2038 and on each November 1 and May 1 thereafter, to and including November 1, 2040 at the principal amount thereof without premium, plus accrued interest, from funds required to be deposited in the Redemption Fund Account, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	
2038	\$2,085,000	\$2,135,000	2040	\$2,285,000	\$2,335,000	(maturity)
2039	2,185,000	2,230,000				

The 2025 Series C Bonds maturing on November 1, 2045 are subject to mandatory redemption in part on May 1, 2041 and on each November 1 and May 1 thereafter, to and including November 1, 2045 at the principal amount thereof without premium, plus accrued interest, from funds required to be deposited in the Redemption Fund Account, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	
2041	\$2,390,000	\$2,445,000	2044	\$2,755,000	\$2,820,000	
2042	2,505,000	2,565,000	2045	2,890,000	2,960,000	(maturity)
2043	2,625,000	2,690,000				

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\* Subject to change.

The 2025 Series C Bonds maturing on May 1, 2052 are subject to mandatory redemption in part on May 1, 2046 and on each November 1 and May 1 thereafter, to and including May 1, 2052 at the principal amount thereof without premium, plus accrued interest, from funds required to be deposited in the Redemption Fund Account, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>
2046	\$3,030,000	\$3,105,000	2050	\$3,685,000	\$3,775,000
2047	3,180,000	3,260,000	2051	3,870,000	3,965,000
2048	3,340,000	3,425,000	2052	390,000	- (maturity)
2049	3,510,000	3,595,000			

The 2025 Series C Bonds maturing on November 1, 2056 (the "Series C PAC Bonds") are subject to mandatory redemption in part on May 1, 2052 and on each November 1 and May 1 thereafter, to and including November 1, 2056 at the principal amount thereof without premium, plus accrued interest, from funds required to be deposited in the Redemption Fund Account, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>
2052	\$3,675,000	\$4,190,000	2055	\$4,915,000	\$4,505,000
2053	4,325,000	4,465,000	2056	1,700,000	585,000 (maturity)
2054	4,610,000	4,760,000			

The 2025 Series D Bonds maturing on November 1, 2040 are subject to mandatory redemption in part on May 1, 2038 and on each November 1 and May 1 thereafter, to and including November 1, 2040 at the principal amount thereof without premium, plus accrued interest, from funds required to be deposited in the Redemption Fund Account, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>
2038	\$565,000	\$580,000	2040	\$620,000	\$635,000 (maturity)
2039	595,000	605,000			

The 2025 Series D Bonds maturing on November 1, 2045 are subject to mandatory redemption in part on May 1, 2041 and on each November 1 and May 1 thereafter, to and including November 1, 2045 at the principal amount thereof without premium, plus accrued interest, from funds required to be deposited in the Redemption Fund Account, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>
2041	\$650,000	\$670,000	2044	\$755,000	\$775,000
2042	685,000	700,000	2045	795,000	815,000 (maturity)
2043	720,000	740,000			

The 2025 Series D Bonds maturing on May 1, 2051 are subject to mandatory redemption in part on May 1, 2046 and on each November 1 and May 1 thereafter, to and including May 1, 2051 at the principal amount thereof without premium, plus accrued interest, from funds required to be deposited in the Redemption Fund Account, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>
2046	\$835,000	\$855,000	2049	\$970,000	\$995,000
2047	875,000	900,000	2050	1,015,000	1,040,000
2048	920,000	945,000	2051	925,000	- (maturity)

The 2025 Series D Bonds maturing on November 1, 2055 (the “Series D PAC Bonds”) are subject to mandatory redemption in part on May 1, 2051 and on each November 1 and May 1 thereafter, to and including November 1, 2055 at the principal amount thereof without premium, plus accrued interest, from funds required to be deposited in the Redemption Fund Account, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	<u>Year</u>	<u>Principal Amount (May 1)</u>	<u>Principal Amount (November 1)</u>	
2051	\$145,000	\$1,095,000	2054	\$1,250,000	\$1,285,000	
2052	1,125,000	1,155,000	2055	1,315,000	1,125,000	(maturity)
2053	1,185,000	1,215,000				

#### *Special Redemption*

*General.* The Offered Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part at any time, at the principal amount thereof without a premium, except the Series C PAC Bonds and Series D PAC Bonds which will be redeemed at a premium that maintains the same yield as the original yield thereof (as more fully set forth in the Series Resolution), plus accrued interest, if any, to but not including the redemption date, from funds deposited in the 2025 Series C/D Mortgage Loan Account and the 2025 Series C/D Account of the Capital Reserve Fund that are not applied to the purchase of Mortgage Loans and Guaranteed Mortgage Securities or earlier redemption of the Offered Bonds.

To comply with certain provisions of the federal tax law, as more fully described under “Tax Exemption and Related Considerations - 42 Month Rule” herein, approximately \$129,144,640.50 of the amount deposited in the 2025 Series C/D Mortgage Loan Account is required to be applied to the redemption of the 2025 Series C Bonds no later than December 17, 2028 to the extent that such amount has not been applied to the purchase of Mortgage Loans and Guaranteed Mortgage Securities or the earlier redemption of the 2025 Series C Bonds.

The Offered Bonds are also subject to redemption at the option of the Authority, at any time, in whole or in part, at the principal amount thereof plus accrued interest, if any, to but not including the redemption date, without premium, from (1) amounts on deposit in the Capital Reserve Fund and the Mortgage Reserve Fund which are not required for the maintenance of the respective reserve requirements and (2) amounts deposited in the Revenue Fund in excess of the principal and interest then due and payable on Outstanding Bonds under the Bond Resolution which are transferred to the Redemption Fund, including prepayments with respect to any Series of Bonds, subject to the provisions described below under “Certain Information Relating to the Series C PAC Bonds” and “Certain Information Relating to the Series D PAC Bonds”, and amounts transferred from the Capital Reserve Fund and the Mortgage Reserve Fund as a result of a reduction in the amounts required to be on deposit therein.

To comply with certain provisions of the federal tax law, as more fully described under “Tax Exemption and Related Considerations – 10 Year Rule” herein, the following approximate percentages of scheduled payments and prepayments of principal of Mortgage Loans and Guaranteed Mortgage Securities allocable to the 2025 Series C Bonds received on or after the following dates, are required 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 2025 Series C Bonds payment thereof at maturity or redemption.

<u>Date</u>	<u>Percent</u>
6/17/2025	0%
6/17/2035	100

*Certain Information Relating to the Series C PAC Bonds.* An amount equal to 79% of the prepayments of Mortgage Loans and Guaranteed Mortgage Securities allocable to the Offered Bonds (“Series C Directed Prepayments”) will be applied first to the redemption of the Series C PAC Bonds in an amount up to the cumulative amounts during the applicable redemption period ending on the dates as set forth in the following table. Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans and Guaranteed Mortgage Securities including the assumptions that all of the prepayments on such Mortgage Loans and Guaranteed Mortgage Securities are received at a rate equal to 75% of the Securities Industry and Financial Markets Association (“SIFMA”) Standard Prepayment Model and that 100% of such amounts are used to redeem the Series C PAC Bonds. Prepayments



of Mortgage Loans and Guaranteed Mortgage Securities, other than those allocable to the Offered Bonds, and other Revenues may be applied to the redemption of the Series C PAC Bonds, but only to the extent that such redemptions do not exceed the cumulative amounts for each redemption period set forth in the following table.

<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>
11/1/2025	\$ 15,000	5/1/2030	\$ 19,850,000
5/1/2026	325,000	11/1/2030	22,755,000
11/1/2026	1,145,000	5/1/2031	25,570,000
5/1/2027	2,625,000	11/1/2031	28,300,000
11/1/2027	4,765,000	5/1/2032	30,940,000
5/1/2028	7,520,000	11/1/2032	33,495,000
11/1/2028	10,595,000	5/1/2033	35,970,000
5/1/2029	13,760,000	11/1/2033	37,730,000
11/1/2029	16,850,000		

If the amount available for such redemption is less than \$100,000, the Authority may delay redemption of the Series C PAC Bonds until such amount available totals \$100,000 or more. If any Series C PAC Bonds are redeemed from the funds deposited in the 2025 Series C/D Mortgage Loan Account and the 2025 Series C/D Account of the Capital Reserve Fund not used to finance Mortgage Loans and Guaranteed Mortgage Securities, the cumulative amounts set forth in the preceding table will be reduced proportionately.

Series C Directed Prepayments in excess of the amounts set forth in the above table, but less than the cumulative amounts during the applicable redemption period ending on the dates as set forth in the following table, may be applied to the redemption of Bonds other than the Series C PAC Bonds. Series C Directed Prepayments in excess of the cumulative amounts for each redemption period set forth in the following table may be applied by the Authority to the redemption of Bonds, including the Series C PAC Bonds. The cumulative amounts in the following table are derived from certain assumptions related to such Mortgage Loans and Guaranteed Mortgage Securities, including the assumption that all of the prepayments on such Mortgage Loans and Guaranteed Mortgage Securities are received at a rate equal to 500% of the SIFMA Standard Prepayment Model.

<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>
11/1/2025	\$ 120,000	5/1/2030	\$ 99,100,000
5/1/2026	2,225,000	11/1/2030	107,430,000
11/1/2026	7,685,000	5/1/2031	114,345,000
5/1/2027	17,355,000	11/1/2031	120,080,000
11/1/2027	30,700,000	5/1/2032	124,835,000
5/1/2028	46,610,000	11/1/2032	128,775,000
11/1/2028	62,535,000	5/1/2033	132,040,000
5/1/2029	76,970,000	11/1/2033	134,745,000
11/1/2029	89,060,000		

If any Offered Bonds are redeemed from funds deposited in the 2025 Series C/D Mortgage Loan Account and the 2025 Series C/D Account of the Capital Reserve Fund not used to finance Mortgage Loans and Guaranteed Mortgage Securities, the cumulative amounts set forth in the preceding table will be reduced proportionately.

The following table sets forth the projected last year outstanding and weighted average life (in years) of the Series C PAC Bonds that will be outstanding based upon various rates of prepayments on the Mortgage Loans and Guaranteed Mortgage Securities allocable to the Offered Bonds expressed as percentages of the SIFMA Standard Prepayment Model and certain assumptions related to such Mortgage Loans and Guaranteed Mortgage Securities, including the assumptions that (1) all such Mortgage Loans and Guaranteed Mortgage Securities are transferred or purchased at the times currently anticipated, (2) prepayments on such Mortgage Loans and Guaranteed Mortgage Securities in amounts not exceeding a cumulative percentage of 500% of the SIFMA Standard Prepayment Model are applied as described in the two immediately preceding paragraphs and (3) prepayments in excess of 500% of the

SIFMA Standard Prepayment Model are applied proportionally to the redemption of the Offered Bonds then outstanding, including the Series C PAC Bonds. However, prepayments in excess of 500% of the SIFMA Standard Prepayment Model are not required to be applied proportionally to the redemption of the Offered Bonds then outstanding.

<b><u>Percent of SIFMA Model</u></b>	<b><u>Last Date Outstanding</u></b>	<b><u>Average Life (Years)</u></b>
0%	11/1/2056	28.8
25	11/1/2055	12.6
50	11/1/2037	6.6
75	11/1/2033	5.0
100	11/1/2033	5.0
150	11/1/2033	5.0
200	11/1/2033	5.0
250	11/1/2033	5.0
300	11/1/2033	5.0
400	11/1/2033	5.0
500	11/1/2033	5.0
600	11/1/2033	4.5

Actual events, including among others, the actual receipt of prepayments on such Mortgage Loans and Guaranteed Mortgage Securities and the application of such prepayments in excess of 500% of the SIFMA Standard Prepayment Model to the redemption of the Series C PAC Bonds in amounts that are less than or greater than an amount that is proportional to all the Offered Bonds then outstanding, may be different than the events assumed in determining the above table. Therefore, the actual last year outstanding and weighted average life of the Series C PAC Bonds may differ from any of the years or weighted average lives stated above.

The weighted average life of a bond refers to the average 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 Series C PAC Bonds will be influenced by, among other factors, the rate at which repayments and prepayments on Mortgage Loans and Guaranteed Mortgage Securities allocable to the Offered Bonds are received.

*Certain Information Relating to the Series D PAC Bonds.* An amount equal to 21% of the prepayments of Mortgage Loans and Guaranteed Mortgage Securities allocable to the Offered Bonds (“Series D Directed Prepayments”) will be applied first to the redemption of the Series D PAC Bonds in an amount up to the cumulative amounts during the applicable redemption period ending on the dates as set forth in the following table. Such cumulative amounts are derived from certain assumptions related to such Mortgage Loans and Guaranteed Mortgage Securities including the assumptions that all of the prepayments on such Mortgage Loans and Guaranteed Mortgage Securities are received at a rate equal to 75% of the Securities Industry and Financial Markets Association (“SIFMA”) Standard Prepayment Model and that 100% of such amounts are used to redeem the Series D PAC Bonds. Prepayments of Mortgage Loans and Guaranteed Mortgage Securities, other than those allocable to the Offered Bonds, and other Revenues may be applied to the redemption of the Series D PAC Bonds, but only to the extent that such redemptions do not exceed the cumulative amounts for each redemption period set forth in the following table.

<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>
11/1/2025	\$ 5,000	5/1/2030	\$ 5,765,000
5/1/2026	125,000	11/1/2030	6,540,000
11/1/2026	435,000	5/1/2031	7,290,000
5/1/2027	925,000	11/1/2031	8,020,000
11/1/2027	1,595,000	5/1/2032	8,720,000
5/1/2028	2,420,000	11/1/2032	9,400,000
11/1/2028	3,295,000	5/1/2033	10,060,000
5/1/2029	4,145,000	11/1/2033	10,700,000
11/1/2029	4,970,000	5/1/2034	10,895,000

If the amount available for such redemption is less than \$100,000, the Authority may delay redemption of the Series D PAC Bonds until such amount totals \$100,000 or more. If any Series D PAC Bonds are redeemed from the funds deposited in the 2025 Series C/D Mortgage Loan Account and the 2025 Series C/D Account of the Capital Reserve Fund not used to finance Mortgage Loans and Guaranteed Mortgage Securities, the cumulative amounts set forth in the preceding table will be reduced proportionately.

Series D Directed Prepayments in excess of the amounts set forth in the above table, but less than the cumulative amounts during the applicable redemption period ending on the dates as set forth in the following table, may be applied to the redemption of Bonds other than the Series D PAC Bonds. Series D Directed Prepayments in excess of the cumulative amounts for each redemption period set forth in the following table may be applied by the Authority to the redemption of Bonds, including the Series D PAC Bonds. The cumulative amounts in the following table are derived from certain assumptions related to such Mortgage Loans and Guaranteed Mortgage Securities, including the assumption that all of the prepayments on such Mortgage Loans and Guaranteed Mortgage Securities are received at a rate equal to 500% of the SIFMA Standard Prepayment Model.

<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>
11/1/2025	\$ 50,000	5/1/2030	\$ 28,095,000
5/1/2026	870,000	11/1/2030	30,135,000
11/1/2026	2,935,000	5/1/2031	31,825,000
5/1/2027	6,125,000	11/1/2031	33,230,000
11/1/2027	10,210,000	5/1/2032	34,395,000
5/1/2028	14,830,000	11/1/2032	35,360,000
11/1/2028	19,115,000	5/1/2033	36,160,000
5/1/2029	22,680,000	11/1/2033	36,820,000
11/1/2029	25,640,000	5/1/2034	37,365,000

If any Offered Bonds are redeemed from funds deposited in the 2025 Series C/D Mortgage Loan Account and the 2025 Series C/D Account of the Capital Reserve Fund not used to finance Mortgage Loans and Guaranteed Mortgage Securities, the cumulative amounts set forth in the preceding table will be reduced proportionately.

The following table sets forth the projected last year outstanding and weighted average life (in years) of the Series D PAC Bonds that will be outstanding based upon various rates of prepayments on the Mortgage Loans and Guaranteed Mortgage Securities allocable to the Offered Bonds expressed as percentages of the SIFMA Standard Prepayment Model and certain assumptions related to such Mortgage Loans and Guaranteed Mortgage Securities, including the assumptions that (1) all such Mortgage Loans and Guaranteed Mortgage Securities are transferred or purchased at the times currently anticipated, (2) prepayments on such Mortgage Loans and Guaranteed Mortgage Securities in amounts not exceeding a cumulative percentage of 500% of the SIFMA Standard Prepayment Model are applied as described in the two immediately preceding paragraphs and (3) prepayments in excess of 500% of the SIFMA Standard Prepayment Model are applied proportionally to the redemption of the Offered Bonds then outstanding, including the Series D PAC Bonds. However, prepayments in excess of 500% of the SIFMA Standard Prepayment Model are not required to be applied proportionally to the redemption of the Offered Bonds then outstanding.

<b><u>Percent of SIFMA Model</u></b>	<b><u>Last Date Outstanding</u></b>	<b><u>Average Life (Years)</u></b>
0%	11/1/2055	28.4
25	11/1/2055	13.4
50	5/1/2038	6.8
75	5/1/2034	5.0
100	5/1/2034	5.0
150	5/1/2034	5.0
200	5/1/2034	5.0

250	5/1/2034	5.0
300	5/1/2034	5.0
400	5/1/2034	5.0
500	5/1/2034	5.0
600	5/1/2034	4.4

Actual events, including among others, the actual receipt of prepayments on such Mortgage Loans and Guaranteed Mortgage Securities and the application of such prepayments in excess of 500% of the SIFMA Standard Prepayment Model to the redemption of the Series D PAC Bonds in amounts that are less than or greater than an amount that is proportional to all the Offered Bonds then outstanding, may be different than the events assumed in determining the above table. Therefore, the actual last year outstanding and weighted average life of the Series D PAC Bonds may differ from any of the years or weighted average lives stated above.

The weighted average life of a bond refers to the average 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 Series D PAC Bonds will be influenced by, among other factors, the rate at which repayments and prepayments on Mortgage Loans and Guaranteed Mortgage Securities allocable to the Offered Bonds are received.

#### *Optional Redemption*

The Offered Bonds are subject to redemption prior to maturity, at the option of the Authority, in whole or in part, at any time on or after November 1, 2033 from any source of funds, at a Redemption Price equal to the principal amount thereof plus accrued interest, if any, to but not including the redemption date, except the Series C PAC Bonds, which will be redeemed at a premium that retains the same yield through November 1, 2033 as the original purchase price thereof, plus accrued interest, if any, to but not including the redemption date, and the Series D PAC Bonds, which will be redeemed at a premium that retains the same yield through May 1, 2034 as the original purchase price thereof, plus accrued interest, if any, to but not including the redemption date.

#### *Mandatory Tender in Lieu of Redemption*

In lieu of redemption, the Offered Bonds which are subject to redemption may, at the option of the Authority, be subject to mandatory tender, in whole or in part, under the same terms and conditions as such redemption and then remarketed with such terms as provided by the Authority.

#### *Notice of Redemption*

The Trustee will give notice of redemption by mail to the registered owners of the Offered Bonds to be redeemed not less than 20 days prior to the redemption date (or such shorter notice as may be acceptable to the then-registered owners). Such notice shall specify the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the Offered Bonds which are the subject of such notice and shall include such other information as the Trustee shall deem appropriate or necessary at the time such notice is given to comply with any applicable law, regulation or industry standard. Subject to the terms of the Series Resolution, any Offered Bonds to be purchased or redeemed, other than through the Redemption Fund Account, will be purchased or redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Authority and stating (1) the Series of Bonds to be purchased or redeemed, (2) the maturities within such Series from which Bonds are to be purchased or redeemed, (3) the principal amount and redemption price of Bonds within such maturities to be purchased or redeemed, and (4) if any of the Bonds to be purchased or redeemed are term Bonds, the years in which and the amounts by which the applicable Sinking Fund Installments, if any, are to be reduced. Upon any redemption of Offered Bonds, the Trustee will select those Bonds to be redeemed by lot or such other method of selection as it shall deem proper in its discretion.

#### *Redemption Practices*

The Authority may use and has, from time to time, used prepayments and other early terminations of Mortgage Loans and Guaranteed Mortgage Securities to make new Mortgage Loans, to purchase additional Guaranteed Mortgage Securities or to purchase or redeem Outstanding Bonds. Subject to federal tax law requirements,

the redemption provisions set forth in the Series Resolutions and other considerations relating to the annual debt service on Outstanding Bonds, the Authority's policy on redemption of Bonds, in general, is to redeem the highest interest rate maturities of Outstanding Bonds regardless of Series. Such policy may change from time to time, at the discretion of the Authority.

## **THE PROGRAM**

The Authority established the Program in November 1974. Under the Program, the Authority has purchased Qualified Mortgage Loans financing single family owner-occupied residential housing which consists of not more than four dwelling units as long as one of such units is occupied by the Mortgagor, including condominium housing. It is the Authority's present policy to purchase, rather than make, Qualified Mortgage Loans. As of December 31, 2024, the Authority had purchased Qualified Mortgage Loans totaling \$4,483,245,781 and Guaranteed Mortgage Securities related to Qualified Mortgage Loans totaling \$2,675,770,009 since the inception of the Program. In December 2009, the Authority initiated an interim program (the "Single Family Mortgage Bond Program") to purchase single family mortgage loans as a supplement to the Program. The Authority discontinued financing Qualified Mortgage Loans under the Single Family Mortgage Bond Program at the end of 2012. See "OTHER PROGRAMS OF THE AUTHORITY – Single Family Mortgage Bond Program" herein.

The Authority generally commits to purchase Mortgage Loans from Mortgage Lenders on a loan-by-loan basis at the time a Mortgage Lender makes a commitment to make a Mortgage Loan to a purchaser of a Home or a builder of a Home. The Authority may restrict the amount of commitments to any one Mortgage Lender at any time. Mortgagors must meet certain requirements established by the Act and the regulations of the Authority as well as federal tax law (if applicable).

Mortgage Loans purchased by the Authority permit prepayment without penalty or premium. 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.

The Authority currently purchases Qualified Mortgage Loans under the Program with fixed interest rates over their terms. The Authority also provides down payment cost assistance from the proceeds of Bonds in conjunction with certain Qualified Mortgage Loans. Down payment cost assistance is offered in the form of both a loan and a grant. The Authority expects the Mortgage Loans financed with funds deposited into the 2025 Series C/D Mortgage Loan Account to bear interest rates ranging from 5.000%\* to 7.625%\*. The Authority expects the Mortgage Loans financed with funds deposited into the 2025 Series C/D Account of the Capital Reserve Fund to bear interest rates ranging from 5.000%\* to 7.625%\*. The Authority may change the interest rates and other terms being offered on Qualified Mortgage Loans, including down payment assistance, at any time.

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\* Subject to change.

## Amounts Available to Purchase Qualified Mortgage Loans and Guaranteed Mortgage Securities

Table I sets forth amounts relating to prior Series of Bonds that were available to purchase Qualified Mortgage Loans and Guaranteed Mortgage Securities as of May 1, 2025.

**TABLE I**  
**Amounts Available to Purchase Qualified Mortgage Loans and Guaranteed Mortgage Securities**

<b>Series of Bonds</b>	<b>Date of Issuance or Remarketing to Maturity</b>	<b>Mortgage Loan Interest Rate</b>	<b>Total Amount Available to Purchase Mortgage Loans</b>	<b>Amount Committed for Mortgage Loans</b>	<b>Amount Available for Commitment</b>
2024 Series C	9/18/2024	Various	\$ 75,787,097	-	\$ 75,787,097 <sup>(1)</sup>
2025 Series A	2/20/2025	Various	77,109,660	-	77,109,660 <sup>(1)</sup>
2025 Series B	2/20/2025	Various	17,588,783	-	26,813,787 <sup>(1)</sup>
			<u>\$ 170,485,540</u>	<u>\$ -</u>	<u>\$ 170,485,540</u>

<sup>(1)</sup> Reserved to finance Qualified Mortgage Loans and Guaranteed Mortgage Securities satisfying certain policy objectives established by the Authority.

## Certain Information Relating to Guaranteed Mortgage Securities

For Qualified Mortgage Loans expected to be securitized as Guaranteed Mortgage Securities, the Authority enters into a master servicing agreement (the “Master Servicing Agreement”) pursuant to which a mortgage servicer agrees to act as master servicer (the “Master Servicer”) and to purchase certain Qualified Mortgage Loans from Mortgage Lenders and to securitize such Mortgage Loans into Guaranteed Mortgage Securities. The Master Servicer is required, among other things, to be an approved seller and servicer of Fannie Mae and Freddie Mac mortgage-backed securities and an approved issuer of GNMA mortgage-backed securities. Pursuant to a Master Servicing Agreement, dated as of November 1, 2014, between the Authority and Idaho Housing and Finance Association (“IHFA”), IHFA has agreed to act as Master Servicer. Since such date, IHFA has purchased certain Qualified Mortgage Loans from Mortgage Lenders and has securitized such Mortgage Loans into related Guaranteed Mortgage Securities. Prior to November 1, 2014, U.S. Bank National Association acting by and through its U.S. Bank Home Mortgage Division, Bedford, Ohio, or its successors or assigns (“U.S. Bank”) acted as Master Servicer to the Authority. Qualified Mortgage Loans that the Authority committed to finance before such date were securitized into Guaranteed Mortgage Securities by U.S. Bank.

Table II sets forth the amount of outstanding Guaranteed Mortgage Securities as of December 31, 2024, all or a portion of which are financed under the Program.

**TABLE II**  
**Outstanding Guaranteed Mortgage Securities**

<b>Pass Through Rate</b>	<b>Principal Amount</b>	<b>Pass Through Rate</b>	<b>Principal Amount</b>
1.675 %	\$ 163,114	5.050%	\$ 13,458,111
1.800	878,432	5.125	15,647,925
1.925	8,396,450	5.145	1,416,297
2.000	43,567,932	5.155	8,828,951
2.025	511,684	5.165	1,599,528
2.030	97,222	5.175	6,500,040
2.050	490,173	5.250	13,871,326
2.175	13,814,323	5.270	3,822,491
2.250	1,721,270	5.280	12,655,406
2.275	1,046,104	5.290	463,057
2.280	293,394	5.300	8,294,856
2.300	21,343,132	5.375	4,931,170
2.425	24,705,338	5.395	12,296,018

2.500%	\$ 220,075,555	5.405%	\$ 40,914,155
2.525	1,138,862	5.415	2,834,946
2.530	54,325	5.425	9,096,527
2.550	13,380,738	5.500	153,306,554
2.625	288,344	5.530	14,258,077
2.650	340,285	5.540	833,775
2.675	13,530,168	5.550	7,851,315
2.750	769,420	5.625	2,205,974
2.775	790,827	5.655	9,983,519
2.800	12,241,719	5.665	538,855
2.875	44,007	5.675	10,722,593
2.900	187,150	5.750	3,592,980
2.925	15,103,117	5.770	289,897
3.000	118,327,948	5.780	15,369,843
3.025	2,668,516	5.800	7,949,402
3.050	9,353,343	5.875	2,640,855
3.125	41,808	5.895	982,402
3.150	618,502	5.905	20,159,405
3.175	5,272,855	5.915	745,297
3.250	256,080	5.925	7,481,771
3.275	1,887,650	6.000	150,207,631
3.300	8,457,320	6.020	838,953
3.375	112,504	6.030	12,760,777
3.400	26,141	6.050	2,686,426
3.425	5,235,856	6.125	1,350,063
3.500	56,263,416	6.145	1,726,846
3.525	1,216,754	6.155	20,043,781
3.550	12,113,414	6.175	2,124,734
3.650	675,163	6.250	313,315
3.675	4,657,120	6.270	2,584,040
3.775	1,027,201	6.280	16,497,184
3.800	2,454,686	6.290	304,980
3.900	43,883	6.300	2,547,095
3.925	3,799,761	6.405	4,721,567
4.000	35,307,259	6.425	1,337,761
4.050	1,120,498	6.500	84,123,720
4.175	9,202,005	6.530	4,905,688
4.275	89,302	6.550	2,904,928
4.300	3,488,196	6.625	573,354
4.425	11,365,884	6.645	236,770
4.450	26,082	6.655	6,116,938
4.500	27,097,733	6.675	581,848
4.550	3,284,843	6.750	291,145
4.575	42,515	6.770	857,263
4.675	6,448,980	6.780	2,340,429
4.750	235,182	6.800	971,843
4.780	740,929	6.875	250,302
4.790	1,261,578	6.905	3,085,374
4.800	4,021,235	7.000	22,474,376
4.875	951,763	7.030	2,580,349
4.925	3,484,423	7.050	357,611
5.000	137,899,276	7.155	358,842

5.020%	\$ 491,922	7.175%	\$ 638,571
5.030	7,376,495	7.280	917,878
5.040	2,583,230	7.405	153,935
		7.500	1,992,527
Total			<u>\$1,658,304,498</u>

### Certain Information Relating to the Mortgage Loan Portfolio

As of December 31, 2024, the Authority owned 2,045 Mortgage Loans under the Program with an outstanding principal balance of \$80,904,547. Such Mortgage Loans financed the purchase of Homes located in 60 of the State's counties. More than 100 Homes were located in three counties. The largest number of Homes in any one county was 568.

Table III sets forth, by type of Home, the percentage of the number of Homes financed by outstanding Mortgage Loans under the Program as of December 31, 2024.

**TABLE III**  
**Type of Home Financed with Outstanding Mortgage Loans**

<u>Type of Home</u>	<u>Percent of Number of Homes</u>
Single Family Detached .....	93.14%
Single Family Townhouse/Condominium.....	3.28
Two – Four Units .....	0.49
Modular – Manufactured.....	<u>3.04</u>
Total.....	<u>100.00%</u>

Table IV sets forth, by interest rate, the number and amount of outstanding Mortgage Loans under the Program as of December 31, 2024.

**TABLE IV**  
**Outstanding Mortgage Loans**

<u>Interest Rate</u>	<u>Number</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Number</u>	<u>Principal Amount</u>
3.750 %	20	\$ 1,209,328	6.125 %	6	\$ 475,655
3.850	2	182,502	6.150	1	53,823
4.125	33	1,708,032	6.250	10	391,474
4.250	7	403,189	6.375	1	69,491
4.375	49	3,151,012	6.400	17	274,825
4.500	23	1,255,415	6.450	3	53,231
4.625	10	733,056	6.500	96	1,678,601
4.750	340	13,836,431	6.625	2	101,983
4.850	33	1,973,650	6.650	12	181,978
4.875	31	2,018,367	6.750	11	93,500
4.950	335	12,407,133	6.850	10	143,677
5.000	13	691,766	6.890	4	33,615
5.125	59	2,647,225	6.900	7	117,684
5.150	59	2,334,442	6.950	20	414,262
5.250	127	6,008,527	7.110	22	273,419
5.375	69	3,142,652	7.250	12	77,104
5.425	13	683,433	7.300	3	47,175
5.450	10	412,578	7.360	2	13,114
5.500	217	9,636,194	7.400	6	109,444



5.625	18	980,390	7.450	3	50,923
5.750	25	1,286,617	7.550	3	63,803
5.850	45	2,464,905	7.600	3	15,076
5.950	217	5,775,432	7.650	1	25,242
6.000	31	1,185,035	7.950	4	18,134
Totals			<u>2,048</u>		<u>\$ 80,904,547</u>

Table V sets forth, by type of insurer or guarantor, the percentage of outstanding Mortgage Loans under the Program as of December 31, 2024.

**TABLE V**  
**Type of Mortgage Insurance**  
**for Outstanding Mortgage Loans**

<u>Insurer or Guarantor</u>	<u>Percent of Principal Amount</u>
FHA.....	32.17%
VA .....	3.96
USDA Rural Development.....	43.56
Private Mortgage Insurance	
Mortgage Guaranty Insurance Company .....	0.15%
Genworth .....	0.00
PMI .....	0.02
United Guaranty Insurance .....	0.00
CMG Mortgage Insurance Company .....	0.00
Total PMI-Insured Mortgage Loans .....	<u>0.17%</u>
Total Insured Mortgage Loans .....	79.86%
Uninsured .....	<u>20.14</u>
Total All Mortgage Loans .....	<u>100.00%</u>

Table VI sets forth, by financial institution, the amount of outstanding Mortgage Loans under the Program being serviced pursuant to a Servicing Agreement as of December 31, 2024. The Authority does not service any of its Qualified Mortgage Loans.

**TABLE VI**  
**Servicers of Outstanding Mortgage Loans**

<u>Servicer</u>	<u>Principal Amount</u>
First Interstate Bank .....	\$ 55,594,969
CorTrust Mortgage.....	16,710,122
First Bank & Trust .....	4,685,054
BankWest.....	3,105,360
CU Mortgage.....	<u>809,042</u>
Total .....	<u>\$ 80,904,547</u>

### Defaults, Foreclosures and State Law Considerations

If a Mortgage is in default, the Bond Resolution requires that the Authority take all steps, actions and proceedings reasonably necessary to recover the balance due and to become due on such Mortgage Loan, including the curing of the default by the Mortgagor, the sale of the Mortgage Loan under certain conditions, foreclosure, acceptance of title to the mortgaged premises in lieu of foreclosure, and the collection of any insurance or guarantees applicable to the Mortgage Loan.

Under State law, mortgages may be governed by either the One Hundred Eighty Day Redemption Mortgage Act (in which case the mortgage so states) or the regular State mortgage statutes. Under the former, a Mortgagor has

a period of redemption of 180 days from the date of recording the sheriff's certificate of sale to redeem the property from the purchaser. Under the latter statutes, the period of redemption is one year; however, by payment of interest, taxes due, interest for one year in advance and costs of foreclosure, the Mortgagor may extend the period of redemption for one additional year. During the period of redemption provided for in either of these procedures, the Authority may be precluded from exercising rights of ownership in the mortgaged premises, including the renting or selling of the premises or the collection of any benefits under any insurance or guarantees applicable to the Mortgage Loan. Most of the Mortgage Loans purchased by the Authority are governed by the One Hundred Eighty Day Redemption Mortgage Act.

Table VII sets forth the percent of Mortgage Loans of the Authority delinquent or in foreclosure as of December 31, 2024 as compared to mortgage loans in South Dakota and the United States (the latest available data), based upon The National Delinquency Survey prepared by the Economic and Research Department of the Mortgage Bankers' Association of America, as well as such information for Mortgage Loans of the Authority as of June 30, 2024 and June 30, 2023. The table below includes mortgage loans purchased under both the Program and the Authority's Single Family Mortgage Bond Program.

**TABLE VII**  
**Delinquencies and Foreclosures**

	<b>Authority as of <u>6/30/23</u></b>	<b>Authority as of <u>6/30/24</u></b>	<b>Authority as of <u>12/31/24</u></b>	<b>South Dakota as of <u>12/31/24</u></b>	<b>United States as of <u>12/31/24</u></b>
31-60 Days (one payment) Delinquent.....	4.89%	5.73%	4.11%	1.94%	2.20%
61-90 Days (two payments) Delinquent.....	1.79	1.54	1.66	0.62	0.80
91 Days or more (three or more Payments) Delinquent.....	<u>0.85</u>	<u>1.39</u>	<u>2.01</u>	<u>0.98</u>	<u>1.23</u>
Total Delinquent.....	<u>7.53%</u>	<u>8.66%</u>	<u>7.78%</u>	<u>3.54%</u>	<u>4.24%</u>
In Foreclosure.....	<u>0.98%</u>	<u>0.93%</u>	<u>0.93%</u>	<u>0.41%</u>	<u>0.45%</u>

In the event that a Mortgagor defaults in the payments on a Mortgage Loan and the Authority institutes foreclosure proceedings, there will be certain required time delays which, should they occur with respect to a sufficient number of Mortgage Loans, could disrupt the flow of Revenues available for the payment of principal of and interest on the Bonds.

### Summary of Operations – Homeownership Mortgage Bonds

The following is a summary of revenues, expenses and net position for the Homeownership Mortgage Bonds of the Authority for each of the five fiscal years ended on or prior to June 30, 2024, which have been audited on a combined fund basis. Also included is information for the three-month period ending December 31, 2024, which is unaudited. The fiscal year data should be read in conjunction with the audited financial statements of the Authority and the auditor's reports thereon. The financial statements for the fiscal years ended on June 30, 2024 and June 30, 2023 are contained in Appendix A hereto, and other financial statements are available from the Authority upon request.

	<b>Six-Month Period Ended Dec. 31, 2024 (Unaudited)</b>	<b>Fiscal Year Ended June 30</b>				
		<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Revenues:						
Interest income on mortgage loans.....	\$2,214,917	\$4,952,796	\$5,743,007	\$6,790,899	\$8,353,234	\$10,315,205
Fee, grant and other income.....	-	-	-	-	-	133,051
Investment income.....	44,896,214	70,630,438	44,374,032	35,695,658	47,185,259	43,242,336
Net change in investment market value..	3,729,135	(9,670,667)	(36,292,583)	(119,049,594)	(20,628,533)	45,350,968
<b>Total revenues.....</b>	<b>50,840,266</b>	<b>65,912,567</b>	<b>13,824,456</b>	<b>(76,563,037)</b>	<b>34,909,960</b>	<b>99,041,560</b>
Interest.....	32,273,221	50,579,506	34,234,934	28,283,803	32,842,133	34,643,695
Bond financing costs.....	2,291,276	5,688,741	2,471,593	3,709,370	2,551,562	2,376,062

Mortgage servicer fees.....	157,885	353,254	409,171	488,141	586,178	862,310
General and administrative.....	5,752,057	344,389	414,005	994,483	1,066,826	792,089
Provision for loan loss.....	119,184	180,103	84,596	(201,853)	27,583	486,523
Arbitrage rebate.....	-	2,031,081	210,078	39,377	(32,239)	32,239
<b>Total expenses.....</b>	<b>40,593,623</b>	<b>59,177,074</b>	<b>37,824,377</b>	<b>33,313,321</b>	<b>37,042,043</b>	<b>39,192,918</b>
Revenues over expenses.....	10,246,643	6,735,493	(23,999,921)	(109,876,358)	(2,132,083)	59,848,642
Operating Transfers.....	(3,824,781)	(5,187,904)	(4,258,951)	(9,221,306)	(5,554,750)	5,028,763
Changes in net position.....	6,421,862	1,547,589	(28,258,872)	(119,097,664)	(7,686,833)	64,877,405
Net position, beginning of period .....	290,899,585	289,351,996	317,610,868	436,708,532	444,395,365	379,517,960
Net position, end of period.....	<u>\$297,321,585</u>	<u>\$290,899,585</u>	<u>\$289,351,996</u>	<u>\$317,610,868</u>	<u>\$436,708,532</u>	<u>\$444,395,365</u>

The revenues and expenses of the Homeownership Mortgage Bonds are directly related to the balances of Mortgage Loans, investments, and the balance of Outstanding Bonds. Significant increases or decreases in interest income on Mortgage Loans, investments, and interest expense result from the changing principal balance of Mortgage Loans outstanding, the amount of funds available for investments, interest rates on investments and the principal balance of Outstanding Bonds. Net changes in investment market value occur when investments are valued at fair market value. Mortgage servicer fees are paid to Mortgage Lenders for servicing Mortgage Loans.

After satisfying the then current requirements for all Funds and Accounts under the Bond Resolution, including the Parity Test and the Cash Flow Test, any Revenues remaining in excess of such requirements may be withdrawn and transferred to the General Reserve Account in the General Fund (General Operating Account) for use for any purpose authorized by the Act.

## OTHER PROGRAMS OF THE AUTHORITY

In addition to the Program, the Authority finances and/or operates other housing programs. A list of the outstanding bonds related to such programs is contained in the notes to the Financial Statements in Appendix A hereto. Assets and revenues related to other programs are not pledged to the payment of the Bonds.

### *Multiple Purpose Housing Program*

Under the Multiple Purpose Housing Program, the Authority issues its Multiple Purpose Bonds to provide construction and permanent financing for multifamily rental housing developments and other projects permitted under the Act to carry out the Authority's purposes. Since 2002 the Authority has issued \$97,625,000 of Multiple Purpose Bonds, of which \$5,610,000 of 2009 Series A Bonds, \$150,000 of 2013 Series A Bonds, and \$13,790,000 of 2020 Series A Bonds remain outstanding, all as of December 31, 2024. The Multiple Purpose Bonds are general obligations of the Authority and are also secured by certain pledged loans. The 2009 Series A Bonds and the 2020 Series A Bonds are floating rate demand bonds; the Authority provides liquidity for the 2009 Series A Bonds and the Federal Home Loan Bank of Des Moines provides liquidity for the 2020 Series A Bonds. The Authority entered into an interest rate swap agreement related to the 2020 Series A Bonds with a current outstanding notional amount of \$13,790,000.

### *Contract Administration Program*

Under the Contract Administration Program, the Authority administers the project-based Section 8 rental assistance program for HUD pursuant to several Annual Contribution Contracts for a total of 158 developments containing 4,877 assisted units. All of these developments are administered pursuant to an Annual Contribution Contract awarded under the HUD Performance Based Contract Administration ("PBCA") initiative. The remainder of the properties consist of newly constructed or substantially rehabilitated housing financed under the Multifamily Housing Program or by other sources. Several of these traditionally financed properties have converted to the Multifamily Assisted Housing Reform and Accountability Act ("MAHRA") requirements, some of which are currently retained in HUD's servicing portfolio. These properties are expected to be returned to the Authority's servicing portfolio in the near future.

### *Guaranteed Mortgage Securities TBA Program*

The Authority initiated a program in 2012 for financing guaranteed mortgage securities in the secondary market and hedging market risk in the TBA (“To Be Announced”) market (the “TBA Program”). The TBA Program provides alternative financing for the purchase of mortgage loans which can be securitized into guaranteed mortgage securities. As of December 31, 2024, the Authority completed the sale and settlement of \$1.4 billion of guaranteed mortgage securities through the TBA Program and had commitments to settle and deliver \$0 of guaranteed mortgage securities. IHFA acts as the servicer for the TBA Program. For information regarding IHFA, see Appendix B hereto. As part of the TBA Program, the Authority has a Mortgage Credit Certificate (“MCC”) Program which provides tax credits to certain eligible borrowers. As of December 31, 2024, the Authority had issued MCCs in connection with \$943.0 million of mortgage loans and had MCC commitments outstanding in connection with \$0.2 million of mortgage loans. Also, as part of the TBA Program, the Authority has a Repeat Homebuyer Loan Program which provides mortgage loans to certain borrowers who are not first-time homebuyers. As of December 31, 2024, the Authority had purchased \$809.0 million of repeat homebuyer mortgage loans and had commitments outstanding to purchase \$17.0 million of repeat homebuyer mortgage loans outstanding.

### *Single Family Mortgage Bond Program*

Under the Single Family Mortgage Bond Resolution adopted by the Authority on December 2, 2009, the Authority has issued \$350,000,000 of its Single Family Mortgage Bonds to finance mortgage loans. As of December 31, 2024, there were \$10,745,000 of Single Family Mortgage Bonds outstanding. All mortgage loans and other assets held by the trustee for the Single Family Mortgage Bonds are pledged solely to secure payment of the Single Family Mortgage Bonds, and such bonds are secured solely by and payable solely from such revenues and assets.

### *Rental Housing Development*

Under the Rental Housing Development Program, the Authority issues from time-to-time conduit bonds or obligations to finance affordable rental housing in the State. The Authority has issued \$136,034,500 in aggregate principal amount of such conduit obligations, of which \$88,968,935 were outstanding as of December 31, 2024. Loans and other assets financed by the Authority under this program are pledged as security for payment of the related bonds obligations, which are not general obligations of the Authority.

### *Risk Sharing Program*

Under FHA’s Risk Sharing Program, the Authority provides financing for mortgage loans for construction and permanent financing for multifamily housing developments within the State. Mortgage loans financed under this program are insured by FHA. The Authority agrees to reimburse HUD for a portion of any losses on a Mortgage Loan. To date, the Authority has issued two series of its Multifamily Housing Revenue Bonds, each to finance a loan under the Risk Sharing Program - \$3,235,000 Multifamily Housing Revenue Bonds, Series 1999, and \$3,915,000 Multifamily Housing Revenue Bonds, Series 2000 which loans are pledged to secure payment of the related Multifamily Housing Revenue Bonds. The Authority agreed to reimburse HUD for 50% of any losses incurred under each loan.

### *Additional Housing Programs*

The Authority administers the federal Housing Tax Credit Program for the State. Cumulatively, the Authority has allocated over \$77.5 million in tax credits since 1987.

HUD Community Planning and Development programs of Emergency Solutions Grants, Housing Trust Fund (“HTF”) and HOME funds are administered by the Authority. Annually the Authority receives approximately \$640,000 for ESG, \$3 million for HTF and \$3 million for HOME funds. Since inception of the HOME Program, SDHDA has received \$108.9 million in HUD entitlement and \$59.7 million in program income. Since the inception of the HTF Program, SDHDA has received \$39.0 million in HUD entitlement. Furthermore, the Authority has been designated by the Governor to develop South Dakota’s five-year Consolidated Plan required by HUD.

The Authority is the administrative entity for the South Dakota Housing for the Homeless Consortium, which has received over \$35.9 million under the HUD Continuum of Care Program since 2001.

The Authority has also established the Construction Loan Guarantee Program to provide flexible financing options to stimulate the construction of single-family homes and leverages SDHDA funds with private lenders for a home improvement and repair program (“CHIP”).

The Authority has developed the Homeownership Education Resource Organization (“H.E.R.O.”), a separate 501(c)(3) organization, to provide professionals with a standardized curriculum to educate South Dakotans on housing issues and to obtain and distribute funding to H.E.R.O. partner entities which provide homebuyer education. H.E.R.O. is designed to reach consumers who currently do not have access to homeowner education and to foster continuing homebuyer maintenance education.

The Authority has also created the Community Housing Development Program (“CHDP”) and administers the State of South Dakota funded Housing Opportunity Fund (“HOF”) Program which, to date, has allocated over \$30.6 million in CHDP funds and \$32.2 million in HOF funds for housing development and programs. Both CHDP and HOF are financing options for workforce housing.

The Authority administers the Section 811 Project Rental Assistance (“PRA”) Program funded through the U.S. Department of Housing and Urban Development. The Authority received \$2,797,972 and entered into an Interagency Partnership Agreement with State Health and Human Services/Medicaid Agencies to collaborate in the development of permanent supportive housing for extremely low-income persons with disabilities. The Authority has 10 properties under a Rental Assistance Contract (“RAC”) that have agreed to set aside a total of 60 units to be filled with eligible applicants from a statewide waiting list.

In 2023, the State of South Dakota allocated \$200 million to the Authority for the purpose of developing infrastructure for housing. As of December 31, 2024, \$135,761,338 has been awarded to infrastructure projects across the State.

## **PLEDGE OF THE STATE**

Under the Act, the State pledges and agrees with the holders of any notes or bonds issued under the Act that the State will not limit or alter the rights vested in the Authority to fulfill the terms of any agreement made with the holders thereof or in any way impair the rights and remedies of the holders, until the notes or bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding taken by or on behalf of such holders, are fully met and discharged.

## **LEGALITY OF BONDS FOR INVESTMENT**

Under the Act, the Bonds are legal investments for all counties, cities, villages, incorporated towns, and other municipal corporations, political subdivisions and public bodies, and public officers of any thereof in the State; all banks, trust companies, savings banks and institutions, building and loan associations, and savings and loan associations; and all executors, administrators, guardians, trustees and other fiduciaries in the State; and may be deposited or segregated in lieu of surety bonds to secure deposits of public funds in the State.

## **TAX MATTERS**

### **2025 Series C Bonds**

#### *General*

The 2025 Series C Bonds are subject to the requirements of applicable federal tax law, including the requirements of Sections 143 and 148 of the Internal Revenue Code of 1986, as amended (the “Code”).

## *Loan Eligibility Requirements*

The loan eligibility requirements of Section 143 applicable to Qualified Mortgage Loans and Guaranteed Mortgage-Backed Securities allocated to the 2025 Series C Bonds are that (1) the residence for which the Mortgage Loan is made is a single-family residence which, at the time the Qualified Mortgage Loan is made, is or can reasonably be expected within a reasonable time to become the principal residence of the mortgagor and is located in the State; (2) except in certain limited circumstances, no part of the proceeds is to be used to acquire or replace any existing mortgage; (3) the acquisition cost of the completed residence meets certain limits; (4) the family income of the mortgagor meets certain limits; (5) with certain exceptions, the mortgagor shall not have had a present ownership interest in his or her principal residence during the preceding three years; and (6) the Qualified Mortgage Loan shall not be assumable unless the requirements of (1), (3), (4) and (5) above are met at the time of the assumption. The 2025 Series C Bonds will be treated as meeting the Mortgage Loan eligibility requirements of Section 143 if (1) the Authority in good faith attempted to meet all of the requirements before the Qualified Mortgage Loans were executed; (2) 95% or more of the proceeds of the 2025 Series C Bonds used to finance Qualified Mortgage Loans was devoted to residences which met all such requirements at the time the Qualified Mortgage Loans were executed or assumed; and (3) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered.

### *“10 Year Rule”*

Section 143(a)(2)(A)(iv) of the Code, requires that prepayments and repayments of loan principal received after a date 10 years from the date of issue of the related bonds be used to pay and redeem bonds of that particular issue (a requirement sometimes referred to as the “10 Year Rule”). Hence, in the case of a “new money” issue of bonds, prepayments and repayments of loan principal received during the first 10 years following the date of issue can be recycled into new loans, either directly, or indirectly through a refunding of bonds of the issue or another issue, but, after the 10 year date, no further recycling is permitted and the prepayments and repayments of related loan principal must be devoted to paying and redeeming bonds of the related bond issue.

Where the issue of bonds is itself a refunding issue, in whole or in part, the 10 Year Rule is applied by measuring the 10 year period from the dates of issue of the various issues of bonds being refunded (or the dates of issue of the original bonds in a chain of refunding’s), and the prepayments and repayments of loan principal, when received, must be allocated, for purposes of applying the 10 Year Rule, among the issues of bonds refunded. Varying percentages of the prepayments and repayments of loan principal, therefore, will have different 10 Year Rule effective dates commencing with the date of issue of the bonds, and continuing through the date which is 10 years after said date of issue, reaching 100% no later than the date 10 years after the date of issue. Charts showing the application of the 10 Year Rule to the 2025 Series C Bonds are found under the heading “The Offered Bonds - Redemption Provisions - *Special Redemption*”.

### *“42 Month Rule”*

Section 143(a)(2)(D) of the Code, requires that proceeds of a “new money” bond issue be used to make mortgage loans within 42 months of the date of issue, or be used to redeem related bonds of the issue prior to the expiration of the 42-month period (a requirement sometimes referred to as the “42 Month Rule”). The 42 Month Rule applies to “sale proceeds” of an issue deposited into a mortgage acquisition fund or “transferred proceeds” of a “new money” issue which were not used to make loans but does not apply to “transferred proceeds” or “replacement proceeds” of an issue deposited into a mortgage acquisition fund as a result of a refunding resulting from loan principal prepayments and repayments. Hence, the 42 Month Rule is generally applicable only where the issue of bonds in question is wholly or partly a “new money” issue or a nonorigination refunding of a “new money” issue. Where the issue of bonds is in part a “new money” issue and in part a prepayment refunding issue, only a percentage of the proceeds deposited in the mortgage acquisition fund will be subject to the 42 Month Rule.

## *Other Tax Exemption Requirements*

The Code requires compliance with certain additional “non-mortgage eligibility” requirements to maintain the exclusion from gross income for federal income tax purposes of interest on the 2025 Series C Bonds. For example, the Code limits the amount of the costs of issuance which may be paid from the proceeds of the 2025 Series C Bonds and transferred proceeds of any prior bonds refunded by the 2025 Series C Bonds, and further limits the size of reserve

funds established with the proceeds of the 2025 Series C Bonds. In addition, the Code imposes, on a continuing basis, limitations on investment of the proceeds of the 2025 Series C Bonds and requires earnings on non-mortgage investments in excess of the yield on the 2025 Series C Bonds to be rebated to the United States.

#### *Authority Documentation*

The Authority has included provisions in the Resolution, the form of Mortgage Purchase Agreement and other Program Documents and has established procedures (including receipt of certain affidavits and warranties from Mortgage Lenders, servicers, borrowers and others respecting the mortgage eligibility requirements) in order to ensure compliance with the requirements of applicable federal law which must be met subsequent to the dates of issuance of the 2025 Series C Bonds. The Authority has covenanted in the Resolution to do all things necessary to assure that interest on the 2025 Series C Bonds will be excludable from federal gross income and not to permit any proceeds of the 2025 Series C Bonds to be used in a manner which violates any of the restrictions contained in applicable federal law. In the opinion of Bond Counsel, the Authority's covenants in the Resolution and other relevant documents establish procedures under which the requirements of applicable federal law can be met. Noncompliance with the applicable requirements in the Resolution and other relevant documents may cause interest on the 2025 Series C Bonds to become includible in the federal gross income of the owners thereof retroactive to the date of issue.

#### *Tax Exemption*

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the 2025 Series C Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Such opinions assume the accuracy of certain representations of the Authority and its compliance with covenants described above which are designed to satisfy the requirements of the Code. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the 2025 Series C Bonds. Interest on the 2025 Series C Bonds may affect the federal alternative minimum tax imposed on certain corporations. The proposed form of such opinion of Bond Counsel is attached hereto as Appendix F.

#### *Other Tax Consequences*

The accrual or receipt of interest on the 2025 Series C Bonds may otherwise affect the federal income tax liability of the owners thereof. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences.

Purchasers of the 2025 Series C Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the 2025 Series C Bonds.

#### *Original Issue Premium*

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

premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series C PAC Bond.

## **2025 Series D Bonds**

### *General Matters*

Bond Counsel is of the opinion that interest on the 2025 Series D Bonds is included in gross income for federal income tax purposes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the 2025 Series D Bonds under the laws of the State or any other state or jurisdiction.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the 2025 Series D Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the 2025 Series D Bonds should consult their own tax advisors in determining the federal, state, or local tax consequences to them of the purchase, holding and disposition of the 2025 Series D Bonds.

In general, interest paid on the 2025 Series D Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the 2025 Series D Bonds, and principal payments (excluding the portion, if any, of such payments characterized as original issue discount or accrued market discount) will be treated as a return of capital.

### *Bond Premium*

An investor that acquires a 2025 Series D Bond for a cost greater than its remaining stated redemption price at maturity and holds such instrument as a capital asset will be considered to have purchased such instrument at a premium. Such premium may generally be amortized under the constant yield method upon prior election permitted by Section 171(c) of the Code and, if so amortized, any call options of the Issuer with respect to the 2025 Series D Bonds are generally disregarded such that the instruments are amortized to their maturity date. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizing bond premium that reduces interest payments under Section 171 of the Code. Investors of any 2025 Series D Bonds purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

### *Market Discount*

An investor that acquires a 2025 Series D Bond for a price less than the adjusted issue price of such instrument may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, “market discount” means (1) in the case of a 2025 Series D Bond originally issued at a discount, the amount by which the issue price of such instrument, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (2) in the case of a 2025 Series D not originally issued at a discount, the amount by which the stated redemption price of such instrument at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a 2025 Series D Bond will generally be required (1) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the instrument, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such an instrument or (2) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time



as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (1) on a constant interest basis or (2) in proportion to the accrual of stated interest or, in the case of a 2025 Series D Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a 2025 Series D Bond that acquired such instrument at a market discount also may be required to defer, until the maturity date of such instrument or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such instrument in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such instrument. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the 2025 Series D Bonds for the days during the taxable year on which the owner held such instrument and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the 2025 Series D Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

#### *Unearned Income Medicare Contribution Tax*

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the 2025 Series D Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the 2025 Series D Bonds and to gain on the sale of a 2025 Series D Bond.

#### *Sales or Other Dispositions*

If an owner of a 2025 Series D Bond sells the instrument, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such instrument. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a 2025 Series D Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a 2025 Series D Bond should consult its own tax advisor concerning the circumstances in which such instrument would be deemed reissued and the likely effects, if any, of such reissuance.

#### *Defeasance*

The legal defeasance of a 2025 Series D Bond may result in a deemed sale or exchange of such instrument under certain circumstances. The owner of such a 2025 Series D Bond should consult its tax advisors as to the federal income tax consequences of such a defeasance.

#### *Foreign Investors*

An owner of a 2025 Series D Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a 2025 Series D Bond will generally not be subject to United States income or withholding tax in respect of a payment on a 2025 Series D Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this

purpose the term “United States person” means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax may apply to interest paid and original issue discount accruing on 2025 Series D Bonds owned by foreign investors. In those instances in which payments of interest on the 2025 Series D Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of 2025 Series D Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a 2025 Series D Bond.

#### *Tax-Exempt Investors*

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by an organization from any unrelated trade or business as defined in Section 513 of the Code. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a 2025 Series D Bond incurs acquisition indebtedness with respect to such instrument, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a 2025 Series D Bond is urged to consult its own tax advisor regarding the application of these provisions.

#### *ERISA Considerations*

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities whose underlying assets are considered to include “plan assets” (within the meaning of 29 C.F.R. Section 2510.3 (as modified by Section 3(42) of ERISA), such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans,” and together with arrangements that are subject to Section 4975 of the Code or similar provisions under any other federal, state, local, non-United States or other laws or regulations or similar law, as applicable, “Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the 2025 Series D Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the 2025 Series D Bonds, could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the issuer or conduit borrower, if any, of the 2025 Series D Bonds or any dealer of the 2025 Series D Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the 2025 Series D Bonds are acquired by such plans or arrangements with respect to which the issuer or any conduit borrower of the 2025 Series D Bonds or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the 2025 Series D Bonds. The sale of the 2025 Series D Bonds to a Plan is in no respect a representation by the issuer or conduit borrower, if any, of the 2025 Series D Bonds or any dealer that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the 2025 Series D Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Neither the issuer or conduit borrower, if any, of the 2025 Series D Bonds nor the Underwriter is acting as a fiduciary, or undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, to such purchaser or transferee with respect to the decision to purchase or hold the 2025 Series D Bonds or an interest in the 2025 Series D Bonds.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed on persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the 2025 Series D Bonds on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the 2025 Series D Bonds.

### **Backup Withholding**

An owner of an Offered Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Offered Bonds if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE OFFERED BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE OFFERED BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE OFFERED BONDS.

### **LITIGATION**

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Offered Bonds or the purchase of Qualified Mortgage Loans and Guaranteed Mortgage Securities with funds made available from the issuance of the Offered Bonds or in any way contesting or affecting the

validity of the Offered Bonds, or any proceedings of the Authority taken with respect to the issuance, sale or delivery thereof, the operation of the Program, or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of the Authority, or which would have a material adverse effect on the financial position of the Authority. The Authority routinely is involved in litigation arising out of the foreclosure by it of mortgages held by the Authority and arising out of the administration by the Authority of housing tax credits or other housing programs. There is no pending or threatened litigation against the Authority which if adversely determined to the Authority would have a material adverse effect on its financial position.

## **FINANCIAL STATEMENTS OF THE AUTHORITY**

The audited financial statements of the Authority as of and for the fiscal years ended June 30, 2024 and June 30, 2023 are included in Appendix A to this Official Statement and have been audited by Eide Bailly LLP, independent certified public accountants, to the extent and for the periods indicated in their report thereon. Eide Bailly LLP, the Authority's independent auditor, has not been engaged to perform and has not performed, since the date of its report included thereon, any procedures on the financial statements addressed in that report. Eide Bailly LLP also has not performed any procedures relating to this Official Statement.

The audited financial statements of the Authority presented in Appendix A to this Official Statement include information relating to all revenues and fund balances of the Authority. Owners of the Offered Bonds have no right to or interest in, and are not secured by, the moneys in any Funds of the Authority other than the funds and accounts established under the Bond Resolution and the General Operating Account. In reviewing the financial statements, purchasers of the Offered Bonds should consider that the general obligation of the Authority to pay the Offered Bonds is limited to only the money available under the Bond Resolution and in the General Operating Account. The General Operating Account is available for the payment of all notes and bonds which are general obligations of the Authority, including the Offered Bonds.

## **LEGAL MATTERS**

On the date of issuance and delivery of the Offered Bonds, Kutak Rock LLP, Omaha, Nebraska, Bond Counsel, will issue its opinion as to the validity of the Offered Bonds, the exclusion of the interest on the 2025 Series C Bonds from gross income for federal income tax purposes, and the inclusion of the interest on the 2025 Series D Bonds in gross income for federal income tax purposes in the form set forth in Appendix F hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Dorsey & Whitney LLP, Des Moines, Iowa, and Meierhenry Sargent LLP, Sioux Falls, South Dakota. Certain legal matters will be passed upon for the Authority by its general counsel, Davenport, Evans, Hurwitz & Smith, LLP, Sioux Falls, South Dakota.

## **FINANCIAL ADVISOR**

Caine Mitter & Associates Incorporated served as independent financial advisor to the Authority in connection with the sale of the Offered Bonds.

## **SECONDARY MARKET DISCLOSURE**

The Authority will enter into an agreement (the "Disclosure Agreement") for the benefit of the holders of the Offered Bonds to cause certain financial information and operating data relating to the Authority and the Program to be sent at least annually to the Municipal Securities Rulemaking Board ("MSRB") through EMMA and to provide notice to EMMA of certain events, pursuant to the requirements of Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, Section 240.15c2-12).

Pursuant to such Disclosure Agreement, the Authority will agree to provide to the Trustee (and within five business days the Trustee shall provide to the MSRB through its EMMA system) annually, not later than nine months following the end of each fiscal year of the Authority (the Authority's fiscal year currently ends June 30) during which Offered Bonds are outstanding, certain financial and operating data, including (1) its audited annual financial statements for the prior fiscal year, prepared in accordance with generally accepted accounting principles in the United

States as in effect from time to time (provided that if such audited financial statements are not available at the time the annual report is required to be filed, the annual report shall include unaudited financial statements, and the audited financial statements shall be filed in the same manner as the annual report when they become available), (2) a summary, as of a date no earlier than the end of the prior fiscal year, of the revenues, expenses and net position for the General Fund of the Authority, to the extent such information is not contained in the audited annual financial statements of the Authority for the prior fiscal year, (3) a statement of the balances in, as of a date no earlier than the end of the prior fiscal year, the General Reserve Account of the General Fund, the Mortgage Reserve Fund, the Capital Reserve Fund and the General Account of the Special Program Fund, to the extent such information is not included in the audited annual financial statements of the Authority for the prior fiscal year, (4) a statement, as of a date no earlier than the end of the prior fiscal year, either stating the Value of the Authority's Principal Assets and the aggregate Capital Value of the Authority's Outstanding Homeownership Mortgage Bonds, or that the Parity Test is satisfied, and (5) an update, as of a date no earlier than the end of the prior fiscal year, of the following Program information contained under the heading "The Program" in the Official Statement: "Table I-Amounts Available To Purchase Qualified Mortgage Loans and Guaranteed Mortgage Securities"; "Table II-Outstanding Guaranteed Mortgage Securities"; "Table III-Type of Home Financed with Outstanding Mortgage Loans"; "Table IV- Outstanding Mortgage Loans"; "Table V-Type of Mortgage Insurance for Outstanding Mortgage Loans"; "Table VI-Servicers of Outstanding Mortgage Loans"; "Table VII-Delinquencies and Foreclosures" (information relating to the Authority only); the summary of revenues, expenses and net position for the Homeownership Mortgage Bonds funds; and "Appendix D," to the extent any such information is not included in the audited annual financial statements of the Authority for the prior fiscal year. The Trustee shall give notice in a timely manner of any failure by the Authority to provide the annual report when the same is due.

In addition, the Authority agrees to provide to the Trustee in a timely manner (which enables the Trustee to provide to the MSRB through the EMMA system within 10 business days) notice of the occurrence of certain enumerated events with respect to the Offered Bonds, namely, (1) principal and interest payment delinquencies, (2) non-payment related defaults, if material, (3) modifications to rights of Bondholders, if material, (4) Offered Bond calls (other than sinking fund redemptions), if material, (5) defeasances, (6) rating changes, (7) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2025 Series C Bonds, or other material events affecting the tax status of the 2025 Series C Bonds, (8) unscheduled draws on the Mortgage Reserve Fund, the Capital Reserve Fund or the General Account of the Special Program Fund reflecting financial difficulties with respect to the Offered Bonds, (9) unscheduled draws on credit enhancements reflecting financial difficulties with respect to the Offered Bonds, (10) substitution of credit or liquidity providers, or their failure to perform, (11) release, substitution or sale of property securing repayment of the Offered Bonds, if material, (12) tender offers, (13) bankruptcy, insolvency, receivership or similar event of the Authority, (14) consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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, (15) appointment of a successor or additional trustee, or the change of name of a trustee, if material, (16) incurrence of a financial obligation, if material, (17) agreement to covenants, events of default, remedies, priority rights or other terms of a financial obligation, any of which affect security holders, if material, and (18) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

A default under such Disclosure Agreement is not deemed to be an "event of default" under the Resolution and the sole remedy under the Disclosure Agreement is an action to compel performance by the Trustee (which is required to so act if requested by the holders of at least 25% in principal amount of the Outstanding Offered Bonds).

The Authority is currently subject to written continuing disclosure undertakings pursuant to the Rule with respect to other outstanding bonds (the "Prior Undertakings"). Although the Authority's audited financial statements and financial information were filed in a timely manner as required by the Prior Undertakings, certain financial information was not linked to all applicable bond issues during the last five years in a timely manner. The Authority did not file notice of these deficiencies with the MSRB in a timely manner. During the last five years, the Authority did not file in a timely manner notices of (1) a rating change in May of 2021 and (2) two interest rate swap agreements that were entered into in 2023 as required by the Prior Undertakings. The Authority has made certain supplementary filings with the MSRB that were intended to provide, clarify or cross reference required information.

## RATINGS

The Bonds heretofore issued under the Bond Resolution have been assigned long-term ratings of “\_\_\_” by Moody’s Investors Service, Inc. (“Moody’s”) and “\_\_\_” by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”). The Offered Bonds have been assigned long-term ratings of “\_\_\_” by Moody’s and “\_\_\_” by S&P. Ratings assigned to the Bonds reflect only the views of the respective rating agencies, and any explanation of the significance of the ratings may only be obtained from the rating agencies furnishing them. There is no assurance that the ratings given to such Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agencies if in their judgment circumstances so warrant. Any downgrade or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

## UNDERWRITING

The Offered Bonds are being purchased by Wells Fargo Bank, National Association, BofA Securities, Inc., Colliers Securities LLC and J.P. Morgan Securities LLC (the “Underwriters”). The Underwriters have jointly and severally agreed to purchase the Offered Bonds at a price equal to \$\_\_\_\_\_. The Underwriters will receive a fee in the amount of \$\_\_\_\_\_ (to be paid from available funds of the Authority) relating to the purchase of the Offered Bonds. The Purchase Contract for the Offered Bonds (the “Purchase Contract”) provides that the Underwriters will purchase all of the Offered Bonds if any are purchased; the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

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

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

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

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

Each of the Underwriters and its affiliates is a full-service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, and brokerage activities. Each of the Underwriters and its affiliates may have from time to time, performed and may in the future perform, various investment banking services

for the Authority, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, each of the Underwriters and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

Each of the Underwriters and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

## **MISCELLANEOUS**

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references or summaries herein to the Act, the Resolution, and other documents referred to herein do not purport to be complete, and reference is made to the Act and to such documents, copies of which are available upon request from the Authority, for full and complete statements of the provisions thereof.

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

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY

By \_\_\_\_\_  
Chair

May \_\_, 2025

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**South Dakota Housing Development Authority**  
**Audited Financial Statements**  
**June 30, 2024 and June 30, 2023**

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# South Dakota Housing Development Authority

(A Component Unit of the State of South Dakota)

Financial Report

June 30, 2024 and 2023

# South Dakota Housing Development Authority

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June 30, 2024 and 2023

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## Independent Auditor's Report

To the Board of Commissioners  
South Dakota Housing Development Authority  
(A Component Unit of the State of South Dakota)  
Pierre, South Dakota

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the business-type activities of the South Dakota Housing Development Authority, a component unit of the State of South Dakota, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the South Dakota Housing Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the South Dakota Housing Development Authority as of June 30, 2024 and 2023, and the respective changes in financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of authority's contributions, schedule of authority's proportionate share of net pension liability (asset), and notes to required supplementary information be presented to supplement the basic financial statements.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Dakota Housing Development Authority's basic financial statements. The supplementary schedules and tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 GAAS. In our opinion, the supplementary schedules and tables, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2024 on our consideration of South Dakota Housing Development Authority'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 South Dakota Housing Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Housing Development Authority's internal control over financial reporting and compliance.



Aberdeen, South Dakota  
October 11, 2024

## ***Management's Discussion and Analysis***

**June 30, 2024 and 2023 (Unaudited)**

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This section of the South Dakota Housing Development Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2024 (FY 2024) and 2023 (FY 2023). This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. This analysis should be read in conjunction with the Independent Auditor's Report, Financial Statements, Notes to the Financial Statements, and Supplementary Information.

### **The Authority**

The Authority was created in 1973 by an Act of the South Dakota Legislature as a body politic and corporate and an independent public instrumentality for the purpose of encouraging the investment of private capital for the construction and rehabilitation of residential housing to meet the needs of persons and families in the state. Among other things, the Authority is authorized to issue bonds and notes to obtain funds to purchase mortgage loans to be originated by mortgage lenders and to make mortgage loans to individuals for the construction and permanent financing of single family housing; to make mortgage loans to qualified sponsors for the construction and permanent financing of multifamily housing; to purchase, under certain circumstances, existing mortgage loans; to purchase, from mortgage lenders, securities guaranteed by an instrumentality of the United States that finances mortgage loans; and to issue bonds to refund outstanding bonds. Additionally, the Authority has the power, among other powers, to provide technical, consulting and project assistance services to private housing sponsors; to assist in coordinating federal, state, regional, and local public and private housing efforts; and to act as a housing and redevelopment commission. The Authority is also authorized to provide financing for daycare facilities and assisted living and congregate care facilities; to guarantee mortgage loans; and to provide rehabilitation financing.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purpose. The activity of the Authority is accounted for as a proprietary-type fund. The Authority is a component unit of the State of South Dakota, and its financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

### **Basic Financial Statements**

The basic financial statements include three required statements and the accompanying Notes to the Financial Statements. The three required statements are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position provides information about the liquidity and solvency of the Authority by indicating the nature and the amounts of investments in resources (assets), its deferred outflows of resources, obligations to Authority creditors (liabilities), its deferred inflows of resources, and its resulting net position. Net position represents the amount of total assets, plus deferred outflows of resources, less total liabilities, less deferred inflows of resources. The organization of the statement separates assets and liabilities into current and non-current components.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for all of the current year's revenues and expenses in order to measure the success of the Authority's operations over the past year. This statement is organized by separating operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses are defined as those relating to the Authority's primary business of construction, preservation, rehabilitation, purchase, and development of affordable single family and multifamily housing and daycare facilities. Nonoperating revenues and expenses are those that do not contribute directly to the Authority's primary business. The Authority did not have any nonoperating items.



## **Management's Discussion and Analysis**

**June 30, 2024 and 2023 (Unaudited)**

The Statement of Cash Flows provides information about the net change in the Authority's cash and cash equivalents for the fiscal year and is presented using the direct method of reporting. It provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, investing, capital and related financing, and noncapital financing activities. Cash receipts and payments are presented in this statement to arrive at the net increase or decrease in cash and cash equivalents for each year.

These statements are accompanied by a complete set of Notes to the Financial Statements that communicate information essential for fair presentation of the basic financial statements. As such, the Notes form an integral part of the basic financial statements.

### **Changes in Financial Position**

The following tables show the significant changes that have taken place over the past three fiscal years ended FY 2024, FY 2023, and FY 2022 for the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Net Position of the Authority:

### **Changes in Statement of Revenues, Expenses, and Net Position**

(In Millions of Dollars)

	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2022</b>	<b>% Change 2024/2023</b>	<b>% Change 2023/2022</b>
Revenues:					
Interest on mortgages	\$ 6.4	\$ 7.5	\$ 8.7	-14.7%	-13.8%
Investment income	80.7	51.1	37.5	57.9%	36.3%
Increase (decrease) in fair market value of investments and program MBS	(7.1)	(40.5)	(125.4)	82.5%	67.7%
HUD contributions	51.2	40.5	35.5	26.4%	14.1%
U.S. Treasury contributions	16.7	20.4	31.9	-18.1%	-36.1%
State contributions	-	-	150.0	-	-100.0%
Other income	11.3	6.8	7.7	66.2%	-11.7%
Total revenues	159.2	85.8	145.9	85.5%	-41.2%
Expenses:					
Interest	51.4	35.2	29.1	46.0%	21.0%
Servicer fees	0.4	0.5	0.6	-20.0%	-16.7%
General and administrative	8.2	7.8	7.3	5.1%	6.8%
HUD housing assistance payments	27.6	27.7	27.0	-0.4%	2.6%
U.S. Treasury housing assistance payments	16.7	20.4	31.9	-18.1%	-36.1%
Other	40.1	17.2	16.7	133.1%	3.0%
Total expenses	144.4	108.8	112.6	32.7%	-3.4%
Change in net position	\$ 14.8	\$ (23.0)	\$ 33.3	164.3%	-169.1%

(continued on next page)

## Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

### Changes in Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

(In Millions of Dollars)

	FY 2024	FY 2023	FY 2022	% Change 2024/2023	% Change 2023/2022
<b>Assets:</b>					
Cash and equivalents	\$ 559.5	\$ 585.3	\$ 574.7	-4.4%	1.8%
Investments	1,627.0	1,207.8	1,110.5	34.7%	8.8%
Mortgages	284.6	276.0	283.1	3.1%	-2.5%
Line of credit receivable	53.2	33.4	45.9	59.3%	-27.2%
Interest receivable	8.6	6.1	4.0	41.0%	52.5%
Capital assets	4.4	4.5	4.6	-2.2%	-2.2%
Other	37.6	29.4	24.3	27.9%	21.0%
Total assets	2,574.9	2,142.5	2,047.1	20.2%	4.7%
<b>Deferred Outflows of Resources</b>					
Deferred loss on refunding	1.9	2.1	2.2	-9.5%	-4.5%
Deferred forward contract outflow	-	-	0.1	-	-100.0%
Deferred swap outflow	0.4	-	-	100.0%	-
Deferred outflow related to pension	1.4	1.5	1.8	-6.7%	-16.7%
Total assets and deferred outflows	\$ 2,578.6	\$ 2,146.1	\$ 2,051.2	20.2%	4.6%
<b>Liabilities:</b>					
Current bonds payable	\$ 163.2	\$ 58.0	\$ 21.8	181.4%	166.1%
Interest payable	13.5	8.0	4.7	68.8%	70.2%
Fair value of hedging derivatives	-	-	0.1	-	-100.0%
Other	8.2	4.8	4.6	70.8%	4.3%
Unearned revenue	54.3	72.8	112.8	-25.4%	-35.5%
Noncurrent bonds payable	1,670.8	1,353.2	1,240.0	23.5%	9.1%
Total liabilities	1,910.0	1,496.8	1,384.0	27.6%	8.2%
<b>Deferred Inflows of Resources</b>					
Deferred forward contract inflow	-	-	0.1	-	-100.0%
Deferred gain on refunding inflow	8.5	9.1	9.8	-6.6%	-7.1%
Deferred swap inflow	27.3	22.1	14.6	23.5%	51.4%
Deferred inflow related to pension	0.8	0.9	2.5	-11.1%	-64.0%
Total liabilities and deferred inflows	1,946.6	1,528.9	1,411.0	27.3%	8.4%
<b>Net Position:</b>					
Net investment in capital assets	(1.3)	(1.2)	(1.2)	-8.3%	0.0%
Restricted by state statute	176.9	170.5	169.2	3.8%	0.8%
Restricted for pension benefits	0.6	0.6	0.6	0.0%	0.0%
Restricted by bond indentures	359.5	357.6	386.7	0.5%	-7.5%
Restricted by HOME, HTF, NSP, HAF program	96.3	89.7	84.9	7.4%	5.7%
Total net position	632.0	617.2	640.2	2.4%	-3.6%
Total liabilities, deferred inflows, and net position	\$ 2,578.6	\$ 2,146.1	\$ 2,051.2	20.2%	4.6%

(continued on next page)

## ***Management's Discussion and Analysis***

**June 30, 2024 and 2023 (Unaudited)**

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### **Financial Highlights for FY 2024**

- Total operating revenues increased 85.5% to \$159.2 million for FY 2024, from \$85.8 million for FY 2023. The main factors contributing to this increase were an additional \$29.6 million in investment income, an additional \$10.7 million of HUD contributions and a \$33.4 million increase in market value adjustment.
- Total operating expenses increased 32.7% to \$144.4 million for FY 2024, from \$108.8 million for FY 2023. The primary components of the increase were an additional \$16.2 million in interest expense and housing grants for the Housing Infrastructure program.
- Net position of the Authority for FY 2024 was \$632.0 million, which represented an increase of \$14.8 million, or 2.4%, from the FY 2023 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$284.6 million at the end of FY 2024, which represented an increase of \$8.6 million, or 3.1%, for FY 2024 from the FY 2023 level of \$276.0 million. In the last half of FY 2023, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans as long as bonds can be issued to finance these purchases; otherwise, the MBS will be sold to investors and will not become part of the portfolio. The reason for the increase in loan balance in FY 2024 was for loans made in the HOME, Housing Trust Fund and the Housing Infrastructure program.
- Investments were \$1,627.0 million at the end of FY 2024, which represented an increase of \$419.2 million, or 34.7%, from the FY 2023 total of \$1,207.8 million. The increase is primarily related to the purchase of program mortgage-backed securities.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of \$53.2 million at the end of FY 2024 and \$33.4 million at the end of FY 2023.
- Interest income on mortgage loans was \$6.4 million for FY 2024, which represented a decrease of \$1.1 million from the \$7.5 million reported in FY 2023. Even though the loan balance increased in FY 2024, the new loans added for the year are zero interest loans, so as the homeownership loan balance continues to decrease, so will the interest income on loans.
- Investment income was \$80.7 million for FY 2024, which represented an increase of \$29.6 million, or 57.9%, in FY 2024 from \$51.1 million for FY 2023 due to the increase in rate of return on investments and an increase in the amount of funds held as investments. The fair market value decreased by \$7.1 million in FY 2024 and decreased by \$40.5 million in FY 2023. The FY 2024 fair market decrease was a result of the continued rise in interest rates to curb inflation. Ignoring the effects of the net decrease in fair market value of investments, the change in net position would have been \$21.9 million for FY 2024 compared to \$17.5 million for FY 2023.

## ***Management's Discussion and Analysis***

**June 30, 2024 and 2023 (Unaudited)**

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- Deferred outflows of resources from interest rate swaps at the end of FY 2024 increased by \$0.4 million from the FY 2023 level of \$0.0 million. Deferred inflows of resources from interest rate swaps at the end of FY 2024 increased to \$27.3 million from \$22.1 million at the end of FY 2023, or 23.5%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$1,834.0 million for FY 2024, which was an increase of \$422.8 million, or 30.0%, in FY 2024 from \$1,411.2 million in FY 2023 due to more bonds being issued than being redeemed or maturing.
- Unearned revenue consists of \$54.3 million of funds received from the U.S. Treasury to fund COVID-related programs that have not been spent as of June 30, 2024. This is a decrease of \$18.5 million, or 25.4%, from FY 2023. Of the \$18.5 million, only \$16.7 million was used for housing assistance payments and the other \$1.8 million was returned to the U.S. Treasury.
- Interest expense on bonds and notes outstanding increased \$16.2 million, or 46.0%, in FY 2024 from \$35.2 million in FY 2023 due to a higher outstanding bond balance and a higher weighted average interest rate on the bonds.
- The Authority performed an operating transfer of \$5.2 million from the Homeownership Mortgage Loan Program and \$3.0 million from the Multiple Purpose Bond Resolution to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program. In addition to the 1% of loan purchases, which was approximately \$6.7 million, the other \$1.5 million was transferred to fund the Housing Opportunity Fund.

### **Financial Highlights for FY 2023**

- Total operating revenues decreased 41.2% to \$85.8 million for FY 2023, from \$145.9 million for FY 2022. The main factor contributing to this decrease was not receiving \$150 million from the State to finance a housing infrastructure program like we did in FY 2022 and a smaller market value adjustment in FY 2023.
- Total operating expenses decreased 3.4% to \$108.8 million for FY 2023, from \$112.6 million for FY 2022. The primary component of the decrease was less spending on COVID-related housing assistance payments.
- Net position of the Authority for FY 2023 was \$617.2 million, which represented a decrease of \$23.0 million, or 3.6%, from the FY 2022 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$276.0 million at the end of FY 2023, which represented a decrease of \$7.1 million, or 2.5%, for FY 2023 from the FY 2022 level of \$283.1 million. In the last half of FY 2012, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans as long as bonds can be issued to finance these purchases; otherwise, the MBS will be sold to investors and will not become part of the portfolio.

## ***Management's Discussion and Analysis***

**June 30, 2024 and 2023 (Unaudited)**

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- Investments were \$1,207.8 million at the end of FY 2023, which represented an increase of \$97.3 million, or 8.8%, from the FY 2022 total of \$1,110.5 million. The increase is primarily related to the purchase of program mortgage-backed securities.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of \$33.4 million at the end of FY 2023 and \$45.9 million at the end of FY 2022.
- Interest income on mortgage loans was \$7.5 million for FY 2023, which represented a decrease of \$1.2 million from the \$8.7 million reported in FY 2022. As the loan balance decreased, so did the interest income on loans.
- Investment income was \$51.1 million for FY 2023, which represented an increase of \$13.6 million, or 36.3%, in FY 2023 from \$37.5 million for FY 2022 due to the increase in rate of return on investments and an increase in the amount of funds held as investments. The fair market value decreased by \$40.5 million in FY 2023 and decreased by \$125.4 million in FY 2022. The FY 2023 fair market decrease was a result of the continued rise in interest rates in order to curb inflation. Ignoring the effects of the net decrease in fair market value of investments, the change in net position would have been \$17.5 million for FY 2023 compared to \$158.7 million for FY 2022. The large decrease in net position was due primarily to not receiving a contribution of \$150 million from the State of South Dakota's general fund to be used for financing a housing infrastructure program as we did in FY 2022.
- Deferred outflows of resources from interest rate swaps at the end of FY 2023 remained the same as FY 2022 at \$0.0 million. Deferred inflows of resources from interest rate swaps at the end of FY 2023 increased to \$22.1 million from \$14.6 million at the end of FY 2022, or 51.4%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$1,411.2 million for FY 2023, which was an increase of \$149.4 million, or 11.8%, in FY 2023 from \$1,261.8 million in FY 2022 due to more bonds being issued than being redeemed or maturing.
- Unearned revenue consists of \$72.8 million of funds received from the U.S. Treasury to fund COVID-related programs that have not been spent as of June 30, 2023. This is a decrease of \$40.0 million, or 35.5%, from FY 2022. Of the \$40.0 million, only \$20.5 million was used for housing assistance payments and the other \$19.5 million was returned to the U.S. Treasury.
- Interest expense on bonds and notes outstanding increased \$6.1 million, or 21.0%, in FY 2023 from \$29.1 million in FY 2022 due to a higher outstanding bond balance and a higher weighted average interest rate on the bonds.
- The Authority performed an operating transfer of \$4.2 million from the Homeownership Mortgage Loan Program and \$1.3 million from the Single Family Mortgage Loan Program to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program. In addition to the 1% of loan purchases, which was approximately \$4.0 million, the other \$1.5 million was transferred to fund the Housing Opportunity Fund.

## ***Management's Discussion and Analysis***

**June 30, 2024 and 2023 (Unaudited)**

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### **Loan Portfolio Activity for FY 2024 and FY 2023**

The Authority's loan portfolio is comprised of single family and multifamily development loans for low- and moderate-income individuals and families. The Homeownership Mortgage Loan Program is the Authority's largest single category of assets. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, used to be the dominant loan product offered by the Authority. Then, in April 2012, the Authority changed its business model from purchasing whole loans financed with bond proceeds to purchasing loans and securitizing the loans into MBS. The MBS can then be held in the portfolio as an investment, sold to the secondary market using forward contracts to hedge the interest rate risk, or financed with bond proceeds.

In February 2013, the Authority implemented the Mortgage Credit Certificate (MCC) program to utilize bonding authority that was set to expire. The MCC gives the Authority a competitive advantage over the conventional market by allowing the borrower a tax credit on their income tax return which, in return, allows a lower effective annual percentage rate on their loan.

The Homeownership Mortgage Loan Program purchased approximately \$500 million of MBS's during FY 2024 compared to \$324 million in FY 2023.

The Homeownership Mortgage Loan Program purchased approximately \$324 million of MBS's during FY 2023 compared to \$421 million in FY 2022.

### **Debt Administration**

The Authority is authorized to issue debt to purchase or originate mortgage loans on single family and multifamily residential properties. As of FY 2024, the Authority had \$1,834.0 million in bonds outstanding, an 30.0% increase from FY 2023. As of FY 2023, the Authority had \$1,411.2 million in bonds outstanding, an 11.8% increase from FY 2022.

The Authority issued a total of \$557.0 million in bonds in FY 2024 as new long-term debt. \$70 million of this this is a Convertible Option Bond with a mandatory tender date of December 12, 2024. Of the \$557 million, \$434.9 million was new money and used to finance the Homeownership Mortgage Loan Program. \$52.1 million was used to replacement refund existing bonds. No bonds were issued to refund existing bonds and \$70 million was issued to preserve bonding authority. The Authority issued a total of \$218.0 million in bonds in FY 2023 as new long-term debt. Of that amount, \$178.0 million was new money and used to finance the Homeownership Mortgage Loan Program. \$40.0 million was used to replacement refund existing bonds. No bonds were issued to refund existing bonds or to preserve bonding authority.

The Authority retired or paid at maturity a total of \$140.0 million in bonds in FY 2024. \$114.7 million was redeemed from refundings, prepayments, and excess reserves and \$25.3 million was maturing principal. The Authority retired or paid at maturity a total of \$68.6 million in bonds in FY 2023. \$66.1 million was redeemed from refundings, prepayments, and excess reserves and \$2.5 million was maturing principal.

The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2024 and FY 2023, and rated Aaa by Moody's Investors Service in FY 2024 and FY 2023. In FY 2024 and FY 2023, the Authority's Multiple Purpose Bonds were rated Aa3 by Moody's Investors Service. The Authority's Single Family Mortgage Bonds were rated Aa2 in FY 2024 and FY 2023. Moody's Investors Service has given the Authority an Issuer Rating of Aa3.

More detailed information about the Authority's debt can be found in Note 6, Bonds Payable.

(continued on next page)

## ***Management's Discussion and Analysis***

**June 30, 2024 and 2023 (Unaudited)**

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### **Capital Assets**

Capital assets decreased by \$0.1 million in FY 2024 from \$4.5 million in FY 2023. This net change is due to the depreciation of existing assets.

Capital assets decreased by \$0.1 million in FY 2023 from \$4.6 million in FY 2022. This net change is due to the depreciation of existing assets.

More detailed information about the Authority's capital assets can be found in Note 17, Capital Assets.

### **Economic Outlook**

Economic conditions in South Dakota are relatively good due to prudent fiscal policy. The State of South Dakota operates on a balanced budget and the State's pension fund is 100.1% funded. The State's foreclosure rate of 0.37%, delinquency rate of 3.47%, and a steady unemployment rate (currently 2.0%) are well below the national averages. These percentages, along with stable home prices, have all contributed to the success of the Authority over the past five years. Going forward, the Authority will try to maximize its return on investments and will continue to look for innovative ways to finance the Authority's Single and Multifamily programs.

### **Overview**

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or would like to request additional information, contact the South Dakota Housing Development Authority's Director of Finance at PO Box 1237, 3060 E. Elizabeth Street, Pierre, SD 57501-1237.

# Statements of Net Position

As of June 30

<b>Assets</b>	<b>2024</b>	<b>2023</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 559,497,148	\$ 585,264,439
Investment securities - other (Note 3)	83,304,123	17,707,261
Investments - program mortgage-backed securities (Note 3)	222,916,863	162,871,108
Mortgage loans receivable, net (Note 4)	31,991,578	33,416,933
Interest receivable	8,572,453	6,058,925
Other receivables	1,363,338	1,824,866
Other assets	6,787,454	3,956,543
<b>Total Current Assets</b>	<b>914,432,957</b>	<b>811,100,075</b>
<b>Noncurrent Assets</b>		
Investment securities - other (Note 3)	206,475,678	213,117,815
Investments - program mortgage-backed securities (Note 3)	1,114,316,868	814,160,131
Mortgage loans receivable, net (Note 4)	252,685,173	242,618,322
Line of credit receivable (Note 5)	53,203,587	33,469,656
Other receivables	2,165,391	1,509,986
Hedging derivatives (Note 9)	27,248,366	22,059,427
Capital assets, at cost, less accumulated depreciation (Note 17)	4,391,140	4,507,293
<b>Total Noncurrent Assets</b>	<b>1,660,486,203</b>	<b>1,331,442,630</b>
<b>Total Assets</b>	<b>2,574,919,160</b>	<b>2,142,542,705</b>
<b>Deferred Outflows of Resources</b>		
Loss on refundings	1,912,831	2,048,140
Swaps (Note 9)	393,892	-
Related to pensions (Note 14)	1,397,347	1,527,970
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,578,623,230</b>	<b>\$ 2,146,118,815</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bonds payable (Note 6)	\$ 163,152,987	\$ 57,997,307
Accrued interest payable	13,487,732	8,039,029
Unearned revenue	17,000,000	21,000,000
Accounts payable and other liabilities (Note 18)	3,098,230	1,869,741
Multifamily escrows and reserves	1,249,466	1,375,325
<b>Total Current Liabilities</b>	<b>197,988,415</b>	<b>90,281,402</b>
<b>Noncurrent Liabilities</b>		
Bonds payable (Note 6)	1,670,843,302	1,353,201,378
Unearned revenue	37,288,014	51,808,423
Accounts payable and other liabilities (Note 18)	3,559,728	1,522,612
Hedging derivatives (Note 9)	393,892	-
<b>Total Noncurrent Liabilities</b>	<b>1,712,084,936</b>	<b>1,406,532,413</b>
<b>Total Liabilities</b>	<b>1,910,073,351</b>	<b>1,496,813,815</b>
<b>Deferred Inflows of Resources</b>		
Gain on refundings	8,467,162	9,111,198
Swaps (Note 9)	27,248,366	22,059,427
Related to pensions (Note 14)	795,264	901,943
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,946,584,143</b>	<b>1,528,886,383</b>
<b>Net Position</b>		
Net investment in capital assets	(1,268,860)	(1,252,707)
Restricted for pension benefits	617,864	641,410
Restricted by state statute	176,879,403	170,540,923
Restricted by bond indentures	359,482,325	357,580,828
Restricted by HOME, HTF, NSP, and HAF Program	96,328,355	89,721,978
<b>Total Net Position</b>	<b>632,039,087</b>	<b>617,232,432</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 2,578,623,230</b>	<b>\$ 2,146,118,815</b>

See Notes to Financial Statements



**Statements of Revenues, Expenses, and  
Changes in Net Position**

**For the Years Ended June 30**

	2024	2023
<b>Operating Revenues</b>		
Interest income on mortgage loans	\$ 6,369,588	\$ 7,475,839
Earnings on investments and program mortgage-backed securities	80,681,925	51,124,595
Net decrease in the fair market value of investments and program mortgage-backed securities	(7,079,602)	(40,542,081)
HUD contributions	51,193,634	40,500,014
U.S. Treasury contributions/COVID	16,708,872	20,446,249
Fee, grant and other income	11,302,461	6,788,249
<b>Total Operating Revenues</b>	<b>159,176,878</b>	<b>85,792,865</b>
<b>Operating Expenses</b>		
Interest	51,434,185	35,155,668
HUD housing assistance payments	27,647,481	27,647,206
U.S. Treasury housing assistance payments/COVID	16,708,872	20,446,249
Servicer fees	417,586	481,189
Arbitrage rebate (benefit)	2,024,528	222,527
General and administrative	8,163,266	7,779,389
Bond financing costs	5,858,741	2,646,343
Other housing programs	25,358,125	9,278,556
Provision for loan loss	6,757,439	5,091,638
<b>Total Operating Expenses</b>	<b>144,370,223</b>	<b>108,748,765</b>
Change in net position	14,806,655	(22,955,900)
Net position, beginning of fiscal year	617,232,432	640,188,332
<b>Net Position, End of Fiscal Year</b>	<b>\$ 632,039,087</b>	<b>\$ 617,232,432</b>

# Statements of Cash Flows

For the Years Ended June 30

	2024	2023
<b>Cash Flows Provided by (Used in) Operating Activities</b>		
Receipts from loan payments and program mortgage-backed securities	\$ 177,739,548	\$ 165,247,310
Receipts for program fees	11,095,105	5,850,349
Receipts from federal housing programs	51,193,634	40,500,014
Payments for loan programs and program mortgage-backed securities	(517,803,143)	(288,956,677)
Payments for operating expenses	(2,414,743)	(3,922,573)
Payments to employees	(6,211,655)	(5,291,205)
Payments for federal housing programs	(27,647,481)	(27,647,206)
Payments for U.S. Treasury Housing Assistance/COVID	(16,708,872)	(20,446,249)
Payments to U.S. Treasury for return of housing assistance funds	(1,811,537)	(19,500,000)
Payments for other housing programs	(26,581,716)	(6,146,734)
<b>Net Cash Used in Operating Activities</b>	<b>(359,150,860)</b>	<b>(160,312,971)</b>
<b>Cash Flows Provided by (Used in) Noncapital Financing Activities</b>		
Proceeds from sale of bonds	567,499,480	221,670,524
Principal paid on bonds	(139,886,118)	(68,498,004)
Interest paid on bonds and swaps	(50,994,626)	(35,974,211)
Bond issuance costs paid	(5,850,941)	(2,646,343)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>370,767,795</b>	<b>114,551,966</b>
<b>Cash Flows Provided by (Used in) Capital and Related Financing Activities</b>		
Purchase of capital fixed assets	(306,858)	(292,628)
Proceeds from sale of assets	13,878	15,650
Principal paid on bonds	(100,000)	(95,000)
Interest paid on capital debt	(215,339)	(132,103)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(608,319)</b>	<b>(504,081)</b>
<b>Cash Flows Provided by (Used in) Investing Activities</b>		
Purchase of investment securities	(117,550,699)	(93,349,131)
Proceeds from sale and maturities of investment securities	60,732,670	136,445,357
Interest received on investments	20,042,122	13,750,331
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(36,775,907)</b>	<b>56,846,557</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(25,767,291)</b>	<b>10,581,471</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>585,264,439</b>	<b>574,682,968</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 559,497,148</b>	<b>\$ 585,264,439</b>
<b>Reconciliation of Operating Income (Loss) to Cash Flows Provided by (Used in) Operating Activities</b>		
Operating income (loss)	\$ 14,806,655	\$ (22,955,900)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Interest on bonds payable	51,434,185	35,155,668
Net decrease in fair market value of investments	7,079,602	40,542,081
Interest from investments	(18,971,893)	(17,555,610)
Bond financing costs	5,858,741	2,646,343
Provision for loan loss	6,757,439	5,091,638
Depreciation	423,011	416,584
Gain on sale of fixed assets	(13,878)	(15,650)
Changes in assets and liabilities:		
Loan interest receivable	(1,952,152)	(915,742)
Accounts payable and other liabilities	3,265,605	204,383
Mortgage loans receivable	(15,398,935)	2,000,861
Investments - program mortgage-backed securities	(371,058,197)	(178,286,756)
Unearned revenue	(18,520,409)	(39,946,249)
Line of credit receivable	(19,733,931)	12,447,446
Other receivables	(193,478)	(831,279)
Other assets	(2,830,911)	1,802,573
Related to pensions	23,545	(90,971)
Multifamily escrows and reserves	(125,859)	(22,391)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (359,150,860)</b>	<b>\$ (160,312,971)</b>

### **Note 1 - Authorizing Legislation and Indentures:**

#### **Authorizing Legislation:**

The South Dakota Housing Development Authority (the Authority) was created in 1973 by an Act of the South Dakota Legislature. The Authority was established for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing for the people of the state through the use of public financing including public construction, public loans, public purchase of mortgages, and otherwise. The Authority may issue notes and bonds in principal amounts specifically approved by the Governor. The Internal Revenue Code of 1986 established a state ceiling for qualified private activity bonds applicable to the State of South Dakota for any calendar year. The calendar year state allocation for South Dakota is \$378,230,000 for 2024. Amounts issued by the Authority shall not be deemed to constitute a debt of the State of South Dakota or any political subdivision thereof. The Authority is a business-type activity component unit of the State of South Dakota. As such, the accompanying financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

#### **Description of Reporting Entity:**

The Authority is considered a single enterprise fund for financial reporting purposes. The activities of the Authority are recorded under various indentures established for the administration of the Authority's programs. A further description of these indentures is as follows:

#### **General Operating Account:**

This account, authorized by the enabling legislation, was initially funded in August 1973 by a \$12,420 grant of federal funds from the South Dakota State Economic Opportunity Office. Funding on an ongoing basis is derived, principally, from loan origination fees, allowable transfers from other funds, and investment income. Authorized activities of this account include the following:

- (i) payment of general and administrative expenses and other costs not payable by other funds of the Authority; and,
- (ii) those activities deemed necessary to fulfill the Authority's corporate purposes for which special funds are not established.

Included in the account are the activities of statewide Section 8 Housing Assistance Payments Programs which the Authority administers on behalf of the U.S. Department of Housing and Urban Development (HUD). Under these programs, the Authority distributes housing assistance payments received from HUD.

The Authority has appropriated all income received in the General Operating Account to a General Reserve Account. This account can be used only for the administration and financing of programs in accordance with the policy and purpose of the enabling legislation.

#### **Homeownership Mortgage Bonds:**

This indenture, established under the Homeownership Mortgage Bond Resolution adopted June 16, 1977, as amended and restated as of March 11, 2008, is prescribed for accounting for the proceeds from the sale of the Homeownership Mortgage Bonds, the debt service requirements of the bond indebtedness, the remaining assets and liabilities of the Single Family Housing Program, and mortgage loans on eligible single family residential housing disbursed from bond proceeds. The mortgage loans are made to finance the construction, rehabilitation or ownership of such housing, and are insured by the Federal Housing Administration (FHA) or private mortgage insurers, guaranteed by the Veterans Administration (VA), guaranteed by USDA Rural Development (RD), or have a principal amount which does not exceed 80% of the appraised value of the home. This indenture also accounts for the Mortgage-Backed Security Program and the investments related to this program.

(continued on next page)

## ***Notes to Financial Statements***

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### **Single Family Mortgage Bonds:**

This indenture established under the Single Family Mortgage Bonds Resolution adopted on December 2, 2009, was created to utilize the United States Treasury's Single Family New Issue Bond Program. This indenture will facilitate the administration and financing of programs for the development or acquisition of owner-occupied housing, at prices that persons of low- or moderate-income can afford.

### **Multiple Purpose Bonds:**

This indenture, established under the Multiple Purpose Bond Resolution adopted March 1, 2002, is prescribed for accounting for the proceeds from the sale of Multiple Purpose Bonds, for the purpose of effectuating the public purposes of the Authority, and establishing procedures to assure that amounts will be sufficient for the repayment of money borrowed for this purpose.

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## **Note 2 - Significant Accounting Policies:**

### **Basis of Presentation:**

The Authority, as a component unit of the State of South Dakota, follows standards established by the Governmental Accounting Standards Board (GASB). As required by *Government Accounting Standards*, these financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. The criteria for inclusion in, or exclusion from, the financial reporting entity is outlined in GASB Statement 14, as amended by GASB 61, and includes oversight responsibility, including financial accountability, over agencies by the Authority's Board of Commissioners. The Authority is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. The financial statements of the Authority include the activity of Homeownership Education Resource Organization (H.E.R.O.), a non-profit organization devoted to monitoring homeownership education in South Dakota, as a blended component unit.

### **Measurement Focus and Basis of Accounting:**

The Authority follows the economic resources measurement focus and accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned, and expenses are recognized when they are incurred.

### **Interest Income:**

Accrued interest is recognized on the amount of outstanding mortgage loans. The accrual of interest on delinquent loans is discontinued at the time that foreclosure activities are completed.

### **Statements of Cash Flows:**

For the purposes of the Statements of Cash Flows, cash and cash equivalents are defined as investments with original maturities of ninety days or less and any participating funds in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value. The Authority essentially has on-demand access to the entire amount of cash in the internal investment pool.

### **Investment Securities:**

Investments of the Authority are carried at fair value. Unrealized gains and losses due to fluctuations in fair value are included in income.

## ***Notes to Financial Statements***

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### **Investments - Program Mortgage-Backed Securities:**

Program mortgage-backed securities are backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association. The securities are carried at fair value and unrealized gains and losses are included in income.

### **Fair Value:**

The Authority measures fair value of certain assets and liabilities based on the framework established by generally accepted accounting principles. GASB 72, *Fair Value Measurement and Application*, defines fair value as the price that could be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value:

Level 1: Values are based on quoted prices (unadjusted) for identical assets (liabilities) in active markets that a government can access at the measurement date.

Level 2: Values determined with inputs, other than quoted prices included within Level 1, which are observable for an asset (liability), either directly or indirectly.

Level 3: Values determined with unobservable inputs for an asset (liability) and may require a degree of professional judgement.

### **Mortgage Loans Receivable:**

Loans receivable are carried at their unpaid principal balance less an allowance for loan loss, net of unamortized discounts or premiums, and are recorded as amounts are disbursed. Premiums and discounts are amortized, using the loans outstanding method, over the life of the loans.

### **Allowance for Loan Loss:**

The allowance for loan loss is based upon management's evaluation of the loan portfolio. Factors considered by management include the estimated fair values of the properties that represent collateral, mortgage insurance coverage on the collateral, the financial condition of the borrower, past experience, conversion to grant criteria, and the economy as a whole. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions.

### **Fee Income:**

Fees collected as reimbursement for costs incurred in developing and implementing the programs of the Authority and for other specific services are recorded as income in the period earned.

### **Receivables:**

Receivables not expected to be collected within one year are recorded in the Statement of Net Position as noncurrent.

## ***Notes to Financial Statements***

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### **Bond Premiums, Discounts and Gains/Losses on Refundings:**

Premiums and discounts on bonds are amortized to interest expense using the bonds outstanding method over the life of the bonds to which they relate. Gains and losses on bond refunding are recorded as deferred outflows and inflows and are amortized to interest expense over the shorter of the remaining life of the refunded bonds or the new bonds.

### **Bond Issuance Costs:**

Issuance costs on bonds are expensed as incurred.

### **Derivative Instruments:**

The fair values of both hedging derivatives and investment derivatives (if any) are presented on the Statement of Net Position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in the total fair value of derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Authority's Statement of Net Position. If a derivative was determined to be an ineffective hedge, it would be classified as an investment derivative, and the change in the total fair value would be presented as part of investment earnings. The Authority currently has two types of derivatives outstanding, both of which are effective hedges, therefore, having no effect on net position: interest rate swaps and mortgage-backed security forward contracts.

### **Real Estate Owned:**

Real estate owned and held for sale arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate held for sale in connection with the Single Family and Multifamily Program is recorded at the unpaid principal balance on the loans, net of any allowance, as of the date the loans become real estate owned. Since most of the Single Family loans are insured or guaranteed, it is anticipated that the Authority will recover a majority of the unpaid principal balances of the loans, net of any allowance, through proceeds arising from the sale of such property and certain insurance proceeds. Recoveries for Multifamily loans arise from the sale of such property. Real estate owned is included with mortgage loans receivable.

### **Capital Asset Policy:**

Capital assets costing more than \$5,000 are recorded at cost when acquired and depreciated over the estimated useful life of the asset using the straight-line method. Assets sold or otherwise disposed of are removed from the related accounts and the resulting gains or losses are reflected in the Statements of Revenues, Expenses and Changes in Net Position. The classes of assets used by the Authority are furniture and equipment, land, land improvements, and buildings. The estimated useful life for furniture and equipment ranges from 4 to 15 years, the estimated useful life of land improvements ranges from 20 to 30 years, and the estimated useful life of buildings ranges from 27 to 50 years.

### **Inventory:**

Other assets consist of Governor's House inventory, which is recorded at the lower of cost or market. Cost is determined using the weighted average method.

### **Pensions:**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The Authority's contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

## **Notes to Financial Statements**

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### **Arbitrage Rebate:**

The Authority is limited in the investment yield which it may retain for its own use on the non-mortgage investments for most of its bond issues. Excess arbitrage yields must be rebated to the federal government in accordance with applicable federal tax regulations. The Authority has recorded receivables/(liabilities) in the amount of (\$2,286,824) and (\$271,355) at June 30, 2024 and 2023, respectively, for arbitrage.

### **Escrows and Reserves:**

The Authority requires multifamily projects to escrow funds with the Authority to cover certain future expenditures. Investments equal to the amount of escrows and reserves are restricted for this purpose. Investment income relating to these funds is credited directly to the escrow funds; it is not included in the investment income of the Authority.

### **Revenue and Expense Recognition:**

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering items in connection with an enterprise fund's ongoing operations. The Authority records all revenues derived from mortgages, investments, servicing, financing, grants, State contributions, and federal housing assistance programs as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its purpose. Operating expenses include bond interest, bond issuance costs, housing program assistance payments, and depreciation and administrative expenses related to the administration of the Authority's programs.

### **Pass-Through Grants:**

The Authority follows GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Statement No. 24 requires that all cash pass-through grants received by a governmental entity be reported in its financial statements. The effect of applying these provisions is to increase both operating income and expense when eligible expenses occur. Grant funds received in advance of meeting eligibility requirements are recorded as a liability as unearned revenue.

### **Government-Mandated Non-Exchange Transactions:**

Government-mandated non-exchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use the resources for a specific purpose or purposes established in the provider's enabling legislation. The Authority recognizes revenues when the resources are received provided that all eligibility requirements have been met. Resulting net position is reported as restricted for as long as the provider's purpose restrictions remain in effect. During 2022, the Authority received a \$150 million contribution from the State of South Dakota's general fund pursuant to House Bill 1033 to be used for a housing infrastructure program, which was reported as revenue and restricted net position as of and for the year ended June 30, 2022. The \$154 million (\$150 million plus interest) continues to be listed in the restricted net position as of year ended June 30, 2024.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, reported amounts of revenues and expenses, and other disclosures. Actual results could differ from those estimates.

## ***Notes to Financial Statements***

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### **Net Position:**

Net position is classified in the following three components:

- Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Consists of net position with constraints placed on their use by (1) bond indentures, (2) law through enabling legislation, (3) participation in the State pension plan, and (4) various grant agreements.
- Unrestricted – Consists of net position that does not meet the definition of net investment in capital assets or restricted.

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### **Note 3 - Deposits and Investments:**

Under the terms of the bond resolutions, the Authority is generally restricted to investments in direct general obligations of the United States of America, agencies and instrumentalities of the United States of America, negotiable or nonnegotiable certificates of deposit issued by a bank that is insured by the FDIC, obligations of the State or any agency or instrumentality thereof, or securities that are permissible for the investment of State public funds under the provisions of SDCL § 4-5-26. As of the years ended June 30, 2024 and 2023, all investments held by the Authority were in compliance with the requirements of the bond resolutions.

#### **Deposits:**

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled, either directly or indirectly, by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2024 and 2023, of the Authority's deposits of \$78,573,163 (carrying value of \$76,101,732) and \$94,814,856 (carrying value of \$92,293,887), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

The \$148,869,925 and \$151,316,972 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2024 and 2023, respectively, is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the audit report of the South Dakota Investment Council, which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, SD 57501.

#### **Investments:**

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have an investment policy for custodial risk. All investments are held in the Authority's name.



## Notes to Financial Statements

Interest Rate Risk: The Authority limits the maturities of investments for its restricted accounts. Investments of the capital reserve accounts must provide for the purposes thereof as estimated by the Authority. The investments must not mature later than the final maturity of the related series of the bonds. The average duration of individual securities will not exceed twenty years. Investments of the mortgage reserve accounts must provide for the purposes thereof as estimated by the Authority. The duration of 50% of individual securities will not exceed two years from the date of purchase or deposit. The Authority assumes that its callable investments will not be called. The Authority invests in mortgage pass-through securities issued by Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac). Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, the securities are considered highly sensitive to interest rate risk. As of June 30, 2024 and 2023, 75% and 72%, respectively, of the Authority's securities were invested in mortgage pass-through securities.

As of June 30, 2024 and 2023, the Authority had investments maturing as follows:

	2024 Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	\$ 75,827,914	\$ 9,258,243	\$ 43,667,253	\$ 22,574,832	\$ 327,586
U.S. Agency obligations	1,542,541,335	72,832,273	21,236,172	8,428,963	1,440,043,927
Money market/mutual funds	334,525,491	334,525,491	-	-	-
Certificates of deposit	248,917	248,917	-	-	-
Corporate-backed obligations	2,799,350	2,640	176,145	1,187,600	1,432,965
State obligations	5,596,015	962,050	3,610,735	1,023,230	-
Total	<u>\$ 1,961,539,022</u>	<u>\$ 417,829,614</u>	<u>\$ 68,690,305</u>	<u>\$ 33,214,625</u>	<u>\$ 1,441,804,478</u>

  

	2023 Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	\$ 79,985,924	\$ 11,299,504	\$ 41,073,939	\$ 27,262,129	\$ 350,352
U.S. Agency obligations	1,114,659,931	4,648,277	28,151,902	6,055,743	1,075,804,010
Money market/mutual funds	341,653,580	341,653,580	-	-	-
Certificates of deposit	240,908	-	240,908	-	-
Corporate-backed obligations	2,696,266	-	259,877	466,942	1,969,447
State obligations	10,273,285	1,759,480	5,034,242	807,565	2,671,997
Total	<u>\$ 1,549,509,894</u>	<u>\$ 359,360,841</u>	<u>\$ 74,760,868</u>	<u>\$ 34,592,379</u>	<u>\$ 1,080,795,806</u>

## Notes to Financial Statements

At June 30, 2024 and 2023, certain cash equivalents and investments in securities are restricted in prescribed amounts by the bond resolutions as follows:

2024			
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 52,941,151	\$ -	\$ 873,723
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	1,727,292	-	-
Debt service reserve	-	353,100	-
Total	<u>\$ 54,668,443</u>	<u>\$ 353,100</u>	<u>\$ 873,723</u>

  

2023			
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 40,345,234	\$ -	\$ 1,234,473
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	1,982,103	-	-
Debt service reserve	-	426,000	-
Total	<u>\$ 42,327,337</u>	<u>\$ 426,000</u>	<u>\$ 1,234,473</u>

**Credit Risk and Concentration of Credit Risk:** It is the investment policy of the Authority to invest in securities limited to direct general obligations of the United States Government, United States Government Agencies, mortgage-backed securities guaranteed by United States Government Agencies, direct and general obligations of any state within the United States, mutual funds invested in securities mentioned above, and investment agreements secured by securities mentioned above. If securities are downgraded after purchase, the Authority will analyze the reason for downgrade and determine what, if any, action is needed. The Authority will minimize concentration of credit risk by diversifying the investment portfolio and reducing the impact of potential losses from any one type of security or issuer. Investments issued by, or explicitly guaranteed by, the United States Government are not considered to have a credit risk. The investments are grouped as rated by Moody's Investors Service:

Type/Provider	Moody's Credit Rating	2024		2023	
		Amount	% of Total	Amount	% of Total
Money market funds	NR	\$ 334,525,491	17.1%	\$ 341,653,580	22.0%
Certificates of deposit	NR	248,918	0.0%	240,908	0.0%
Corporate-backed obligations	NR	2,799,350	0.1%	2,696,266	0.2%
U.S. Gov't agency securities	Aaa	73,472,399	3.7%	3,562,800	0.2%
U.S. Treasury securities	Aaa	75,827,914	3.9%	79,985,924	5.2%
State and municipal securities	NR to Aaa	5,596,014	0.3%	10,273,285	0.7%
Mortgage-backed securities:					
GNMA	NR	896,409,427	45.7%	689,222,098	44.5%
FNMA	NR	556,373,432	28.4%	402,516,700	26.0%
FHLMC	NR	16,286,077	0.8%	19,358,333	1.2%
		<u>\$ 1,961,539,022</u>	<u>100.0%</u>	<u>\$ 1,549,509,894</u>	<u>100.0%</u>

## **Notes to Financial Statements**

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### **Note 4 - Mortgage Loans Receivable:**

Mortgage loans receivable at June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
Homeownership Mortgage Loans	<b>\$ 135,863,040</b>	\$ 143,888,410
Single Family Mortgage Loans	<b>13,585,077</b>	15,304,297
Multiple Purpose Loans	<b>28,632,962</b>	21,412,053
Other (General Operating Account)	<b>106,595,672</b>	95,430,495
Total	<b><u>\$ 284,676,751</u></b>	<b><u>\$ 276,035,255</u></b>

The above loans are substantially insured by FHA or private mortgage insurance companies, or guaranteed, in part, by the VA or USDA Rural Development. Losses on mortgage loans in the Homeownership Mortgage Bond Program are also secured by an insurance reserve fund established under the bond resolution. The mortgage loans receivable are reflected net of an allowance for loan loss of \$1,133,639 and \$979,686 as of June 30, 2024 and 2023, respectively.

Some loans receivable contain provisions for the loans to become grants if certain criteria is met. The conversion of loans receivable to grants is calculated on an annual basis, though the debtor is not entitled to receive full credit until maturity of the loan agreement or upon meeting certain criteria. As loans receivable converted to grants are estimated, loans receivable is credited and a charge to operations is made through the provision for loan loss. Loans receivable includes credits of \$31,488,032 and \$26,287,908 as of June 30, 2024 and 2023, respectively. Upon maturity of the loan agreement or achievement of specified criteria, the applicable portion of the loan receivable balance is awarded to the debtors.

Included in the mortgage loan receivable balance is real estate owned by the Authority from foreclosures. The amount of real estate owned at June 30, 2024 and 2023, is \$24,157 and \$141,728, respectively.

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### **Note 5 - Line of Credit Receivable:**

On November 1, 2014, the Authority entered into a line of credit with its master servicer. The master servicer uses the line of credit to reimburse themselves for qualified mortgage loan purchases. The Authority receives first security position on the qualified mortgage loans being purchased as collateral. Unpaid balances on the line of credit bear interest prior to repayment at a rate per annum equal to that of the qualified mortgage loans purchased with funds advanced to the master servicer, less an amount to the master servicer for securitizing and servicing the qualified mortgage loans. The line of credit has a maximum amount of \$60 million (or other amount as approved). The line of credit automatically renews each year if notice to terminate is not provided prior to 90 days of each calendar year-end. As of the issuance of these financial statements, there was no termination notice provided; thus, the agreement will expire on December 31, 2024. As of June 30, 2024 and 2023, the balance of this line of credit receivable was \$53,203,587 and \$33,469,656, respectively.

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## Notes to Financial Statements

### Note 6 - Bonds Payable:

Homeownership Mortgage Bonds require annual principal payments on May 1 of each year. Homeownership Mortgage bonds outstanding at June 30 are (in thousands):

Bond Issue	Maturity Date	Interest Rate	2024			2023 Total Outstanding
			Serial	Term (1)	Total Outstanding	
2013 Series B	2024-2025	2.9%-3.0%	\$ 1,405	\$ -	\$ 1,405	\$ 2,695
2013 Series C	2030-2033	3.55%	-	4,110	4,110	4,370
2013 Series D	2043	3.25%-4.0%	-	9,945	9,945	11,150
2013 Series E	2032-2044	4.00%	-	-	-	335
2013 Series F	2024	3.50%	590	-	590	1,930
2014 Series A	2030-2044	4.00%	-	-	-	1,085
2014 Series B	2023-2024	3.15%-3.25%	-	-	-	1,490
2014 Series C	2024-2025	3.3%-3.45%	2,470	-	2,470	2,845
2014 Series D	2024-2028	2.85%-3.15%	5,295	1,655	6,950	10,355
2014 Series E	2030-2044	4.00%	-	-	-	1,445
2014 Series F	2024-2025	3.496%-3.596%	2,895	-	2,895	5,090
2015 Series A	2024-2025	2.55%-2.75%	3,640	-	3,640	4,540
2015 Series B	2024	3.27%	645	-	645	3,365
2015 Series C	2045	5.38%	-	30,000	30,000	30,000
2015 Series D	2024-2045	2.55%-4.0%	200	2,130	2,330	5,020
2015 Series E	2027-2037	3.830% (2)	-	25,000 (3)	25,000	25,000
2016 Series A	2024-2036	3.05%-3.45%	7,405	890	8,295	11,515
2016 Series B	2024-2046	2.0%-3.5%	5,175	11,620	16,795	20,210
2016 Series C	2024-2025	2.30%-2.45%	4,890	-	4,890	8,935
2016 Series D	2037-2046	3.50%	-	8,150	8,150	14,590
2017 Series A	2024-2037	2.996%-3.492%	5,115	1,220	6,335	8,160
2017 Series B	2024-2047	2.20%-4.0%	19,405	29,340	48,745	56,875
2017 Series C	2037-2039	4.00%	-	2,310	2,310	3,535
2017 Series D	2024-2047	2.10%-4.0%	14,650	27,820	42,470	50,885
2017 Series E	2024-2039	2.60%-4.0%	6,030	3,365	9,395	13,470
2017 Series F	2027-2030	2.6%-2.95%	12,065	-	12,065	12,065
2018 Series A	2024-2048	2.65%-4.0%	12,695	10,865	23,560	30,120
2018 Series B	2024-2048	2.85%-4.5%	12,220	13,635	25,855	32,610
2019 Series A	2024-2049	2.25%-4.0%	19,145	18,275	37,420	44,370
2019 Series B	2024-2049	1.40%-4.0%	24,955	33,185	58,140	65,335
2020 Series A	2024-2050	1.30%-3.75%	19,580	19,075	38,655	46,255
2020 Series B	2031-2041	3.83% (2)	-	33,000	33,000	33,000
2020 Series C	2024-2051	0.65%-3.50%	23,285	22,650	45,935	53,610
2020 Series D	2033-2043	3.83% (2)	-	33,000	33,000	33,000
2021 Series A	2024-2051	0.40%-3.0%	26,680	55,960	82,640	90,095
2021 Series B	2024-2051	0.45%-3.0%	28,025	73,830	101,855	109,815
2021 Series C	2024-2030	0.721%-2.019%	15,600	-	15,600	17,680
2022 Series A	2024-2027	0.85%-5.0%	11,380	-	11,380	14,265
2022 Series B	2028-2052	1.4%-5.0%	25,530	68,195	93,725	97,345
2022 Series C	2024-2053	2.60%-5.0%	22,295	39,395	61,690	65,465
2022 Series D	2038-2046	3.90% (2)	-	33,000	33,000	33,000
2022 Series E	2024-2053	4.637%-5.796%	7,450	23,445	30,895	32,920
2022 Series F	2038-2046	5.35% (2)	-	17,000	17,000	17,000
2023 Series A	2024-2054	2.55%-6.0%	23,125	74,475	97,600	99,000
2023 Series B	2024-2053	4.13%-5.13%	12,705	32,205	44,910	46,000
2023 Series C	2039-2047	5.40% (2)	-	23,000	23,000	23,000
2023 Series D	2024-2054	3.40%-6.0%	22,250	76,425	98,675	-
2023 Series E	2024-2054	5.66-6.25%	10,585	39,240	49,825	-
2023 Series F	2039-2048	5.35% (2)	-	25,000	25,000	-
2023 Series G	2024-2055	3.55-6.25%	21,720	83,240	104,960	-
2023 Series H	2024-2054	5.468-6.266%	9,070	30,885	39,955	-
2023 Series I	2040-2048	5.35% (2)	-	20,000	20,000	-
2023 Series J	2024	3.875%	-	70,000	70,000	-
2024 Series A	2040-2055	4.45-6.25%	-	99,000	99,000	-
2024 Series B	2025-2039	5.097-5.430%	-	49,000	49,000	-
Total					1,714,705	1,294,840
2016 Series E	2029-2037	4.23% (2)	-	50,000	50,000	50,000
Total Direct Placements					50,000	50,000
Plus unamortized premium					37,680	31,867
Total Homeownership Mortgage Program Bonds					\$ 1,802,385	\$ 1,376,707

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.

(2) Variable rate adjusted weekly based on the current market rate for similar tax-exempt bonds.

(3) During FY2022, the 2015 Series E Bonds were remarketed and are no longer considered direct placement.

(continued on next page)

## Notes to Financial Statements

Single Family Mortgage Bonds require annual principal payments on May 1 of each year. Single Family Mortgage Bonds outstanding at June 30 are (in thousands):

Bond Issue	Maturity Date	Interest Rate	2024		Total Outstanding	2023 Total Outstanding
			Serial	Term (1)		
2016-1	2024-2041	2.584%-3.5%	\$ 4,005	\$ 7,765	\$ 11,770	\$ 14,200
Total					11,770	14,200
Plus unamortized premium					81	112
Total Single Family Mortgage Bonds					<u>\$ 11,851</u>	<u>\$ 14,312</u>

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.

Multiple Purpose Bonds require annual principal payments on November 1 of each year. Multiple Purpose Bonds outstanding at June 30 are (in thousands):

Bond Issue	Maturity Date	Interest Rate	2024		Total Outstanding	2023 Total Outstanding
			Serial	Term (1)		
2009 Series A	2024-2048	4.13% (2)	\$ -	\$ 5,660	\$ 5,660	\$ 5,760
2013 Series A	2028	3.65%	-	150	150	150
2020 Series A	2024-2062	3.90% (2)	-	13,950	13,950	14,270
Total Multiple Purpose Bonds					<u>\$ 19,760</u>	<u>\$ 20,180</u>
(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.						
(2) Variable rate adjusted weekly based on the current market rate for similar tax-exempt bonds.						
Total Bonds Outstanding					<u>\$ 1,833,996</u>	<u>\$ 1,411,199</u>

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2024 and 2023:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Amounts Due Within One Year
Homeownership Mortgage Program Bonds	\$ 1,294,841,140	\$ 557,000,000	\$ 137,136,118	\$ 1,714,705,022	\$ 161,752,988
Homeownership Direct Placement Bonds	50,000,000	-	-	50,000,000	-
Single Family Mortgage Bonds	14,200,000	-	2,430,000	11,770,000	970,000
Multiple Purpose Bonds	20,180,000	-	420,000	19,760,000	430,000
Unamortized Premium/Discount	31,977,545	10,499,479	4,715,757	37,761,267	-
	<u>\$ 1,411,198,685</u>	<u>\$ 567,499,479</u>	<u>\$ 144,701,875</u>	<u>\$ 1,833,996,289</u>	<u>\$ 163,152,988</u>

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Amounts Due Within One Year
Homeownership Mortgage Program Bonds	\$ 1,143,119,143	\$ 218,000,002	\$ 66,278,005	\$ 1,294,841,140	\$ 56,757,307
Homeownership Direct Placement Bonds	50,000,000	-	-	50,000,000	-
Single Family Mortgage Bonds	16,150,000	-	1,950,000	14,200,000	820,000
Multiple Purpose Bonds	20,545,000	-	365,000	20,180,000	420,000
Unamortized Premium/Discount	32,005,840	3,670,524	3,698,819	31,977,545	-
	<u>\$ 1,261,819,983</u>	<u>\$ 221,670,526</u>	<u>\$ 72,291,824</u>	<u>\$ 1,411,198,685</u>	<u>\$ 57,997,307</u>

The assets and revenues of the above indentures are pledged as collateral for the payment of principal and interest on their respective bonds. The bond indentures contain provisions governing events of default and remedies to bondholders with respect to amounts due following events of default.

## **Notes to Financial Statements**

Required principal and interest payments are as follows:

Year Ended June 30	Homeownership Mortgage Program Bonds		Homeownership Direct Placement Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 161,752,988	\$ 61,262,582	\$ -	\$ 2,115,000
2026	58,430,000	54,963,775	-	2,115,000
2027	54,210,000	53,657,251	-	2,115,000
2028	55,705,000	51,673,762	-	2,115,000
2029	55,210,000	50,330,096	-	2,115,000
2030-2034	241,725,000	228,073,300	30,825,000	7,695,956
2035-2039	222,840,000	194,071,711	19,175,000	1,384,796
2040-2044	268,362,034	158,795,048	-	-
2045-2049	336,265,000	107,567,544	-	-
2050-2054	252,510,000	37,566,456	-	-
2055-2059	7,695,000	300,636	-	-
Total	\$ 1,714,705,022	\$ 998,262,161	\$ 50,000,000	\$ 19,655,752

Year Ended June 30	Single Family Mortgage Bonds		Multiple Purpose Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 970,000	\$ 373,055	\$ 430,000	\$ 250,143
2026	1,260,000	346,577	450,000	248,655
2027	1,225,000	312,216	460,000	243,594
2028	1,300,000	274,691	475,000	238,341
2029	1,445,000	229,862	640,000	229,913
2030-2034	3,425,000	550,121	2,695,000	1,038,413
2035-2039	1,200,000	315,370	3,185,000	837,378
2040-2044	945,000	49,696	3,775,000	568,862
2045-2049	-	-	4,010,000	212,252
2050-2054	-	-	1,250,000	16,994
2055-2059	-	-	1,380,000	9,797
2060-2064	-	-	1,010,000	2,168
Total	\$ 11,770,000	\$ 2,451,588	\$ 19,760,000	\$ 3,896,510

The Authority issues certain series of bonds as variable rate interest debt in order to reduce its overall cost of funds and further its objective of providing affordable mortgage rates for homebuyers in the state. The Authority's variable rate bonds are currently subject to optional tender on a weekly basis. Through standby bond purchase agreements, certain financial institutions (the Liquidity Providers) have agreed to purchase such variable rate bonds that have been tendered and cannot be remarketed. Variable rate bonds purchased by a Liquidity Provider bear interest at various special negotiated interest rates and have accelerated principal payments over various special negotiated interest rates and various terms of years, as set forth in each such agreement.

## **Notes to Financial Statements**

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The following table sets forth certain information related to liquidity providers for variable rate bonds issued and outstanding as of June 30, 2024:

<b>Homeownership Mortgage Bonds</b>	<b>Liquidity Provider</b>	<b>Bond Maturity</b>	<b>Liquidity Provider Rating (Moody's/S&amp;P)</b>	<b>Expiration Date</b>	<b>Bonds Outstanding</b>
2015 Series C	The Authority	11/1/2045	Aa3/NR	11/1/2045	\$ 30,000,000
2020 Series B	The Authority	11/1/2041	Aa3/NR	11/1/2041	\$ 33,000,000
2015 Series E	Bank of America	11/1/2037	Aa1/A+	5/1/2025	\$ 25,000,000 *
2020 Series D	Bank of America	5/1/2043	Aa1/A+	2/10/2027	\$ 33,000,000 *
2022 Series D	FHLB of Des Moines	11/1/2046	Aaa/AA+	6/23/2027	\$ 33,000,000 *
2022 Series F	The Authority	11/1/2046	Aa3/NR	11/1/2046	\$ 17,000,000
2023 Series C	The Authority	11/1/2047	Aa3/NR	11/1/2047	\$ 23,000,000
2023 Series F	FHLB of Des Moines	5/1/2048	Aaa/AA+	10/4/2028	\$ 25,000,000 *
2023 Series I	FHLB of Des Moines	11/1/2048	Aaa/AA+	12/13/2028	\$ 20,000,000 *
<b>Multiple Purpose Bonds</b>	<b>Liquidity Provider</b>	<b>Bond Maturity</b>	<b>Liquidity Provider Rating (Moody's/S&amp;P)</b>	<b>Expiration Date</b>	<b>Bonds Outstanding</b>
2009 Series A	The Authority	11/1/2048	Aa3/NR	11/1/2048	\$ 5,660,000
2020 Series A	FHLB of Des Moines	11/1/2062	Aaa/AA+	6/30/2028	\$ 13,950,000 *

\* Various terms and rates as set forth in each liquidity agreement

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### **Note 7 - Conduit Debt Obligations:**

The Authority has issued certain conduit bonds under the Multifamily Housing Revenue Bonds Resolution adopted April 15, 1991, the proceeds of which were made available to developers for the construction or rehabilitation of multifamily housing. The bonds and the interest thereon are a limited obligation of the issuer, payable solely from the trust estate pledged therefore under this indenture. The faith and credit of the Authority is not pledged for the payment of the principal and interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

As of June 30, 2024 and 2023, the aggregate principal amount of conduit debt outstanding totaled \$56,468,935 and \$9,654,500, respectively.

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## ***Notes to Financial Statements***

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### **Note 8 - Refunding of Debt:**

During the year ended June 30, 2023, the Authority issued Homeownership Mortgage Bonds Series 2023A in the aggregate principal amounts of \$99 million, of which \$40.0 million of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds.

During the year ended June 30, 2024, the Authority issued Homeownership Mortgage Bonds Series 2023D in the aggregate principal amount of \$99 million, of which \$52.1 million of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds.

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## Notes to Financial Statements

### Note 9 - Hedging Derivatives:

#### Interest Rate Swaps:

##### Swap Objectives:

The Authority has entered into interest rate swap agreements in connection with issuing variable rate mortgage revenue bonds. The intentions of the swaps are to create synthetic fixed rate debt at a lower interest rate than achievable from long-term fixed-rate bonds, and to achieve the Authority's goal of lending to low- and moderate-income first-time home buyers at below-market fixed interest rates.

##### Swap Terms:

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2024 and 2023, are contained in the table below. The initial notional amounts of the swaps match the initial principal amounts of the associated debt. Current notional amounts may or may not match the current principal outstanding on the debt, which could result in unhedged variable rate debt or making interest payments on debt no longer outstanding (see amortization risk).

The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally ten years after the date of issuance of the related bonds.

Bond Series	Current Notional Amount	Effective/Termination Date	Rate Payable	Rate Receivable	Counterparty Credit Rating*	Fair Value June 30, 2024	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2024	Fair Value June 30, 2023	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2023
<b>Wells Fargo Bank</b>									
2015 E-1	25,000,000	4/1/2016 11/1/2037	2.1050%	66.4% of LIBOR plus 0.22%	Aa1	\$ 1,894,476	\$ 182,478	\$ 1,711,998	\$ 820,236
2016 E-1	50,000,000	5/1/2019 5/1/2037	2.2080%	66.4% of LIBOR plus 0.23%	Aa1	3,839,186	446,646	3,392,540	1,789,668
2020 D	33,000,000	8/12/2020 5/1/2043	0.9280%	100% SIFMA	Aa1	7,261,137	373,180	6,887,957	769,656
MPB 2020 A	13,950,000	12/7/2020 5/1/2060	1.3100%	100% SIFMA	Aa1	2,800,805	261,735	2,539,070	474,599
<b>Bank of America</b>									
2022 D	33,000,000	6/23/2022 11/1/2046	2.3490%	70.0% of SOFR plus 0.08%	Aa1	3,471,908	1,155,213	2,316,695	1,555,219
2023 F	25,000,000	10/4/2023 11/1/2047	4.8100%	100% SOFR plus 0.15%	Aa1	321,965	321,965	-	-
<b>Bank of New York Mellon</b>									
2020 B	33,000,000	2/12/2020 11/1/2041	1.6525%	100% SIFMA	Aa1	4,472,934	346,776	4,126,158	950,071
2022 F	17,000,000	10/13/2022 11/1/2046	4.3770%	100% SOFR plus 0.15%	Aa1	913,913	882,646	31,267	31,267
2023 C	23,000,000	2/15/2023 11/1/2047	3.9500%	100% SOFR plus 0.15%	Aa1	2,272,042	1,218,300	1,053,742	1,053,742
2023 I	20,000,000	12/13/2023 5/1/2048	5.1750%	100% SOFR plus 0.15%	Aa1	(393,892)	(393,892)	-	-
						<u>\$26,854,474</u>		<u>\$22,059,427</u>	

\*Moody's Investor Service

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## ***Notes to Financial Statements***

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### **Fair Value:**

The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero-coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market-implied volatility. Together, these calculations, along with considerations for non-performance risk, determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2024 and 2023. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

### **Swap Risks:**

**Credit Risk:** The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure with its counterparties when the swap position has a positive value. Several of the swap agreements require that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement.

The collateral thresholds are based on the prevailing ratings, as determined by Moody's and S&P, of each counterparty, in the case of the counterparties, or the hedged bonds, in the case of the Authority. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2024 and 2023, neither the Authority nor any counterparty had been required to post collateral.

**Basis Risk:** The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds; but, under the terms of its swaps, the Authority receives a variable rate based upon either the one-month taxable London Interbank Offered Rate (LIBOR) rate or the Securities Industry and Financial Markets Association (SIFMA) rate. Basis risk will vary over time due to inter-market conditions. For the years ended June 30, 2024 and 2023, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.31% and 1.15% per annum, respectively, while the weighted average interest rate on the swaps was 1.50% and 1.23% per annum, respectively. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax-exempt rates and the applicable swap index.

**Termination Risk:** The Authority's swap contracts are based upon the International Swap Dealers Association Master Agreement, which includes standard termination events. The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party, irrespective of causality, based upon the fair value of the swap. The potential termination risks to the Authority are the liability for a termination payment to the counterparty or the inability to replace the swap under favorable financial terms. To reduce the Authority's termination risk, the swap contracts limit the counterparty's ability to terminate due to the following Authority actions or events: payment default, other defaults that remain uncured for 30 days after notice, bankruptcy, and insolvency.

**Amortization Risk:** The Authority may incur amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding amount of variable rate bonds to decline faster than the amortization of the swap. To ameliorate amortization risk, call options were structured within the swaps to enable the Authority to manage the outstanding balances of variable rate bonds and notional swap amounts. Additionally, the Authority may terminate the swaps at market value at any time.

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## **Notes to Financial Statements**

**Tax Risk:** The structure of the variable interest rate payments the Authority receives from its swap contracts are based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents a risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Authority has chosen to assume this risk because it was not economically feasible to transfer to the swap counterparty.

**Concentration Risk:** The total outstanding bonds associated with swaps will be limited to thirty percent (30%) of the total of all outstanding bonds under the related indenture at the time bonds associated with swaps are issued. The total outstanding bonds associated with swaps with a single counterparty will not exceed \$150,000,000.

**Swap Payments and Associated Debt:** Variable-rate bond interest payments and net swap payments will vary during their term. Future debt service requirements of the variable-rate debt and net swap payments as of June 30, 2024, are as follows:

Year Ended June 30	Variable Rate Bond Principal	Interest	Interest Rate Swap - Net	Total
2025	\$ 325,000	\$ 12,019,131	\$ (4,781,504)	\$ 7,562,627
2026	340,000	12,005,502	(4,773,035)	7,572,467
2027	340,000	11,991,460	(4,764,310)	7,567,150
2028	350,000	11,972,240	(4,753,108)	7,569,132
2029	4,075,000	11,887,122	(4,714,890)	11,247,232
2030-2034	50,370,000	53,976,540	(21,139,952)	83,206,588
2035-2039	71,375,000	40,689,737	(14,241,690)	97,823,047
2040-2044	90,290,000	24,278,168	(6,808,390)	107,759,778
2045-2049	51,845,000	5,943,883	(1,626,620)	56,162,263
2050-2054	1,250,000	637,672	(400,325)	1,487,347
2055-2059	1,380,000	367,880	(230,952)	1,516,928
2060-2064	1,010,000	38,719	(24,307)	1,024,412
	<u>\$ 272,950,000</u>	<u>\$ 185,808,054</u>	<u>\$ (68,259,083)</u>	<u>\$ 390,498,971</u>

**Rollover Risk:** Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt. When the swap terminates, the associated debt will no longer have the benefit of the swap. The Authority did not have any rollover risk as of June 30, 2024 and 2023.

### **Mortgage-Backed Security (MBS) Forward Contracts:**

The Authority has entered into forward contracts to hedge the interest rate risk of delivering MBS securities guaranteed by Ginnie Mae and Fannie Mae in the future, before the securities are ready for delivery (referred to as “to-be-announced” or TBA Mortgage-Backed Securities). These securities represent pools of qualified mortgage loans originated by Authority-approved lenders. The forward contracts offset the financial impact to the Authority of changes in interest rates between the time of loan reservations made to originating mortgage lenders and the securitization and sale of such loans as Ginnie Mae or Fannie Mae securities. The forward contracts are considered hedging derivative instruments, and the fair values were obtained from an external pricing specialist using current trade pricing for similar financial instruments in active markets that the Authority has the ability to access. A positive fair value represents money due the Authority by the counterparty, while a negative fair value represents money payable by the Authority.

The Authority did not have any outstanding forward sales contracts as of June 30, 2024, or as of June 30, 2023.

## Notes to Financial Statements

### Note 10 - Fair Value:

The Authority had the following recurring fair value measurements as of June 30, 2024:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
<b>Investments by fair value level</b>			
U.S. Treasuries	\$ -	\$ 75,827,914	\$ -
U.S. Government agencies	-	1,542,541,335	-
Corporate-backed obligations	-	2,799,350	-
Money market mutual funds	334,525,491	-	-
Certificates of deposit	-	248,918	-
State obligations	-	5,596,015	-
Total investments by fair value level	<u>\$ 334,525,491</u>	<u>\$ 1,627,013,532</u>	<u>\$ -</u>
<b>Hedging derivative instruments</b>			
Assets			
Interest rate swaps	\$ -	\$ 27,248,366	\$ -
	<u>\$ -</u>	<u>\$ 27,248,366</u>	<u>\$ -</u>
Liabilities			
Interest rate swaps	\$ -	\$ 393,892	\$ -
	<u>\$ -</u>	<u>\$ 393,892</u>	<u>\$ -</u>

The Authority had the following recurring fair value measurements as of June 30, 2023:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
<b>Investments by fair value level</b>			
U.S. Treasuries	\$ -	\$ 79,985,924	\$ -
U.S. Government agencies	-	1,114,659,931	-
Corporate-backed obligations	-	2,696,266	-
Money market mutual funds	341,653,580	-	-
Certificates of deposit	-	240,908	-
State obligations	-	10,273,285	-
Total investments by fair value level	<u>\$ 341,653,580</u>	<u>\$ 1,207,856,314</u>	<u>\$ -</u>
<b>Hedging derivative instruments</b>			
Assets			
Interest rate swaps	\$ -	\$ 22,059,427	\$ -
	<u>\$ -</u>	<u>\$ 22,059,427</u>	<u>\$ -</u>

## Notes to Financial Statements

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The Authority obtains its fair value pricing on investments from their third-party trustee. There are multiple pricing methodologies which are used to value the Authority's U.S. Treasury and Government Agency securities, Money Market Mutual Funds, Investment Agreements, Certificates of Deposit, and State Obligations. These methods include, but are not limited to, gathering pricing from multiple market sources and vendor credit information, observed market movements, sector news into the pricing applications and models, or manual methods.

Money Market Mutual Funds classified as Level 1 are valued using quoted prices in active markets for those securities. Since the Authority's debt security investments are not actively traded on an exchange and rely on significant observable inputs for fair value pricing, these securities are classified as Level 2.

The Authority obtains its fair value pricing on interest rate swaps and forward MBS contracts from a third-party vendor. See Note 9 for further description of the fair value methodology for derivative instruments.

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### Note 11 - Net Position:

The State has pledged to, and agreed with, bondholders that it will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with them, or in any way impair the rights and remedies of the bondholders, until the bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such bondholders, are fully met and discharged. The net position of the indentures, other than the General Operating Account, are, therefore, restricted under the terms of the bond resolutions. The Authority may, however, subject to the provisions as defined in bond resolutions, transfer surplus earnings to the General Reserve Account in the General Operating Account. The Authority covenants that it will use money in the General Reserve Account only for the administration and financing of programs in accordance with the policy and purpose of the Act, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose.

Sub-accounts of the General Operating Account, established as part of the General Reserve Account on the basis of specified guidelines, are restricted at June 30 as follows:

	2024	2023
Bond and notes reserve	\$ 4,490,588	\$ 3,448,053
Program operations reserve	6,162,643	4,826,857
Total	<u>\$ 10,653,231</u>	<u>\$ 8,274,910</u>

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### Note 12 - Commitments:

As of June 30, 2024, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating \$100,270,851.
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## Notes to Financial Statements

### Note 13 - Segment Information:

The Authority issues bonds to finance the purchase of single-family homes and multifamily developments. The bond programs are accounted for in a single enterprise fund, but investors in those bonds rely on the revenue generated by the activities within the individual bond indentures. Summary financial information as of and for the years ended June 30, 2024 and 2023, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds, and the Multiple Purpose Bonds follows:

	2024			2023		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
<b>Condensed Statement of Net Position</b>						
Assets						
Interfund receivables (payables)	\$ 21,099,791	\$ (11,958,403)	\$ (2,508,291)	\$ 19,223,799	\$ (11,819,576)	\$ (114,460)
Current assets	639,784,820	8,889,118	26,250,722	526,850,532	8,408,840	20,557,449
Noncurrent assets	1,479,093,177	15,397,389	64,600,088	1,154,771,067	17,648,417	68,365,964
Total Assets	2,139,977,788	12,328,104	88,342,519	1,700,845,398	14,237,681	88,808,953
Deferred Outflows of Resources	2,306,723	-	-	2,048,140	-	-
Total Assets and Deferred Outflows of Resources	\$ 2,142,284,511	\$ 12,328,104	\$ 88,342,519	\$ 1,702,893,538	\$ 14,237,681	\$ 88,808,953
Liabilities						
Current liabilities	\$ 175,163,885	\$ 1,037,232	\$ 475,403	\$ 64,710,998	\$ 900,154	\$ 479,066
Noncurrent liabilities	1,643,306,318	10,881,412	19,330,000	1,320,198,989	13,491,844	19,760,000
Total Liabilities	1,818,470,203	11,918,644	19,805,403	1,384,909,987	14,391,998	20,239,066
Deferred Inflows of Resources	32,914,723	-	2,800,805	28,631,555	-	2,539,070
Total Liabilities and Deferred Inflows of Resources	1,851,384,926	11,918,644	22,606,208	1,413,541,542	14,391,998	22,778,136
Net Position						
Net investment in capital assets	-	-	(2,436,969)	-	-	(2,352,332)
Restricted by bond indentures	290,899,585	409,460	68,173,280	289,351,996	(154,317)	68,383,149
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,142,284,511	\$ 12,328,104	\$ 88,342,519	\$ 1,702,893,538	\$ 14,237,681	\$ 88,808,953
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>						
Operating revenues	\$ 65,912,567	\$ 1,101,464	\$ 3,468,470	\$ 13,824,456	\$ 922,113	\$ 821,772
Operating expenses	59,177,074	612,687	762,976	37,824,377	650,260	814,556
Operating income	6,735,493	488,777	2,705,494	(23,999,921)	271,853	7,216
Transfers in (out)	(5,187,904)	75,000	(3,000,000)	(4,258,951)	(1,264,365)	-
Change in net position	1,547,589	563,777	(294,506)	(28,258,872)	(992,512)	7,216
Beginning net position	289,351,996	(154,317)	66,030,817	317,610,868	838,195	66,023,601
Ending net position	\$ 290,899,585	\$ 409,460	\$ 65,736,311	\$ 289,351,996	\$ (154,317)	\$ 66,030,817
<b>Condensed Statement of Cash Flows</b>						
Net cash provided (used) by:						
Operating activities	\$ (321,469,193)	\$ 2,399,134	\$ (4,140,928)	\$ (165,702,435)	\$ 2,669,475	\$ (380,249)
Noncapital financing activities	369,180,437	(2,881,565)	(3,643,981)	113,492,261	(3,812,929)	(650,682)
Capital and related financing activities	-	-	(315,339)	-	-	(227,103)
Investing activities	(61,511,512)	1,245,895	14,008,963	49,242,104	1,786,367	3,130,120
Net change	(13,800,268)	763,464	5,908,715	(2,968,070)	642,913	1,872,086
Beginning cash and cash equivalents	329,310,444	5,747,822	6,595,314	332,278,514	5,104,909	4,723,228
Ending cash and cash equivalents	\$ 315,510,176	\$ 6,511,286	\$ 12,504,029	\$ 329,310,444	\$ 5,747,822	\$ 6,595,314

### Note 14 - Pension Plan:

#### Plan Information:

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid, defined-benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

#### Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant retirement fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater than or equal to the accrued liabilities.

(continued on next page)

## Notes to Financial Statements

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits, except those depending on the member's accumulated contributions, are annually increased by the cost-of-living adjustment.

### Contributions:

Per SDCL § 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Authority's share of contributions to the SDRS, at 6% of salary for the fiscal years ending June 30, 2024, 2023, and 2022, were \$297,023, \$250,240, and \$233,212, respectively, equal to the required contributions each year.

### Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources to Pensions:

At June 30, 2023 and 2022, SDRS is 100.10% and 100.10%, respectively, funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension liability (asset) of SDRS, for the Authority as of the measurement period ending June 30, 2023 and 2022, respectively, and reported by the Authority as of June 30, 2024 and 2023, are as follows:

	2024	2023
Proportionate share of total pension liability	\$ 23,430,580	\$ 22,978,609
Less proportionate share of net position restricted for pension benefits	23,446,362	22,993,992
Proportionate share of net pension liability (asset)	<u>\$ (15,782)</u>	<u>\$ (15,383)</u>

At June 30, 2024 and 2023, the Authority reported a liability (asset) of (\$15,782) and (\$15,383), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 and 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Authority's proportion was 0.161694%, which was a decrease of 0.6% or 0.001083 from its proportion measured as of June 30, 2022, of 0.162777%, which was a decrease of 2.9% or 0.0047880 from its proportion measured as of June 30, 2021, of 0.167565%.

For the years ended June 30, 2024 and 2023, the Authority recognized pension expense (reduction of pension expense) of \$23,546, and (\$90,971), respectively. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 447,337	\$ -
Changes in assumption	539,526	788,689
Net difference between projected and actual earnings on pension plan investments	105,072	-
Changes in proportion and difference between Authority contributions and proportionate share of contributions	8,389	6,575
Authority contributions subsequent to the measurement date	297,023	-
Total	<u>\$ 1,397,347</u>	<u>\$ 795,264</u>



## **Notes to Financial Statements**

At June 30, 2024, there is \$297,023 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

Year Ended June 30:	
2025	\$ 215,511
2026	(239,017)
2027	305,940
2028	22,396
Total	<u>\$ 304,830</u>

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 292,823	\$ 999
Changes in assumption	977,683	856,808
Net difference between projected and actual earnings on pension plan investments	-	36,864
Changes in proportion and difference between Authority contributions and proportionate share of contributions	7,224	7,272
Authority contributions subsequent to the measurement date	250,240	-
Total	<u>\$ 1,527,970</u>	<u>\$ 901,943</u>

At June 30, 2023, there was \$250,240 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that was recognized as a reduction of the net pension liability in the year ending June 30, 2024.

### **Actuarial Assumptions:**

The total pension liability (asset) in the SDRS June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of plan investment expense. This is composed an average inflation rate of 2.5% and real returns of 4.00%.
Future COLAS	1.91%

## Notes to Financial Statements

All mortality rates were based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	100.0%	

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## **Notes to Financial Statements**

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**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**Sensitivity of Asset to Changes in the Discount Rate:**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net pension liability (asset)	\$ 3,234,768	\$ (15,782)	\$ (2,674,112)

**Pension Plan Fiduciary Net Position:**

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

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**Note 15 - Contingencies:**

The Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material adverse effect upon the financial position of the Authority.

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**Note 16 - Risk Management:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2024 and 2023, the Authority managed its risks as follows:

The Authority purchased insurance over property, workers' compensation, cyber, and health insurance for its employees from a commercial carrier. The Authority purchased its liability, errors and omissions, and employee practices liability coverage through its participation in the South Dakota Authority Captive Insurance Company, a component unit of the State of South Dakota. The Authority provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

## Notes to Financial Statements

### Note 17 - Capital Assets:

	Beginning Balance July 1, 2023	Increase	Decrease	Ending Balance June 30, 2024
Capital assets not depreciated:				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	220,409	-	-	220,409
Capital assets depreciated:				
Buildings	4,999,915	-	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	4,617,260	306,858	46,099	4,878,019
Total capital assets depreciated	10,879,118	306,858	46,099	11,139,877
Total capital assets	11,099,527	306,858	46,099	11,360,286
Less accumulated depreciation for:				
Buildings	1,854,827	127,748	-	1,982,575
Land improvements	935,799	29,621	-	965,420
Furniture and equipment	3,801,608	265,642	46,099	4,021,151
Total accumulated depreciation	6,592,234	423,011	46,099	6,969,146
Capital assets, net	\$ 4,507,293	\$ (116,153)	\$ -	\$ 4,391,140

	Beginning Balance July 1, 2022	Increase	Decrease	Ending Balance June 30, 2023
Capital assets not depreciated:				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	220,409	-	-	220,409
Capital assets depreciated:				
Buildings	4,999,915	-	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	4,355,547	292,627	30,914	4,617,260
Total capital assets depreciated	10,617,405	292,627	30,914	10,879,118
Total capital assets	10,837,814	292,627	30,914	11,099,527
Less accumulated depreciation for:				
Buildings	1,727,079	127,748	-	1,854,827
Land improvements	906,178	29,621	-	935,799
Furniture and equipment	3,573,307	259,215	30,914	3,801,608
Total accumulated depreciation	6,206,564	416,584	30,914	6,592,234
Capital assets, net	\$ 4,631,250	\$ (123,957)	\$ -	\$ 4,507,293

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## **Notes to Financial Statements**

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### **Note 18 - Accounts Payable and Other Accruals:**

Payables at June 30, 2024 and 2023, were as follows:

	<b>2024</b>	2023
Accounts Payable		
Contractual/Forex	\$ 81,179	\$ 29,529
Travel/moving costs	35,493	16,991
Office/marketing	69,909	48,476
Maintenance	26,726	6,251
Cost of issuance	7,880	10,250
General	1,082,470	888,989
Housing grants	-	6,250
Prepaid sales	500,885	246,008
Excise/unemployment tax	9,121	6,742
Materials/tools	825,747	146,870
	<b>2,639,410</b>	1,406,356
Other Liabilities		
Amount held for SD Homebuilders Association	950,000	950,000
Accrued vacation	721,911	704,354
Accrued payroll/taxes	30,229	-
Employee withholdings	71	28,306
Servicing fee	29,513	31,982
Arbitrage payable	2,286,824	271,355
	<b>6,657,958</b>	3,392,353
Total Accounts Payable and Other Liabilities	<b>6,657,958</b>	3,392,353
Current Liabilities	<b>3,098,230</b>	1,869,741
Noncurrent Liabilities	<b>\$ 3,559,728</b>	<b>\$ 1,522,612</b>

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### **Note 19 - Subsequent Events**

In September 2024, the Authority issued Homeownership Mortgage Bonds Series 2024CD in the aggregate principal amount of \$250 million, the proceeds of which are anticipated to be used to finance the Homeownership Mortgage Loan Program.

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# South Dakota Housing Development Authority

Required Supplementary Information  
June 30, 2024

**Schedule of Authority's Contributions****As of June 30, 2024**

<b>South Dakota Retirement System</b>										
Last 10 Fiscal Years (Dollar amounts in thousands)										
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 297	\$ 250	\$ 233	\$ 228	\$ 218	\$ 198	\$ 192	\$ 201	\$ 198	\$ 178
Contributions in relation to the contractually required contribution	<u>297</u>	<u>250</u>	<u>233</u>	<u>228</u>	<u>218</u>	<u>198</u>	<u>192</u>	<u>201</u>	<u>198</u>	<u>178</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 4,950	\$ 4,171	\$ 3,887	\$ 3,803	\$ 3,647	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

***Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset)******As of June 30, 2024*****South Dakota Retirement System**Last 10 Fiscal Years \*  
(Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability (asset)	0.161694%	0.162777%	0.167565%	0.166171%	0.155522%	0.154284%	0.164311%	0.173927%	0.162348%	0.153799%
Authority's proportionate share of net pension liability (asset)	\$ (16)	\$ (15)	\$ (1,283)	\$ (7)	\$ (16)	\$ (4)	\$ (15)	\$ 588	\$ (689)	\$ (1,108)
Authority's covered payroll	\$ 4,171	\$ 3,887	\$ 3,803	\$ 3,647	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004	\$ 2,760
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.38%	-0.39%	-33.74%	-0.19%	-0.48%	-0.12%	-0.45%	17.57%	-22.94%	-40.14%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.1%	96.89%	104.1%	107.3%

\* The amounts presented were determined as of the plan's measurement date, which is one year prior to the Authority's fiscal year end.



## ***Notes to Required Supplementary Information***

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### **Changes from Prior Valuation**

The June 30, 2023, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, actuarial valuation.

The details of the changes since the last valuation are as follows:

### **Benefit Provision Changes**

During the 2023 legislative session, no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B public safety members.

### **Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for the June 30, 2022, actuarial valuation.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, actuarial valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, actuarial valuation.

### **Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation.



# South Dakota Housing Development Authority

Supplementary Information

June 30, 2024

**Supplemental Schedule of Net Position**

**As of June 30, 2024**

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 224,971,657	\$ 315,510,176	\$ 6,511,286	\$ 12,504,029	\$ 559,497,148
Investment securities - other	-	70,549,948	-	12,754,175	83,304,123
Investments - program mortgage-backed securities	-	222,906,667	10,196	-	222,916,863
Mortgage loans receivable, net	6,384,014	22,751,440	2,274,958	581,166	31,991,578
Interest receivable	1,834	8,066,589	92,678	411,352	8,572,453
Other receivables	1,363,338	-	-	-	1,363,338
Other assets	6,787,454	-	-	-	6,787,454
<b>Total Current Assets</b>	<b>239,508,297</b>	<b>639,784,820</b>	<b>8,889,118</b>	<b>26,250,722</b>	<b>914,432,957</b>
<b>Noncurrent Assets</b>					
Investment securities - other	-	171,914,918	4,036,304	30,524,456	206,475,678
Investments - program mortgage-backed securities	-	1,114,265,902	50,966	-	1,114,316,868
Mortgage loans receivable, net	100,211,658	113,111,600	11,310,119	28,051,796	252,685,173
Line of credit receivable	-	53,203,587	-	-	53,203,587
Other receivables	15,782	2,149,609	-	-	2,165,391
Hedging derivatives	-	24,447,561	-	2,800,805	27,248,366
Capital assets, net	1,168,109	-	-	3,223,031	4,391,140
Due from (to) other funds	(6,633,097)	21,099,791	(11,958,403)	(2,508,291)	-
<b>Total Noncurrent Assets</b>	<b>94,762,452</b>	<b>1,500,192,968</b>	<b>3,438,986</b>	<b>62,091,797</b>	<b>1,660,486,203</b>
<b>Total Assets</b>	<b>334,270,749</b>	<b>2,139,977,788</b>	<b>12,328,104</b>	<b>88,342,519</b>	<b>2,574,919,160</b>
<b>Deferred Outflows of Resources</b>					
Loss on refundings	-	1,912,831	-	-	1,912,831
Forward contracts	-	-	-	-	-
Swaps	-	393,892	-	-	393,892
Related to pensions	1,397,347	-	-	-	1,397,347
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 335,668,096</b>	<b>\$ 2,142,284,511</b>	<b>\$ 12,328,104</b>	<b>\$ 88,342,519</b>	<b>\$ 2,578,623,230</b>

(continued on next page)

**Supplemental Schedule of Net Position**

**As of June 30, 2024**

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Bonds payable	\$ -	\$ 161,752,987	\$ 970,000	\$ 430,000	\$ 163,152,987
Accrued interest payable	-	13,385,353	63,263	39,116	13,487,732
Unearned revenue	17,000,000	-	-	-	17,000,000
Accounts payable and other liabilities	3,062,429	25,545	3,969	6,287	3,098,230
Multifamily escrows and reserves	1,249,466	-	-	-	1,249,466
<b>Total Current Liabilities</b>	<b>21,311,895</b>	<b>175,163,885</b>	<b>1,037,232</b>	<b>475,403</b>	<b>197,988,415</b>
<b>Noncurrent Liabilities</b>					
Bonds payable	-	1,640,631,890	10,881,412	19,330,000	1,670,843,302
Accounts payable and other liabilities	1,279,192	2,280,536	-	-	3,559,728
Unearned revenue	37,288,014	-	-	-	37,288,014
Hedging derivatives	-	393,892	-	-	393,892
<b>Total Noncurrent Liabilities</b>	<b>38,567,206</b>	<b>1,643,306,318</b>	<b>10,881,412</b>	<b>19,330,000</b>	<b>1,712,084,936</b>
<b>Total Liabilities</b>	<b>59,879,101</b>	<b>1,818,470,203</b>	<b>11,918,644</b>	<b>19,805,403</b>	<b>1,910,073,351</b>
<b>Deferred Inflows of Resources</b>					
Gain on refundings	-	8,467,162	-	-	8,467,162
Swaps	-	24,447,561	-	2,800,805	27,248,366
Related to pensions	795,264	-	-	-	795,264
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>60,674,365</b>	<b>1,851,384,926</b>	<b>11,918,644</b>	<b>22,606,208</b>	<b>1,946,584,143</b>
<b>Net Position</b>					
Net investment in capital assets	1,168,109	-	-	(2,436,969)	(1,268,860)
Restricted for pension benefits	617,864	-	-	-	617,864
Restricted by statute	176,879,403	-	-	-	176,879,403
Restricted by bond indentures	-	290,899,585	409,460	68,173,280	359,482,325
Restricted by HOME, HTF, NSP and HAF Program	96,328,355	-	-	-	96,328,355
<b>Total Net Position</b>	<b>274,993,731</b>	<b>290,899,585</b>	<b>409,460</b>	<b>65,736,311</b>	<b>632,039,087</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 335,668,096</b>	<b>\$ 2,142,284,511</b>	<b>\$ 12,328,104</b>	<b>\$ 88,342,519</b>	<b>\$ 2,578,623,230</b>

***Supplemental Schedule of Operations and Changes in Net Position***

***For the Year Ended June 30, 2024***

	<b>General Operating Account</b>	<b>Homeownership Mortgage Bonds</b>	<b>Single Family Mortgage Bonds</b>	<b>Multiple Purpose Bonds</b>	<b>Combined Total</b>
<b><i>Operating Revenues</i></b>					
Interest income on mortgage loans	\$ 57,887	\$ 4,952,796	662,788	\$ 696,117	\$ 6,369,588
Earnings - investments and program mortgage-backed securities	7,849,142	70,630,438	481,534	1,720,811	80,681,925
Net increase (decrease) in fair value of investments and program mortgage-backed securities	1,631,605	(9,670,667)	(42,858)	1,002,318	(7,079,602)
HUD contributions	51,193,634	-	-	-	51,193,634
U.S. Treasury contributions/COVID	16,708,872	-	-	-	16,708,872
Fee, grant and other income	11,253,237	-	-	49,224	11,302,461
<b><i>Total Operating Revenues</i></b>	<b>88,694,377</b>	<b>65,912,567</b>	<b>1,101,464</b>	<b>3,468,470</b>	<b>159,176,878</b>
<b><i>Operating Expenses</i></b>					
Interest	-	50,579,506	383,409	471,270	51,434,185
Housing assistance payments HUD	27,647,481	-	-	-	27,647,481
Housing assistance payments/COVID	16,708,872	-	-	-	16,708,872
Servicer fees	-	353,254	64,332	-	417,586
Arbitrage rebate expense (benefit)	-	2,031,081	-	(6,553)	2,024,528
General and administrative	7,627,940	344,389	1,500	189,437	8,163,266
Bond financing costs	-	5,688,741	100,000	70,000	5,858,741
Other housing programs	25,319,303	-	-	38,822	25,358,125
Provision for loan loss	6,513,890	180,103	63,446	-	6,757,439
<b><i>Total Operating Expenses</i></b>	<b>83,817,486</b>	<b>59,177,074</b>	<b>612,687</b>	<b>762,976</b>	<b>144,370,223</b>
<b><i>Changes in Net Position Before Interfund Transfers</i></b>	<b>4,876,891</b>	<b>6,735,493</b>	<b>488,777</b>	<b>2,705,494</b>	<b>14,806,655</b>
<b><i>Interfund Transfers</i></b>	<b>8,112,904</b>	<b>(5,187,904)</b>	<b>75,000</b>	<b>(3,000,000)</b>	<b>-</b>
<b><i>Changes in Net Position</i></b>	<b>12,989,795</b>	<b>1,547,589</b>	<b>563,777</b>	<b>(294,506)</b>	<b>14,806,655</b>
<b><i>Net Position, Beginning of Fiscal Year</i></b>	<b>262,003,936</b>	<b>289,351,996</b>	<b>(154,317)</b>	<b>66,030,817</b>	<b>617,232,432</b>
<b><i>Net Position, End of Fiscal Year</i></b>	<b>\$ 274,993,731</b>	<b>\$ 290,899,585</b>	<b>\$ 409,460</b>	<b>\$ 65,736,311</b>	<b>\$ 632,039,087</b>

**TABLE I**

**Amounts Available to Purchase Qualified Homeownership Mortgage Loans**

<b>Series of Bonds</b>	<b>Date of Issuance or Remarketing to Maturity</b>	<b>Mortgage Loan Interest Rate</b>	<b>Total Amount Available to Purchase Mortgage Loans</b>	<b>Amount Committed for Mortgage Loans</b>	<b>Amount Available for Commitment</b>
2023 Series A	2/15/2023	various	\$ 43,162,435	\$ -	\$ 43,162,435
2023 Series D	10/4/2023	various	44,604,620	-	44,604,620
2023 Series G	12/13/2023	various	12,857,374	-	12,857,374
2023 J COB	12/13/2023	various	70,000,000	-	70,000,000
2024 Series A	4/24/2024	various	77,549,257	-	77,549,257
2024 Series B	4/24/2024	various	22,024,979	-	22,024,979
			<u>\$ 270,198,665</u>		

**TABLE II**

**Type of Home Financed with Outstanding Homeownership Mortgage Loans**

<b>Type of Home</b>	<b>Number of Homes</b>
Single Family Detached	94.64%
Single Family Townhouse/Condominium	2.75%
Two-Four Unit	0.56%
Modular-Manufactured	2.05%
	<u>100.00%</u>

**TABLE III**

**Outstanding Step Homeownership Mortgage Loans**

<b>Years Outstanding</b>	<b>Number</b>	<b>Principal Amount</b>
1	-	\$ -
2	-	-
3	-	-
4	-	-
5 or more	156	4,951,684
Total	<u>156</u>	<u>\$ 4,951,684</u>

TABLE IV

## Outstanding Homeownership Mortgage Loans

Interest Rate	Outstanding Number	Outstanding Principal Amount	Interest Rate	Outstanding Number	Outstanding Principal Amount
3.750%	20	\$ 1,271,104	6.250%	10	407,268
3.850%	2	187,190	6.375%	1	76,192
4.125%	34	1,892,967	6.400%	18	309,249
4.250%	7	414,203	6.450%	3	57,442
4.375%	50	3,285,878	6.500%	103	1,960,297
4.500%	23	1,290,587	6.600%	-	-
4.600%	-	-	6.625%	2	104,838
4.625%	15	1,076,189	6.650%	13	213,923
4.750%	360	14,998,879	6.750%	12	119,825
4.850%	37	2,324,173	6.850%	10	167,225
4.870%	31	2,067,920	6.890%	4	42,980
4.950%	351	13,544,331	6.900%	8	133,447
5.000%	13	709,125	6.950%	21	482,188
5.125%	61	2,767,137	7.110%	22	318,674
5.150%	59	2,455,288	7.250%	17	102,344
5.250%	129	6,311,331	7.300%	4	54,102
5.375%	70	3,296,344	7.360%	2	15,999
5.425%	13	706,800	7.400%	6	125,072
5.450%	10	431,264	7.450%	3	55,565
5.500%	227	10,467,583	7.550%	3	71,657
5.625%	19	1,041,248	7.600%	4	26,922
5.750%	25	1,344,367	7.625%	-	-
5.850%	47	2,638,790	7.650%	1	27,857
5.950%	233	6,375,658	7.875%	-	-
6.000%	32	1,249,338	7.950%	5	25,621
6.125%	6	486,884	8.100%	-	-
6.150%	1	55,624			
				2,147	\$ 87,588,889

**TABLE V**

**Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans**

<b>Insurer or Guarantor</b>		<b>Percent of Principal Amount</b>
FHA		32.34%
VA		4.07%
USDA Rural Development		43.10%
Private Mortgage Insurance		
Mortgage Guaranty Insurance Company	0.15%	
Genworth	0.01%	
PMI	0.02%	
United Guaranty Insurance	0.00%	
CMG Mortgage Insurance Company	0.00%	
Total PMI Insured Mortgage Loans		0.18%
Total Insured Mortgage Loans		79.69%
Uninsured		20.31%
Total All Mortgage Loans		100.00%

**TABLE VI**

**Servicers of Outstanding Homeownership Mortgage Loans**

<b>Servicer</b>	<b>Principal Amount</b>
First Interstate	\$ 60,290,667
Bankwest	3,276,333
CorTrust Mortgage	18,240,509
First Bank & Trust	4,873,417
CU Mortgage	907,966
	<u>\$ 87,588,892</u>



**TABLE VII**

**Homeownership Mortgage Loan Delinquencies and Foreclosures**

	<b>Homeownership Program</b>		<b>NIBP Program</b>	
	<b>As of 6/30/2024</b>	<b>As of 6/30/2023</b>	<b>As of 6/30/2024</b>	<b>As of 6/30/2023</b>
31-60 Days (one payment) Delinquent	7.27%	4.89%	8.67%	4.07%
61-90 Days (two payments) Delinquent	0.51%	1.79%	0.36%	0.68%
91 Days or More (three or more payments) Delinquent	0.88%	0.85%	0.00%	0.34%
Total Delinquent	8.66%	7.53%	9.03%	5.09%
In Foreclosure	1.08%	0.98%	0.00%	0.00%

**Table VIII**

**Valuation of Assets**

Value of Principal Assets of Homeownership Program	\$ 2,130,300,172
Amount of Outstanding Homeownership Bonds	\$ 1,764,705,023
Parity Calculation	112.48%
Parity Requirement	102.00%
Value of Principal Assets of Single Family Program	\$ 23,520,588
Amount of Outstanding Single Family Bonds	\$ 11,770,000
Parity Calculation	199.84%
Parity Requirement	100.00%
Value of Principal Assets of Multi-Purpose Program	\$ 24,881,767
Amount of Outstanding Multi-Purpose Bonds	\$ 19,760,000
Parity Calculation	125.92%
Parity Requirement	100.00%

**Table IX**

**Special Program Fund of the Authority**

Homeownership Program	\$ 145,445,505
Single Family Program	\$ 674,219
Multi-Purpose Program	\$ 49,335,425

Table X

## Description of Multifamily Developments

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2024:

Development	Location	Number of Units	Twelve Month Occupancy Average (2)	Initial Loan Amount	Current Loan Amount (3)	Interest Rate	Preservation Loans	
							Amount (3)	Interest Rate
Old Main	Canton	26	NA %	\$ 428,062	\$ -	- %	\$ -	%
Sagewood	Yankton	10	NA	227,825	-	-	-	-
South Sycamore Estates	Sioux Falls	16	83.9	695,690	124,274	0.00	-	-
Edmonton Heights	Gregory	16	89.1	524,000	-	-	121,159	3.00
Pheasant Valley Courtyard	Milbank	60	83.8	1,556,000	284,761	5.00	-	-
Homestead Heights	Bison	16	NA	355,400	-	-	-	-
JARD Apartments	Sisseton	16	NA	343,960	-	-	-	-
Canterbury House	Sioux Falls	50	NA	1,278,200	-	-	-	-
Lynlo Heights	Armour	20	64.2	462,900	-	-	140,488	3.00
The Lidi	Tyndall	24	NA	493,500	-	-	-	-
Huey Apartments	Sioux Falls	46 (1)	NA	1,390,000	-	-	-	-
Bi-Centennial Apts	Aberdeen	48	NA	1,026,244	-	-	-	-
Grandview Apartments	Mitchell	34	NA	734,500	-	-	-	-
Heritage Estates II	Brookings	44	NA	912,000	-	-	-	-
Prairie View	Madison	25 (1)	NA	576,000	-	-	-	-
Maplewood Townhouses	Rapid City	50	NA	2,859,100	-	-	-	-
Canyon Ridge	Yankton	60	NA	1,575,600	-	-	-	-
Lombardi Courts	Mitchell	30	NA	977,500	-	-	-	-
Fifth Avenue South	Aberdeen	50	NA	1,400,000	-	-	-	-
Woodland Hills	Sioux Falls	32	NA	1,100,000	-	-	-	-
The Evans	Hot Springs	86 (1)	91.4	3,094,600	-	-	313,217	2.50
Dakota Square	Aberdeen	55	NA	1,730,300	-	-	-	-
Majestic View Townhouses	Hot Springs	20	76.3	596,630	-	-	28,232	4.25
Seneschal Apts	Philip	16	NA	520,000	-	-	-	-
Riverview Townhouses	Philip	10	NA	320,000	-	-	-	-
Gateway I Apts	Kadoka	16	NA	479,000	-	-	-	-
The Sherman	Aberdeen	51	NA	1,950,000	-	-	-	-
Parkview Apts	Madison	28	NA	890,000	-	-	-	-
Oakwood Apts	Vermillion	28	NA	890,000	-	-	-	-
Arthur Courts	Redfield	16	NA	510,000	-	-	-	-
Terrawood Townhouses	Sioux Falls	4	NA	100,900	-	-	-	-
Beadle Plaza	Sioux Falls	44	NA	1,353,096	-	-	-	-
St. Cloud Apts	Rapid City	16 (1)	NA	562,000	-	-	-	-
Gateway II Apts	Kadoka	14	NA	463,800	-	-	-	-
Grand Valley Apts	Newell	12	NA	368,600	-	-	-	-
Sir Charles	Yankton	34	NA	1,184,200	-	-	-	-
Timberland	Lead	24	80.2	85,300	-	-	918,087	3.75-5.00
Collins Apts	Sioux Falls	23	NA	670,000	-	-	-	-
Baha Townhouses	Sioux Falls	21	NA	778,900	-	-	-	-
Hospitality Apts	Sioux Falls	22	NA	461,599	-	-	-	-
Whiting Court	Yankton	17	NA	601,284	-	-	-	-
Prairie West	Lemmon	24	NA	630,900	-	-	-	-
Sun Rise Apts	Aberdeen	27	NA	474,500	-	-	-	-
Cedar Apts	Brookings	32	NA	1,068,800	-	-	-	-
The Lidi II	Tyndall	10 (1)	NA	255,000	-	-	-	-
Gold Mountain Apt.	Lead	20	100.0	272,490	193,069	9.65	124,567	0.00
Calypso Court	Chamberlain	16	NA	550,000	-	-	-	-
Riverview Park	Sioux Falls	50	NA	1,873,700	-	-	-	-
Olive Grove Apts	Sioux Falls	19	NA	601,271	-	-	-	-
Sunnycrest	Sioux Falls	60	97.2	7,320,000	5,382,696	3.55 - 4.65	-	-
Sunnycrest	Sioux Falls	60	97.2	8,500,000	8,157,707	3.50	-	-
				<u>\$ 58,073,351</u>	<u>\$ 14,142,507</u>		<u>\$ 1,645,750</u>	

(1) One unit, or in the case of Huey Apartments and The Lidi II, two units, are not the subject of housing assistance payments under the Section 8 Program.

(2) Occupancy rate for the twelve month period ending June 30, 2024.

(3) Amounts are balances as of June 30, 2024.

Table XI

## Outstanding Guaranteed Mortgage Securities as of June 30, 2024:

Pass Through Rate	Principal Amount	Pass Through Rate	Principal Amount
1.6750	166,664	4.6250	32,790
1.8000	890,226	4.6750	6,624,167
1.9250	8,708,671	4.7800	959,586
2.0000	45,111,787	4.7900	2,124,639
2.0250	529,298	4.8000	4,056,794
2.0300	99,312	4.9250	3,521,600
2.0500	504,509	5.0000	74,765,055
2.1750	14,425,185	5.0300	7,174,570
2.2500	1,862,426	5.0400	2,602,354
2.2750	1,079,623	5.0500	14,233,582
2.2800	300,719	5.1550	6,194,559
2.3000	23,056,497	5.1650	1,841,723
2.4250	26,345,391	5.1750	6,551,709
2.5000	232,908,214	5.2800	10,631,860
2.5250	1,169,973	5.2900	466,293
2.5300	55,451	5.3000	8,731,002
2.5500	13,657,793	5.4050	19,285,894
2.6250	294,770	5.4150	2,853,778
2.6500	348,699	5.4250	9,633,206
2.6750	14,584,380	5.5000	118,583,024
2.7500	792,858	5.5300	15,499,597
2.7750	806,020	5.5500	8,721,662
2.8000	11,757,557	5.6550	11,311,005
2.8750	45,263	5.6650	542,161
2.9000	191,010	5.6750	11,392,216
2.9250	17,997,171	5.7800	14,653,526
3.0000	125,643,800	5.8000	8,464,614
3.0250	2,734,024	5.9050	17,760,596
3.0500	9,991,876	5.9150	749,684
3.1250	43,106	5.9250	7,974,826
3.1500	725,254	6.0000	114,463,637
3.1750	5,786,560	6.0300	7,784,541
3.2500	262,368	6.0500	2,741,868
3.2750	2,042,998	6.1550	16,533,184
3.3000	9,020,870	6.1750	2,140,321
3.3750	114,408	6.2800	15,267,796
3.4000	29,021	6.2900	473,945
3.4250	5,482,897	6.3000	3,179,472
3.5000	58,011,367	6.4050	5,008,058
3.5250	1,239,233	6.4250	1,348,734
3.5500	12,730,898	6.5000	74,022,917
3.6500	688,377	6.5300	5,555,416
3.6750	4,860,952	6.5500	3,207,226
3.7750	1,046,640	6.6550	6,344,749
3.8000	2,537,455	6.6750	584,862
3.9000	47,046	6.7800	1,792,420
3.9250	4,161,830	6.8000	976,822
4.0000	37,266,702	6.9050	2,929,300
4.0500	1,133,428	7.0000	16,164,352
4.1750	9,429,057	7.0300	1,547,704
4.2750	90,630	7.0500	359,444
4.3000	3,685,318	7.1550	360,551
4.4250	11,372,975	7.1750	642,960
4.4500	57,136	7.2800	1,161,182
4.5000	22,043,017	7.4050	154,580
4.5500	3,476,902	7.5000	2,003,102
4.5750	44,058		
Total		\$ 1,438,176,885	

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## MORTGAGE PROGRAM

### Mortgage Participating Lender Agreements

All Mortgage Lenders are required to execute a Mortgage Participating Lender Agreement (“MPLA”) with the Authority prior to the delivery of Mortgage Loans to the Master Servicer. The Authority has adopted a “Homeownership Program Guide for Mortgage Backed Securities” for the Program. The provisions of the Homeownership Program Guide have been incorporated, by reference, into the MPLA. The following information summarizes certain provisions of the MPLA, including the Homeownership Program Guide. The Homeownership Program Guide is subject to modification, change or waiver by the Authority in whole or in part at any time, except to the extent of requirements with respect to Qualified Mortgage Loans contained in the Bond Resolution.

Promptly after the date of execution of the MPLA, Mortgage Lenders are expected to commence the making of newly originated Qualified Mortgage Loans on a loan by loan basis. Each Qualified Mortgage Loan to be financed with the proceeds of Bonds is required to have a term of 30 years unless FHA or VA requires a shorter term or unless the borrower requests a shorter term.

The closing costs, fees and charges which the Mortgage Lender will collect from any Mortgagor in connection with making a Qualified Mortgage Loan to be financed with the proceeds of Bonds may not exceed the aggregate of (1) the actual amounts expended for title insurance, attorneys' fees, credit reports, surveys, appraiser's fees and filing and recording fees, (2) the actual amount paid or escrowed for taxes and insurance, and (3) a fee of 2% of the principal amount of the Qualified Mortgage Loan. To the extent the seller of the property pays all or a portion of the 2% fee, the amount charged the Mortgagor must be reduced by a like amount. No other fees, charges or other remuneration may be directly or indirectly received by the Mortgage Lender in making any newly originated Qualified Mortgage Loan, unless specifically authorized by the Authority. The Authority is currently charging each mortgagor one or two discount points, dependent on the mortgage product, but from time to time changes the points charged in response to current interest rates and point structures.

Each Qualified Mortgage Loan is required to be covered by a title insurance policy (which may be a title status report from the Bureau of Indian Affairs for certain Qualified Mortgage Loans) insuring that the Mortgage is a valid first lien on the residential property (subject to permitted encumbrances). Each residential property securing a Qualified Mortgage Loan shall be covered by a fire and extended coverage insurance policy at least equal to the lesser of the remaining principal balance of the Qualified Mortgage Loan or the full insurable value of such property.

The Mortgage Lender is required to deliver to the Master Servicer, with respect to each Qualified Mortgage Loan, a duly executed and properly endorsed promissory note; an executed and properly recorded mortgage; a duly executed and properly recorded assignment of mortgage; evidence of the required FHA insurance, VA guarantee, other federal agency or instrumentality insurance or guarantee or private mortgage insurance, if any; an executed copy of a builder's warranty or a certificate of compliance with applicable housing and building codes, issued by the appropriate governmental official; a copy of an appraisal report, and such other documents as the Authority may reasonably request.

The Authority has the right to require the Mortgage Lender to furnish such documents as the Authority, in its sole discretion and from time to time, deems necessary to determine that the provisions of the MPLA have been satisfied. After delivery to the Authority of all the required documents, in proper form and duly executed, the Master Servicer will make payment to the Mortgage Lender of the full amount of the purchase price. Qualified Mortgage Loans to be financed with the proceeds of Bonds will be purchased from each Mortgage Lender pursuant to the Master Servicer's schedule.

Under the MPLA, the Mortgage Lender represents that at the time of the disbursement of the purchase price, each Qualified Mortgage Loan shall (1) be insured by FHA or guaranteed by VA or insured or guaranteed by any other federal agency or instrumentality to which the powers of either of them has been transferred or which has similar power to insure or guarantee mortgage loans, (2) be insured by a Private Mortgage Insurer licensed to do business in

the State and acceptable to Fannie Mae or Freddie Mac, or (3) have a loan-to-value ratio of no more than 80%, and shall not, to the best knowledge of the Mortgage Lender, be subject to any circumstances or conditions which, with respect to the Mortgage or the mortgaged property or the Mortgagor or his credit standing, would adversely affect the value or marketability of the Mortgage.

Each Mortgage Lender further represents that at the time of disbursement of the purchase price, the Mortgage Lender has good title to the Qualified Mortgage Loan and full right to assign and transfer it to the Authority, free and clear of all claims and encumbrances; the Mortgage Lender has not modified the Qualified Mortgage Loan in any material respect, nor released the mortgaged property in whole or in part from the lien of the Mortgage, unless such modification or release is brought to the attention of the Authority prior to the disbursement of the purchase price; and the mortgaged property is free and clear of all mechanics' and materialmen's liens or liens in the nature thereof, unless title policy coverage or other comparable protection previously shall have been furnished protecting the Authority against such liens and rights.

In the event that any one or more of the representations made by the Mortgage Lender is in fact untrue, the Authority may, at its option, tender the Mortgage Loan to such Mortgage Lender for repurchase. Without any adjustment on the basis of any fees or other charges, the Mortgage Lender is thereupon required to pay to the Authority, within ten days of the date of tender, the same percentage of the unpaid principal balance of the Mortgage Loan at the time of repurchase that the Authority paid to the Mortgage Lender for the original sale of the Mortgage Loan and shall pay, in addition, the accrued interest on the unpaid principal balance of the Mortgage Loan at the time of repurchase and the aggregate amount of any advances made by the Authority pursuant to the terms of the security instrument and interest thereon at the rate borne by the secured obligation and, in addition, any legal expenses and other expenses incurred or expended by the Authority in prosecuting or defending any litigation in connection with preserving the lien of the security instrument. Tender of Mortgage Loans is to be made by notice of and demand for repurchase and concurrent advice from the Authority of the amount required for the repurchase and of the nature of the misrepresentation.

The Mortgage Lender agrees to make available to the Authority, upon request, evidence of hazard insurance coverage, a credit report or other evidence of the credit standing of the Mortgagor, evidence of mortgage insurance or loan guaranty and such other documents, instruments or papers of any kind whatsoever, as the Authority may reasonably request. Upon the request of the Authority the Mortgage Lender will permit, at any time, representatives of the Authority to examine and audit any and all of its records and accounts pertaining to any Mortgage sold to the Authority.

In the event that the Mortgage Lender fails or refuses, for any reason whatsoever, to observe or perform any covenant or commitment in the MPLA, then the Authority is entitled to remedies, available at law or in equity, including, but not limited to, the right to rescind its acceptance of the MPLA, the right to seek equitable relief by way of injunction to prevent the breach or threatened breach of any of the provisions of the MPLA or to enforce the performance thereof, and to seek damages, including consequential damages arising by virtue of the Authority's sale of its Bonds in reliance upon the Mortgage Lender's observance and performance of the provisions of the MPLA.

## **Servicing Agreements**

All Qualified Mortgage Loans not related to Guaranteed Mortgage Securities are required to be serviced pursuant to a servicing agreement by a Mortgage Lender (the "Servicer"). The originating Mortgage Lender of a Qualified Mortgage Loan will not necessarily be the Servicer for that Qualified Mortgage Loan. The Authority generally selects a limited number of experienced Servicers for Mortgage Loans purchased with the proceeds of each Series of Bonds. The selection of such Servicers will be made on the basis of their historical servicing record for Mortgage Loans, the size of their total servicing portfolio and other factors deemed relevant by the Authority. The Authority has adopted a Homeownership Program Guide for the administration of the Program by Mortgage Lenders. The provisions of the Homeownership Program Guide have been incorporated by reference into the servicing agreements. The following information summarizes certain provisions of the servicing agreement, including the Homeownership Program Guide. The Homeownership Program Guide is subject to modification, change or waiver by the Authority in whole or in part at any time, except to the extent of requirements with respect to Qualified Mortgage Loans contained in the Bond Resolution.

A Servicer is required to proceed diligently to collect all payments of principal and interest due under the terms of the Qualified Mortgage Loan and all other payments with respect to the Qualified Mortgage Loans, including, without limitation, escrow payments for hazard insurance premiums, mortgage insurance premiums, taxes, assessments and other governmental charges.

For servicing each Qualified Mortgage Loan, a Servicer will receive an annual fee in an amount not to exceed  $\frac{3}{8}$  of 1% of the outstanding principal balance of the Qualified Mortgage Loan for each year during which servicing is performed by a Servicer. Such fee shall be withheld ratably from each monthly remittance to the Authority and shall be computed on the outstanding principal balance on such Qualified Mortgage Loan upon which the monthly interest payment is computed.

The Homeownership Program Guide requires that all such payments be deposited in a segregated, custodial account in a bank or savings and loan institution approved by an authorized officer of the Authority, the deposits of which are insured by the Federal Deposit Insurance Corporation. A Servicer further is required to transmit to the Trustee the entire amount of principal and interest payments (less the amount of the servicing fee) on a weekly basis if the amount accumulated is \$1,000 or more.

A Servicer is further required to maintain an escrow account for the purpose of collecting and holding monthly payments of mortgage insurance premiums, taxes, special assessments and hazard insurance premiums for all Qualified Mortgage Loans. The funds in such accounts are held in trust for the Authority and the Mortgagor, and a Servicer is required to pay promptly to the proper parties all mortgage insurance premiums, taxes, special assessments and hazards premiums.

A Servicer is required to maintain, in full force and effect, errors and omissions insurance and fidelity insurance on those of its employees having access to any amounts paid by the Mortgagors, in amounts sufficient to protect the Authority fully against loss. A Servicer is further required to take such action as may from time to time be necessary to maintain its good standing as an FHA and VA approved mortgagee and as a Freddie Mac- or Fannie Mae-approved Servicer.

A Servicer must assure that all buildings and improvements covered by each Qualified Mortgage Loan are insured against fire and other hazards by an insurance company satisfactory to the Authority and in an amount at least equal to the lesser of the entire unpaid balance of the Mortgage Loan from time to time outstanding or the full insurable value of the Home. All such policies must be retained by a Servicer and endorsed in favor of the Authority. A Servicer's obligation to cause such insurance to be maintained must be absolute, regardless of any failure or refusal by any Mortgagor to pay, in timely fashion, the premiums, when due. However, the Authority must reimburse the Servicer for the full amount of any such premium so paid by a Servicer, in the event of any failure or refusal by any Mortgagor to make any payment of such premiums.

A Servicer must maintain adequate books and records, setting forth payments received and disbursements made pursuant to the servicing agreement, which books and records must clearly state the respective interests of the Mortgagor and the Authority and must be available for examination by the Authority at any time during normal business hours. A Servicer must furnish the Authority with a monthly statement, setting forth, with respect to each Mortgage Loan, the amount of principal and interest payments due for such month, the portion thereof actually paid, the principal balance of each Mortgage Loan and all other pertinent data requested by the Authority.

By the fifth business day following the last day of each month, a Servicer is required to inform the Authority of all delinquencies as of the last business day of the month. In the event of a breach by any Mortgagor of any term or condition of a Mortgage Loan or default by any Mortgagor in any payment required by the terms of a Mortgage Loan to be made by said Mortgagor, a Servicer has the full and absolute duty and responsibility to give proper and timely notice, as may be required, to FHA, VA, Farmers Home Administration (or its successor the Rural Housing and Community Development Service ("RD")) or the applicable Private Mortgage Insurer's representative, as the case may be, and in cooperation with the Authority and its agents, attend to the timely settlement with the appropriate officials associated with FHA, VA, RD or the applicable Private Mortgage Insurer in the event of disposition of the Mortgage Loan, including the preparation and transmittal of all letters and data required. A Servicer is required to

deliver all proceeds derived from such disposition to the Authority within ten days following the receipt thereof by a Servicer.

A Servicer may not assign the servicing agreement or its duties thereunder without the prior written consent of the Authority. The Authority may at any time terminate any servicing agreement for good cause.

As of November 1, 2014, the Authority entered into a Master Servicing Agreement with Idaho Housing and Finance Association, Boise, Idaho ("IHFA"), pursuant to which IHFA agrees to act as the Authority's Master Servicer. Pursuant to such Master Servicing Agreement, IHFA, instead of the Authority, purchases the Mortgage Loans from Mortgage Lenders. IHFA Pursuant to the Master Servicing Agreement and in accordance with the Program, the Master Servicer has acquired or will acquire Fannie Mae Guaranteed Mortgage Securities, and has issued or will issue GNMA Guaranteed Mortgage-Backed Securities, with respect to such Mortgage Loans; such Guaranteed Mortgage Securities are then sold to the Authority.

The Authority has entered into a warehouse line of credit agreement with the Master Servicer. Pursuant to such agreement, the Authority agrees to advance funds to the Master Servicer to enable the Master Servicer to purchase and hold Mortgage Loans pending completion of the process of securitizing the Mortgage Loans into Guaranteed Mortgage Securities. Such Mortgage Loans, and any payments received on them, are pledged by the Master Servicer as security for repayment of advances to the Master Servicer.

THE FOLLOWING INFORMATION ABOUT THE CURRENT MASTER SERVICER WAS SUPPLIED BY IDAHO HOUSING AND FINANCE ASSOCIATION. SUCH INFORMATION HAS NOT BEEN VERIFIED BY THE AUTHORITY OR THE UNDERWRITERS, OR COUNSEL TO EITHER OF THEM, AND IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY BY AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE AUTHORITY OR THE UNDERWRITERS, OR COUNSEL TO EITHER OF THEM.

As of December 31, 2024, IHFA serviced 273,455 single family mortgage loans with an aggregate principal balance of approximately \$35.6 billion. IHFA currently services single family mortgage loans for housing finance authorities, mutual savings banks, non-profit associations and commercial banks, as well as Fannie Mae, GNMA and Freddie Mac.

As of December 31, 2024, according to its unaudited annual financial statements, IHFA had total assets, not including deferred outflows of resources, of \$5.0 billion and a net position of \$676 million. For the twelve months ending December 31, 2024, IHFA originated and purchased single family mortgage loans in a total principal amount of approximately \$1.3 billion in Idaho and another \$5.2 billion for its partnership states.

IHFA is (1) an FHA- and VA- and USDA/Rural Development-approved lender in good standing, (2) a GNMA-approved seller and servicer of mortgage loans and an issuer of mortgage-backed securities guaranteed by GNMA, (3) a Fannie Mae-approved seller and servicer of Fannie Mae securities and (4) a Freddie Mac-approved seller and servicer of IHFA securities.

A Servicer is not liable for the payment of the principal of the Offered Bonds or the interest or redemption premium, if any thereon.

## **Mortgage Insurance**

At the time of acquisition by the Authority, the unpaid principal amount of a Qualified Mortgage Loan shall not exceed 80% of the Fair Market Value of the Home subject to the Mortgage, unless the Mortgage Loan is insured or guaranteed in one of the following ways:

(1) If a final commitment is received for insurance or guaranty by FHA, VA, RD, or any other agency or instrumentality of the United States to which the powers of any of them have been transferred or which has similar powers to insure or guarantee Mortgage Loans, the amount may be the maximum permitted under the regulations of such agency or instrumentality; provided that the MPLA shall require the Mortgage Lender to repurchase the Mortgage Loan, if a final endorsement for insurance or guaranty is not received within 60 days, and any Mortgage Loan not so repurchased shall be sold at the best obtainable price; or



(2) If the Authority is issued a mortgage insurance policy by a Private Mortgage Insurer under which the insurer either (a) must pay a claim after foreclosure and receipt of title to the Home, equal to the entire unpaid principal, accrued interest and expenses of foreclosure of the Mortgage Loan, or (b) may pay a specified insured percentage of the claim if it requests the Authority to retain title, in which case the maximum amount of the Mortgage Loan shall be a percentage of the Fair Market Value equal to 80% plus said insured percentage.

The federal Homeowners Protection Act of 1998 provides that, with respect to mortgages with private mortgage insurance originated after July 29, 1999, the private mortgage insurance terminates under certain circumstances when the loan balance reaches 80% of the original value of the residence, and automatically when the loan balance reaches 78% of the original loan balance or the midpoint of the mortgage term, as long as the homeowner is current on his payments. However, this law does not apply to FHA, VA or RD loans.

The following description of certain mortgage insurance programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty 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. Mortgage Loans made or purchased by the Authority are not limited by the Resolution to the following programs, and it is possible that insurance benefits under the following programs may be modified and that insurance benefits under other federal or private programs in which the Authority may participate could have different terms.

The continued availability of certain governmental mortgage insurance and guarantee programs depends on periodic action by the United States Congress and the President, which action may be influenced by federal fiscal and budgetary considerations and controversies. In addition, other funding made available to, or administered by, the Authority may be curtailed or provided in a different manner. It is not possible to predict what effect, if any, future governmental action may have on the ability of the Authority to purchase insured or guaranteed mortgage loans or on its other operations.

*Federal Housing Administration Single Family Mortgage Insurance.* The National Housing Act of 1934, as amended, authorizes a wide variety of FHA mortgage insurance programs, which differ in some respects, depending primarily upon whether the mortgage premises contain five or more dwelling units or less than five such units. FHA imposes loan-to-value ratio limitations and other requirements on all single family mortgage loans it insures. Under the Section 203(b) program, which is the most widely used FHA insurance program, FHA insures mortgage loans of up to 30 years' duration for the purchase of one-to-four family dwelling units. The maximum loan-to-value factor for one-family residences may generally not exceed an amount equal to 96.50% of the appraised value of the property, plus the initial FHA insurance premium, plus in any event a minimum purchaser cash requirement of 3.50% of the lesser of the appraised value or the sales price of the property.

The regulations governing all of the FHA programs under which the Authority's Mortgage Loans may be insured provide that insurance benefits are payable either upon foreclosure (or other acquisition of possession) and conveyance of the mortgage premises to the Department of Housing and Urban Development ("HUD"). With respect to the foreclosure on mortgaged premises containing less than five dwelling units, mortgagees must first make a determination as to whether or not the default is caused by a circumstance or set of circumstances beyond the mortgagor's control, which temporarily renders the family financially unable to cure the delinquency within a reasonable time or make full mortgage payments. If a determination is made that the default is caused by such circumstances, FHA must be requested to accept assignment and must have rejected the request for the mortgagee to initiate foreclosure proceedings.

Under some of the FHA insurance programs, insurance claims are paid by FHA in cash, unless the mortgage holder 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. Should debentures be issued in satisfaction of FHA insurance claims, they will bear interest from the date of issue, payable semiannually on January 1 and July 1 of each year at the rate (which may be lower than the rate on the insured mortgage loan) in effect as of the day the

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 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 of not to exceed two-thirds of the mortgagee's foreclosure costs. When entitlement to insurance benefits results from assignment of the mortgage loan to FHA, the insurance payment is equal to the unpaid principal balance of the mortgage loan as of the date of the assignment, as well as certain advances approved by FHA and costs and attorney's fees properly incurred by the mortgagee in connection with the defaulted mortgage loan and its assignment to FHA, less certain cash retained by the mortgagee. The regulations under all insurance programs described above provide that the insurance payment itself shall bear interest from the date of default, 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 debenture interest rate determined in the manner set forth above.

When any property to be conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage holder prior to such conveyance.

To obtain title to and possession of the property upon foreclosure, the Authority will pursue its rights under the Mortgage, subject to the constraints imposed by applicable State law (discussed above) and by HUD. HUD constraints require that, absent the consent of the mortgagor, at least three full monthly installments be due and unpaid under the mortgage before the mortgagee may initiate any action leading to foreclosure of the mortgage. Such HUD regulations also requires a face-to-face conference between the mortgagee and the mortgagor in an effort to cure the delinquency without foreclosure. In any case, where the mortgagor has voluntarily abandoned the mortgaged property, the mortgagee may initiate foreclosure without adhering to the procedures for assignment.

*Veterans Administration Guaranty Program.* The Serviceman's Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, his or her spouse) to obtain a mortgage loan guaranty by VA, covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates permitted by VA. The program has no mortgage loan limits, requires no down payment (except in the case of certain GPM mortgage loans) from the purchaser and permits the guaranty of mortgage loans with terms of up to 30 years. Under the VA's tiered guaranty system, the maximum guaranty allowed is based on the size of the mortgage loan. The Blue Water Navy Vietnam Veterans Act of 2019, effective January 1, 2020, eliminated county loan limits for certain veterans on loans greater than \$144,000. The current maximum guaranty that may be issued by VA under this program is as follows: (1) for a mortgage loan of \$45,000 or less, 50% of the original principal amount of the mortgage loan; (2) for a mortgage loan of greater than \$45,000 and less than \$56,250, an amount of \$22,500; (3) for a mortgage loan of \$56,250, but not more than \$144,000, the lesser of 40% of the original principal amount of the mortgage loan or \$36,000; and (4) for certain mortgage loans in excess of \$144,000, (a) 25% of the loan amount for veterans with full VA home loan guaranty entitlement and (b) 25% of the Freddie Mac conforming loan limit (\$806,500) for veterans who have previously used and not restored the guaranty entitlement. The liability on the guaranty is reduced or increased pro rata with any deduction or increase in the amount of the guaranteed indebtedness, but in no event will the amount payable on the guaranty or the percentage of the indebtedness corresponding to the original guaranty exceed the amount of the original guaranty, whichever is less. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of mortgaged premises is greater than the original guaranty, as adjusted. VA may, at its option and without regard to the guaranty, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to VA.

*RD Guaranteed Housing Loan Program.* Title V of the Housing Act of 1949 permits RD to provide mortgage guarantees to 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. The guaranteed mortgage loans for single family dwellings may be made for up to 100% of the property's present market value, the

selling price, or the 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.

The maximum loss payment under an RD guarantee 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.

Loss includes only (1) principal and interest evidenced by the note, (2) if applicable, any loan subsidy due and owing, (3) any principal and interest indebtedness on 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 (i.e., the mortgaged property) 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, the net proceeds from collateral for calculating loss will be determined by RD as follows: (1) the collateral will be appraised at its current market value as of the date of acquisition by the lender then (2) there is deducted from such appraised value an estimate of liquidation costs which will include 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.* All Qualified Mortgage Loans insured by a Private Mortgage Insurer will be in an amount not exceeding 80% of the Fair Market Value (except in the case of a Private Mortgage Insurer which agrees to insure a claim after foreclosure, then 100% of the Fair Market Value, plus interest and expenses of foreclosure), plus a percentage of the Fair Market Value equal to the percentage of any claim that the insurer will pay if it requests the Authority to retain title. Each Private Mortgage Insurer insuring such Qualified Mortgage Loans must be qualified to insure mortgages purchased by Fannie Mae or Freddie Mac at the time such Qualified Mortgage Loans are made. Both Fannie Mae and Freddie Mac require approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

Certain mortgage loans insured by Private Mortgage Insurers may be made under a graduated payment plan which enables a home purchaser to make lower monthly payments during initial years of a mortgage loan. Under the plan a portion of the down payment is applied to the purchase price of a home and the balance is placed in a segregated, interest bearing savings account. To provide for the difference between the payment amount and the scheduled mortgage loan payment, funds are withdrawn from the savings account. The Mortgagor's first year payments may be as much as 25% lower than the scheduled mortgage loan payments. The Mortgagor's monthly payment increases by predetermined amounts as withdrawals from the savings account are reduced. 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%.

Private mortgage insurance policies with respect to Qualified Mortgage Loans, including those under graduated payment plans, presently contain provisions substantially as follows: (1) the Private Mortgage Insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within 60 days of presentation of the claim by the Servicer on behalf of the Authority; (2) for a Servicer to present a claim, the Authority must have acquired and tendered 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; and (3) when a claim is presented, the Private Mortgage Insurer will have the option of paying the claim in full, taking title to the property and arranging for its sale, or of paying the insured percentage of the claim (20%, 25% or 30%, depending on the coverage purchased by the Mortgage Lender) and allowing the Authority to retain title to the property.

Mortgage Loans insured by Private Mortgage Insurers may also be made pursuant to a growing equity plan under which the Mortgage Loan payments will increase by a predetermined dollar amount or percentage on each

annual anniversary date of the Mortgage Loan during the first ten years of the Mortgage Loan. Since the interest rate remains constant, the entire amount of the increase in the Mortgage Loan payment will constitute a reduction of principal. The Mortgage Loan payments remain constant from the tenth year to final maturity. As a result of the accelerated amortization of principal, a Mortgage Loan under the growing equity plan will be fully paid within a period which could be as short as 15 years.

## **Fannie Mae and Fannie Mae Securities**

This summary of the Fannie Mae MBS Program, the Fannie Mae Securities and other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Guides and the Fannie Mae Securities and other documents for full and complete statements of their provisions.

*Fannie Mae Mortgage-Backed Securities Program.* Federal National Mortgage Association (“Fannie Mae”) is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. Section 1716 et seq.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and was transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968. The Housing and Economic Recovery Act of 2008 (the “HERA”) establishes the Federal Housing Finance Agency (“FHFA”), an independent agency of the federal government, as the new supervisory and general regulatory authority for Fannie Mae. Fannie Mae is subject to the supervision and regulation of the FHFA to the extent provided in the HERA, and the director of the FHFA has general regulatory authority over Fannie Mae to ensure that the purposes of the HERA, the authorizing statutes and any other applicable law are carried out. Fannie Mae has been placed into conservatorship by the FHFA and certain other actions are being taken by the United States Department of the Treasury and FHFA.

Fannie Mae provides funds to the mortgage market 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. In addition, Fannie Mae issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders.

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the “Fannie Mae MBS Program”). The obligations of Fannie Mae, including its obligations under the Fannie Mae Securities, are obligations solely of Fannie Mae and are not backed by, or entitled to, the full faith and credit of the United States.

The terms of the Fannie Mae MBS Program are governed by the Fannie Mae Single Family Selling and Servicing Guides, as modified by a pool purchase contract, and, in the case of mortgage loans such as the Mortgage Loans, a single family master trust agreement (the “Fannie Mae Trust Indenture”), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The Fannie Mae MBS Program is further described in a prospectus issued by Fannie Mae (the “Fannie Mae Prospectus”). The Fannie Mae Prospectus is updated from time to time. No Fannie Mae Prospectus Supplement will be available as to any Fannie Mae Securities acquired pursuant to the Program.

Copies of the Fannie Mae Prospectus and Fannie Mae’s most recent annual and quarterly reports and proxy statement are available from Fannie Mae, 1100 15th Street, N.W., Washington, DC 20005.

*Fannie Mae Securities.* Any Fannie Mae Security acquired pursuant to the Program will represent the entire interest in a specified pool of conventional mortgage loans purchased by Fannie Mae from the Servicer and identified in records maintained by Fannie Mae. The pool contract will require that each Fannie Mae Security be in a minimum amount of \$250,000. The conventional mortgage loans backing each Fannie Mae Security will bear interest at a specified rate per annum, and each Fannie Mae Security will bear interest at a lower rate per annum (the “pass-through rate”). The difference between the interest rate on the conventional mortgage loans and the pass-through rate on the Fannie Mae Security will be collected by the servicer and used to pay the Servicer’s servicing fee and Fannie Mae’s guaranty fee.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Securities that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the conventional mortgage loans

in the pools represented by such Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated mortgage loan, whether or not such principal balance is actually received. THE OBLIGATIONS OF FANNIE MAE UNDER SUCH GUARANTEES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND ARE NOT BACKED BY, NOR ENTITLED TO, THE FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. IF FANNIE MAE WERE UNABLE TO SATISFY SUCH OBLIGATIONS, DISTRIBUTIONS TO THE REGISTERED HOLDER OF FANNIE MAE SECURITIES WOULD CONSIST SOLELY OF PAYMENTS AND OTHER RECOVERIES ON THE UNDERLYING MORTGAGE LOANS AND, ACCORDINGLY, MONTHLY DISTRIBUTIONS TO THE HOLDER OF FANNIE MAE SECURITIES WOULD BE AFFECTED BY DELINQUENT PAYMENTS AND DEFAULTS ON SUCH MORTGAGE LOANS.

On June 3, 2019, Fannie Mae and Freddie Mac began issuing new, common, single mortgage-backed securities, formally known as Uniform Mortgage-Backed Securities (“UMBS”). The UMBS finance the same types of fixed-rate mortgages that back Fannie Mae Securities and Freddie Mac Securities and are guaranteed by either Fannie Mae or Freddie Mac depending upon which issues the UMBS. The UMBS have characteristics similar to Fannie Mae Securities and Freddie Mac securities. Proceeds of the Offered Bonds are expected to be used to purchase Guaranteed Mortgage Securities, which include UMBS.

*Payments on Mortgage Loans; Distributions on Fannie Mae Securities.* Payments on a Fannie Mae Security are made to the owner thereof on the twenty-fifth day of each month (beginning with the month following the month such Fannie Mae Security is issued) or, if such twenty-fifth day is not a business day, on the first business day next succeeding such twenty-fifth day. With respect to each Fannie Mae Security, Fannie Mae will distribute to the beneficial owner an amount equal to the total of (1) the principal due on the mortgage loans in the related pool underlying such Fannie Mae Security during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (2) the stated principal balance of any mortgage loan that was prepaid in full during the second month next preceding the month of such distribution (including as prepaid for this purpose any mortgage loan repurchased by Fannie Mae because of Fannie Mae’s election to repurchase the mortgage loan after it is delinquent, in whole or in part with respect to four consecutive installments of principal and interest; or because of Fannie Mae’s election to repurchase such mortgage loan under certain other circumstances as permitted by the Fannie Mae Trust Indenture), (3) the amount of any partial prepayment of a mortgage loan received in the second month next preceding the month of distribution and (4) one month’s interest at the pass-through rate on the principal balance of the Fannie Mae Security as reported to the holder thereof in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

For purposes of distributions, a mortgage loan will be considered to have been prepaid in full if, in Fannie Mae’s reasonable judgment, the full amount finally recoverable on account of such mortgage loan has been received, whether or not such full amount is equal to the stated principal balance of the mortgage loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution, but is under no obligation to do so.

## **GNMA and GNMA Securities**

*General.* This summary of the GNMA Program, GNMA Securities and other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Guide (copies of which may be obtained from GNMA at the Office of Mortgage-Backed Securities, 425 3rd Street, S.W., Suite 500, Washington, D.C. 20024) and to the GNMA Securities and other documents for full and complete statements of their provisions.

GNMA is a wholly owned corporate instrumentality of the United States of America within HUD whose principal office is located in Washington, D.C.

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 that are based on and backed by trusts or pools composed of mortgage loans insured or guaranteed under the National Housing Act, Title V of the Housing Act of 1949, the Servicemen’s Readjustment Act, Chapter 37 of Title 38 of the United States Code or Section 184 of the Housing and Community Development Act of 1992 or guaranteed by the RD under its guaranteed Single Family Rural Housing Program. Section 306(g) further provides that “the full faith and credit of the United States is pledged to the payment

of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated December 9, 1969, of an Assistant Attorney General of the United States states that such guarantees under Section 306(g) of mortgage-backed certificates are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.”

There are two GNMA Mortgage-Backed Securities programs, GNMA I and GNMA II.

Any GNMA Security acquired pursuant to the Program will be a “fully modified pass-through” security (guaranteed by GNMA pursuant to its GNMA I or GNMA II mortgage-backed securities program) which will require the servicer to pass through to the holder thereof the regular monthly payments on the underlying mortgage loans (less the service fees), whether or not the servicer receives such payments from the mortgagors on the underlying mortgage loans, plus any prepayments of principal of the mortgage loans received by the servicer during the previous month. Upon issuance of each GNMA Security, GNMA will guarantee to the holder of the GNMA Security the timely payment of principal of and interest on the GNMA Security. 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 Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Security. The Treasury Department 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 Department will make loans to GNMA, if needed, to implement the aforementioned guaranty.

Under the terms of its guaranty, GNMA also warrants to the holder of the GNMA Security that, in the event GNMA is called upon at any time to make payment on its guaranty of the principal of and interest on the GNMA Security, it will, if necessary, in accordance with Section 306(d) of Title III of the National Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make such payments of principal and interest.

GNMA shall have no responsibility to determine whether or not the Program complies with the requirements of the Code or whether or not interest on the Bonds is exempt from federal income taxation. The payments due to the Trustee, as holder, pursuant to the terms of the GNMA Securities will not change if the interest on the Bonds for any reason is determined to be subject to federal income taxation.

*Servicing of the Mortgages.* Under contractual agreements entered into by and between the Servicer and GNMA, the Servicer is responsible for servicing and otherwise administering the mortgage loans underlying the GNMA Securities in accordance with generally accepted practices of the mortgage banking industry and the GNMA Servicer’s Guide (the “GNMA Guide”).

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. The GNMA Securities carry interest rates that are 0.25% to 0.625% below the interest rate on the underlying mortgage loans; the service and guaranty fees (equal on a monthly basis to 1/12 of 0.25% to 0.625% of the outstanding principal balance of the mortgage loans) are deducted from payments on the mortgage loans before payments are passed through to the holder of the GNMA Security.

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

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. If, however, such payments are not received as scheduled, the holder has recourse directly to GNMA.

*Default by Servicer.* In the event of a default by the servicer, 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 underlying the

GNMA Securities, and such mortgage loans shall thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the owner of the GNMA Security. In such event, GNMA will be the successor in all respects to the Servicer with respect to the transaction and the agreements set forth or arranged for in the GNMA Guide.

*Payment of Principal and Interest on the GNMA Securities.* Under the GNMA I Program, the Servicer makes separate payments, by the fifteenth day of each month, directly to each owner of GNMA Securities for each of the GNMA Securities held.

Payment of principal of each GNMA Security is expected to commence on the fifteenth day of the month following issuance of the GNMA Security.

Each installment on a GNMA Security is required to be applied first to interest and then in reduction of the principal balance then outstanding on the GNMA Security. Interest is to be paid at the specified rate on the unpaid portion of the principal of the GNMA Security. The amount of principal due on the GNMA Security shall be in an amount at least equal to the scheduled principal amortization currently due on the mortgage loans. However, payment of principal and interest is to be adjustable as set forth below.

Each of the monthly installments on a GNMA Security is subject to adjustment by reason of any prepayments or other unscheduled recoveries of principal on the underlying mortgage loans. In any event, the servicer will pay to the holder of the GNMA Security monthly installments of not less than the interest due on the GNMA Security at the rate specified in the GNMA Security, together with any scheduled installments of principal, whether or not such interest or principal is collected from the mortgagors, and any prepayments or early recovery of principal. Final payment shall be made upon surrender of the outstanding GNMA Security.

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## SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following statements are brief summaries of certain provisions of the Bond Resolution.

### Certain Defined Terms

*Capital Accumulator Bond:* any Bond, the interest on which is not currently payable on Interest Payment Dates during each year of its term, but accrues and is accreted to principal on each Interest Payment Date and is payable as part of the Compounded Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution;

*Capital Reserve Requirement:* as of any particular date of computation, an amount of money equal to the sum of the amounts required by each Series Resolution to be maintained in the Capital Reserve Fund with respect to the Series of Bonds authorized thereby, not less than seven percent (7%) of the aggregate Capital Value of the Outstanding Bonds of that Series for Bonds issued before March 1, 2008, and not less than three percent (3%) of the aggregate Capital Value of the Outstanding Bonds of that Series for Bonds issued on or after March 1, 2008;

*Capital Value:* for any or all Bonds Outstanding on a particular date, the aggregate principal amount of Current Interest Bonds, plus the aggregate Compounded Value of Capital Accumulator Bonds, computing the Compounded Value as of the then next preceding Principal Installment Date;

*Cash Flow Test:* projected annual Revenues sufficient to pay projected Program Expenses and scheduled Interest Requirements and Principal Requirements, all as set forth in a Cash Flow Certificate pursuant to the Bond Resolution;

*Compounded Value:* for any Capital Accumulator Bond or Bonds, as of any date, the value (which for purposes of computations required in the Bond Resolution may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date, at a rate resulting in a yield from the most recent Interest Payment Date to maturity, and a Compounded Value at maturity, approximately as expressed in the Bond, and as provided in the applicable Series Resolution;

*Current Interest Bond:* any Bond, on which the interest is payable on Interest Payment Dates during each year of its term to maturity, or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution;

*Defaulted Mortgage Loan:* a Mortgage Loan described in an Officer's Certificate and stated therein to be in default under its terms, or one on which payments are sixty (60) days in arrears;

*Escrow Payment:* any payment made to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any federal, State, local or private program intended to assist in providing Mortgage Loans, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan;

*Fair Market Value:* the value of property determined by a qualified appraiser acceptable to the Authority;

*Hedge Agreement:* a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Authority providing for payments between the parties based on levels of, or changes in, interest rates or other indices or contracts to exchange cash flows or a series of payments or contracts, including, without limitation, interest rate floors, or caps, options, puts or calls, which allows the Authority to

manage or hedge payment, rate, spread or similar risk with respect to all or a portion of any Series of Bonds or any assets pledged under the Bond Resolution;

*Hedge Provider:* any person or entity providing a Hedge Agreement pursuant to an agreement with or upon the request of the Authority;

*Home:* real property and improvements thereon, including but not limited to a condominium unit, which consists of not more than four dwelling units owned by one Mortgagor;

*Interest Payment Date:* each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

*Interest Requirement:* as of any particular date of computation, the sum of the unpaid interest then due plus the interest to accrue on all Outstanding Current Interest Bonds to the first day of the following month, plus the additional amount of such interest to accrue to their next respective Interest Payment Dates. Interest Requirement shall also include any regular payments under a Qualified Hedge Agreement if so specified by a Series Resolution or Officer's Certificate, but shall not include any fees, expenses or termination payments;

*Investment:* any of the following which at the time are (a) legal investments for Fiduciaries under the laws of the State for moneys held under the Bond Resolution which are then proposed to be invested therein and (b) permitted by the then effective investment policy of the Authority: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which is unconditionally guaranteed by the United States of America; (iii) direct and general obligations of any state within the United States of America or of any political subdivision of such a state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency then rating the Bonds at the request of the Authority; (iv) bonds, debentures, participation certificates, notes or other obligations issued or unconditionally guaranteed by any of the following: Federal Home Loan Banks, Farm Credit System (including the Bank of Cooperatives, Federal Land Banks, Federal Farm Credit Banks and Federal Intermediate Credit Banks), Fannie Mae, Farmer's Home Administration (or its successor, the Rural Housing and Community Development Service), Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Small Business Administration, Resolution Funding Corporation or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof or sponsored thereby; (v) money market funds with ratings in the highest category of each Rating Agency then rating the Bonds at the request of the Authority; (vi) unsecured certificates of deposit, time deposits, banker's acceptances, repurchase agreements, and commercial paper having maturities of not more than 365 days provided that such obligations are rated in the highest short term category of each Rating Agency then rating the Bonds at the request of the Authority; (vii) deposits that are fully insured by the Federal Deposit Insurance Corporation; (viii) stripped securities: principal-only strips and interest-only strips of noncallable obligations issued by the U.S. Treasury, and REFCORP securities stripped by the Federal Reserve Bank of New York; and (ix) guaranteed investment contracts or similar deposit agreements with insurance companies, banks or other financial institutions, provided the ratings on general unsecured obligations of such an institution are not lower than one rating below the rating on the Bonds by each Rating Agency then rating the Bonds at the request of the Authority. Provided that the definition of Investments shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Bond Resolution, thus permitting investments with different characteristics from those permitted which an Authorized Officer deems from time to time to be in the interest of the Authority to include as Investments, as reflected in an Officer's Certificate or in a Supplemental Bond Resolution, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current rating on the Bonds by each Rating Agency then rating the Bonds at the request of the Authority.

*Issue Date:* the date as of which any Series of Bonds is issued and from which interest thereon accrues, as specified by the applicable Series Resolution in accordance with the Bond Resolution;

*Mortgage Expense Requirement:* such amount of money as may from time to time by resolution of the Authority be determined to be necessary for the payment or as a reserve for the payment of any costs and expenses incurred through protection and enforcement of the Authority's interest as mortgagee of Homes;

*Mortgage Loan:* an interest-bearing loan to a Mortgagor, secured by a Mortgage on a Home and evidenced by a promissory note;

*Mortgage Reserve Requirement:* as of any date of computation an amount equal to two percent (2%) of the principal amount of the Mortgage Loans then outstanding;

*Officer's Certificate:* a certificate signed by an Authorized Officer.

*Parity Test:* the Value of the Principal Assets equals or exceeds one hundred two percent (102%) of the Capital Value of all Outstanding Bonds.

*Principal Assets:* as of any date of computation of Value, all Mortgage Loans (including Defaulted Mortgage Loans), deposited cash and Investments in all Mortgage Loan Accounts, in the Capital Reserve Fund, in the Mortgage Reserve Fund, in the Revenue Fund and in the Redemption Fund, including amounts in the Special Program Fund held for the credit of the Revenue Fund or Redemption Fund for Series of Bonds for which the Authority is the provider of a Self-Liquidity Facility, but not including Investments and cash held for the defeasance of Bonds or to pay accrued interest on Outstanding Bonds;

*Principal Installment:* as of any particular date of computation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, but including the remaining amount as a Sinking Fund Installment payable on said future date, plus (ii) the Compounded Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date;

*Principal Requirement:* as of any particular date of computation, for all Bonds then Outstanding, the sum of (i) all unpaid Principal Installments then due, plus (ii) all Principal Installments to become due within twelve (12) months thereafter;

*Private Mortgage Insurer:* a company qualified to provide insurance on mortgages purchased by the Federal Home Loan Mortgage Corporation or Fannie Mae, or any other agency or instrumentality of the United States to which the powers of either of them have been transferred or which has similar powers to purchase mortgage loans;

*Program:* the Authority's program of making or purchasing Qualified Mortgage Loans, including the payment, when due, of principal of and redemption premium, if any, and interest on Notes and Bonds;

*Program Expenses:* means all the Authority's expenses of administering the Program under the Bond Resolution and the Act and shall include without limiting the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; insurance premiums, legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Trustee, any Depositary and Paying Agent; Costs of Issuance not paid from proceeds of Bonds; payments to pension, retirement, health and hospitalization funds; Hedge Agreement payments so designated by an Authorized Officer; liquidity provider fees; bond insurer fees; remarketing agent fees; and any other expenses required or permitted to be paid by the Authority under the provisions of the Bond Resolution and any Supplemental Bond Resolution all to the extent properly allocable to the Program;

*Qualified Mortgage Loan:* a Mortgage Loan satisfying the conditions set forth below under the caption "Qualification of Mortgage Loans" or a security based on and backed by a pool of Mortgage Loans, each satisfying said conditions;

*Qualified Hedge Agreement:* a Hedge Agreement which meets the tests of the Bond Resolution;

*Qualified Hedge Institution:* (A) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency

of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Qualified Hedge Agreement is entered into by the Authority are rated in either of the three highest rating categories by each Rating Agency then rating the Bonds at the request of the Authority or (B) the Government National Mortgage Association or any successor thereto, Fannie Mae or any successor thereto, the Federal Home Loan Mortgage Corporation or any successor thereto, or any other federal agency or instrumentality the obligations of which are backed by the full faith and credit of the United States of America; and further provided that it is expressly understood that the definition of the Qualified Hedge Institution shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this Bond Resolution, thus permitting a Qualified Hedge Agreement with a different entity from those permitted which an Authorized Officer deems from time to time to be in the interest of the Authority, as reflected in an Officer's Certificate or in a Supplemental Bond Resolution, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current rating on the Bonds by each Rating Agency then rating the Bonds at the request of the Authority;

*Rating Agency:* a nationally recognized statistical rating organization which is registered with the United States Securities and Exchange Commission in accordance with the Credit Rating Agency Reform Act of 2006;

*Revenues:* all payments, proceeds, rents, charges and other cash income derived by or for the account of the Authority from or related to the Program, including, without limitation, the payments and prepayments of principal of and interest on Mortgage Loans (whether paid by or on behalf of the Mortgagor), but not including Escrow Payments or Service Charges, and not including financing, commitment or similar fees or charges of the Authority at or prior to the time of making or purchasing a Mortgage Loan and not including any of the foregoing which are at any time held in the General Reserve Account;

*Value:* a periodic valuation of Principal Assets to be made by Officer's Certificate at the times required by the Bond Resolution (generally on each Interest Payment Date and prior to the issuance of any Series of Bonds, but not for financial reporting purposes), at amounts computed for the several categories of Principal Assets, respectively as follows:

- (1) for a Mortgage Loan, the unpaid principal amount thereof;
- (2) for any amount of cash and Investments held in a Mortgage Loan Account at any computation date within two years after the Issue Date of the Series of Bonds issued to establish the Mortgage Loan Account, the par amount thereof; and
- (3) for other Investments and deposits: (i) the principal amount or amortized cost of an Investment, whichever is lower, if it matures more than twenty-four (24) months after the date of computation or is held subject to a repurchase agreement, and (ii) the principal amount of a deposit or of an Investment that matures within twenty-four (24) months after the date of computation and is not held subject to a repurchase agreement, provided further that (iii) accrued interest shall be excluded from each such computation.

## **Mortgage Loan Account**

Each Series Resolution shall establish a separate Mortgage Loan Account to be held by the Trustee, to record the receipt and disbursement of any proceeds of the Series of Bonds therein authorized for the making or purchase of Qualified Mortgage Loans or for the financing of Qualified Mortgage Loans previously made or purchased.

The Trustee shall, from time to time, pay out money held in each Mortgage Loan Account for the purpose of making or purchasing Qualified Mortgage Loans or of reimbursing the Authority for payments made by it from other funds for that purpose, upon receipt by the Trustee of an Officer's Certificate stating:

(1) The Mortgage Loan Account from which the payment is to be made, and the amount, manner and recipient of the payment, which may be made to the Authority or to a Mortgage Lender; and

(2) That each Mortgage Loan is fully qualified, as set forth below under the caption "Qualification of Mortgage Loans."

All interest and other income received from the deposit and investment of money in Mortgage Loan Accounts shall be transferred by the Trustee, as received, to the Revenue Fund.

The Authority may, by Officer's Certificate, direct the Trustee to transfer amounts in any Mortgage Loan Account to the Redemption Fund. Any amount remaining in any Mortgage Loan Account, derived from Bond proceeds, forty (40) months after the Issue Date of the Bonds of the Series for which the Account was established, or at such other time as may be provided in the applicable Series Resolution or an Officer's Certificate, shall be so transferred by the Trustee to the Redemption Fund. Amounts transferred to the Redemption Fund may, by Officer's Certificate, be retransferred to the Mortgage Loan Account subject to limitations set forth in the Bond Resolution.

### **Qualification of Mortgage Loans**

At the time of acquisition by the Authority, among other conditions, the unpaid principal amount of a Qualified Mortgage Loan shall not exceed 80% of the Fair Market Value of the Home subject to the Mortgage, unless the Mortgage Loan is insured or guaranteed in one of the following ways:

(1) If a final commitment is received for insurance or guaranty by the Federal Housing Administration, the Farmers Home Administration (or its successor, the Rural Housing and Community Development Service), the Veterans Administration, or any other agency or instrumentality of the United States to which the powers of any of them have been transferred or which has similar powers to insure or guarantee Mortgage Loans, the amount may be the maximum permitted under the regulations of such agency or instrumentality; provided that all Mortgage Purchase Agreements shall require the Mortgage Lender to repurchase the Mortgage Loan, if a final endorsement for insurance or guaranty is not received within sixty days, and any Mortgage Loan not so repurchased shall be sold at the best obtainable price; or

(2) If the Authority is issued a mortgage insurance policy by a Private Mortgage Insurer under which the insurer either (i) must pay a claim after foreclosure and receipt of title to the Home, equal to the entire unpaid principal, accrued interest and expenses of foreclosure of the Mortgage Loan, or (ii) may pay a specified insured percentage of the claim if it requests the Authority to retain title, then the maximum amount of the Mortgage Loan shall be a percentage of the Fair Market Value equal to 80% plus said insured percentage.

As of each Interest Payment Date to the extent the Parity Test is not satisfied, the Authority will cause an additional amount to be transferred to the Trustee for credit to the Redemption Fund or to one or more Mortgage Loan Accounts, or to be credited by the Trustee to such Account or Accounts, from available Revenues, from its General Reserve Account, or from any available funds not pledged under the Bond Resolution. The Trustee shall purchase Investments or Mortgage Loans, as the case may be, from the amounts so credited, at prices such that the aggregate Value thereof, with any retained cash, will, so far as possible, satisfy the Parity Test.

## **Special Program Fund**

A Special Program Fund has been established, to be held and applied by the Trustee, in which the Authority may deposit, at any time, any available funds not pledged under the Bond Resolution, including, but not limited to, proceeds of a Series of Bonds, or other funds previously pledged under a resolution securing obligations satisfied and discharged by the issuance of a Series of refunding Bonds, if such proceeds or other funds are not needed to accomplish such satisfaction and discharge. Money so deposited shall be held in a general account in the Special Program Fund and, until disbursed or committed to be disbursed as provided below, shall be available to restore deficiencies in other Funds and Accounts, as provided in the Bond Resolution.

Subject to the foregoing, amounts in the general account in the Special Program Fund shall be disbursed or transferred, as directed by Officer's Certificates, to effectuate (a) loans by the Authority to provide special assistance to eligible sponsors, mortgagors or occupants of housing for persons and families of low and moderate income in paying the cost of development, rental or ownership of such housing or (b) reappropriations to any fund or account pertaining to any other program for any purpose authorized by the Act.

The full amount committed at any time by the Authority for a special assistance loan shall be transferred by the Trustee to a separate restricted account in the Special Program Fund. Such loans shall be disbursed from the restricted account at times and in amounts directed by Officer's Certificates, and repayments thereof shall be credited upon receipt to the general account. Funds held in the restricted account or disbursed pursuant to reappropriation shall no longer be available for transfer to any other Fund or Account, except for a transfer to the Bond Fund in payment of a corresponding amount of the scheduled principal and interest payments on any Mortgage Loan or to advance such money to cure or avert a default on any Mortgage Loan.

Income from the investment of the Special Program Fund shall be credited to the general account therein.

## **Deposit of Mortgage Loan Revenues**

The Authority will collect and deposit, or will cause Servicers to collect and deposit, with the Trustee, or with depositories in the name of the Trustee, as soon after receipt as practicable, all Revenues derived from Mortgage Loans, including Defaulted Mortgage Loans, and the Trustee shall credit all such receipts to the Revenue Fund.

## **Revenue Fund**

On or before each Interest Payment Date, and at other times as directed by an Officer's Certificate, the Trustee shall withdraw from any money in the Revenue Fund and make the following payments, or credit to each of the following Funds and Accounts the amount indicated in the following tabulation, or so much thereof as remains after first making such payment or paying into each Fund or Account preceding it in the following tabulation the amount indicated:

(1) To the Mortgage Expense Fund created under the Bond Resolution, the amount, if any, needed to increase the balance therein to the Mortgage Expense Requirement;

(2) To pay debt service on the Bonds (including Sinking Fund Installments) and any payments to a Hedge Provider under a Qualified Hedge Agreement pursuant to the Bond Resolution;

(3) To the Capital Reserve Fund, the amount, if any, needed to increase the amount therein to the Capital Reserve Requirement;

(4) To the Mortgage Reserve Fund, the amount, if any, needed to increase the amount therein to the Mortgage Reserve Requirement;

(5) To one or more Mortgage Loan Accounts or to the Redemption Fund or to pay Program Expenses, as directed by Officer's Certificates furnished to the Trustee; and

(6) The remainder, if any, as prescribed by an Officer's Certificate, to the Special Program Fund; or such remainder or any part thereof may be directed by an Officer's Certificate to be withdrawn and transferred to the Authority's General Reserve Account, free and clear of any lien or pledge created by the Bond Resolution, for use for any purpose authorized by the Act and only upon the filing of an Officer's Certificate demonstrating that the Parity Test and Cash Flow Test will still be satisfied after giving effect to such withdrawal or transfer.

The Trustee shall withdraw moneys from the Revenue Fund prior to each Interest Payment Date for application by the Trustee or the Paying Agents to the payment of unpaid interest due on and principal of the Bonds. Moneys held in the Revenue Fund for the payment of Sinking Fund Installments shall be applied to the purchase or redemption of Bonds to which such Sinking Fund Installments relate. No such money may be used to purchase Bonds less than twenty-five days prior to the Sinking Fund Installment Date, or at a price higher than the then applicable Redemption Price.

### **Capital Reserve Fund**

If, at any time, there shall not be a sufficient amount in the Revenue Fund to make payment of Principal Installments of or interest on the Bonds and in the event that the amount transferred from the Mortgage Reserve Fund is insufficient to make up such deficiency, the Trustee shall withdraw from the Capital Reserve Fund and pay into the Revenue Fund the amount of the deficiency then remaining. Money in the Capital Reserve Fund in excess of the Capital Reserve Requirement is to be withdrawn five days after Principal Installment Dates and credited to the Revenue Fund.

### **Mortgage Reserve Fund**

The Trustee shall transfer from the Mortgage Reserve Fund (1) to the Revenue Fund, the amount, if any, needed to restore any deficiency for the payment of Principal Installments and interest due and payable on Bonds; and (2) to the Redemption Fund, for the payment of the premium on Bonds to be redeemed, the amount stated in an Officer's Certificate directing such transfer. Money in the Mortgage Reserve Fund in excess of the Mortgage Reserve Requirement is to be withdrawn and credited to the Revenue Fund if so directed by an Officer's Certificate.

### **Redemption Fund**

Money in the Redemption Fund may be used to purchase Bonds designated in the Officer's Certificate, at a purchase price not exceeding the redemption price applicable on the next date when such Bonds are redeemable from said Fund, respectively, under the provisions of the applicable Series Resolutions (provided that such purchase price may exceed the applicable redemption price if and to the extent the amount of such excess shall be paid from moneys not pledged under the Bond Resolution, or moneys which could otherwise be released to the Authority pursuant to the Bond Resolution). The Authority will not at any time cause Bonds to be purchased or redeemed, if this would have any material adverse effect on its ability to pay, when due, the Principal Installments of and interest on the Bonds Outstanding after such purchase or redemption.

Interest and other income derived from the investment or deposit of money in the Redemption Fund shall be transferred to the Revenue Fund as received.

### **Hedging Transaction**

A Hedge Agreement is a Qualified Hedge Agreement if, at the time of execution of such Hedge Agreement, (1) the provider of the Hedge Agreement is a Qualified Hedge Institution or the provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Hedge Institution and (2) the Authority designates the Hedge Agreement as a Qualified Hedge Agreement by an Officer's Certificate.

If the Authority shall enter into any Qualified Hedge Agreement with respect to any Bonds and the Authority has made a determination that the Qualified Hedge Agreement was entered into for the purpose of

hedging or managing the interest due with respect to specified Bonds, then during the term of the Qualified Hedge Agreement and so long as the Hedge Provider of the Qualified Hedge Agreement is not in default:

- (1) for purposes of any calculation of debt service, the interest rate on the Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Bonds had interest payments equal to the interest payable on those Bonds less any payments reasonably expected to be made to the Authority by the Hedge Provider and plus any payments reasonably expected to be made by the Authority to the Hedge Provider in accordance with the terms of the Qualified Hedge Agreement (other than fees, expenses or termination payments payable to such Hedge Provider for providing the Qualified Hedge Agreement);
- (2) any such payments (other than fees, expenses and termination payments) required to be made by the Authority to the Hedge Provider pursuant to such Qualified Hedge Agreement shall be made from amounts on deposit in the Revenue Fund pursuant to the Bond Resolution, unless otherwise specified by the Authority to be paid from other moneys;
- (3) any such payments received by or for the account of the Authority from the Hedge Provider pursuant to such Qualified Hedge Agreement shall constitute Revenues and be deposited in the Revenue Fund; and
- (4) fees not equivalent to regular Bond debt service payments, as well as expenses and termination payments, if any, payable to the Hedge Provider may be paid from amounts on deposit in the Revenue Fund pursuant to the Bond Resolution, or such other funds as are specifically designated by the Authority, in each case if and to the extent expressly provided in the Qualified Hedge Agreement or applicable Series Resolution.

## **Securities Lending**

The Trustee may lend any Investments as described in subclauses (i), (ii) or (iv) of the definition of "Investments" from time to time pertaining to any Fund or Account created by or pursuant to the Bond Resolution in exchange for such consideration and upon such terms and conditions as are specified in a written agreement entered into by and between the Authority and the Trustee. Such written agreement will require that the Investments lent be collateralized at the time of the transaction by delivery to the Trustee or its agent of cash or Investments as described in subclauses (i), (ii) or (iv) of the definition of "Investments" with a market value not less than 102% of the market value of the Investments lent, that the Investments lent and such collateral be marked to market on a daily basis and that additional collateral be provided to restore the collateral level to 102% at any time the market value of the collateral falls to or below 100%. No securities lending transaction may have a term in excess of one year. Investments may only be lent to securities broker-dealers or to commercial or savings banks. Investments may not be lent to the Trustee or to any of its affiliates.

## **Annual Budget**

Prior to October 1 of each year, the Authority shall prepare and file with the Trustee an Annual Budget for the Fiscal Year during which it expects to so use any amount in the Revenue Fund to pay Program Expenses. Each such Annual Budget shall include allocations for Bond interest payments and Principal Installments and estimated Program Expenses for such Fiscal Year. The Authority may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year. In determining its estimated Program Expenses, the Authority shall take into account its estimates of moneys which will be available from Revenues not needed for payments of Bond interest payments and Principal Installments and will use its best efforts to restrict Program Expenses to such estimated amounts.

## **Accounts and Reports**

The Authority shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all Funds and Accounts established by or pursuant to the Bond Resolution.



Annually, within one hundred fifty (150) days after the close of each Fiscal Year, the Authority shall cause a report of audit of its financial records and an Accountant's Certificate with respect thereto to be made and filed with the Trustee. The report shall show (i) revenues and expenses for the Fiscal Year and (ii) assets, liabilities and fund balances at the end of the Fiscal Year for all Funds and Accounts established by the Bond Resolution (which may be consolidated) and for the General Reserve Account. Notwithstanding any other provision of the Bond Resolution, revenues and expenses shall be accrued, and assets shall be valued in such manner as is deemed by the Authority and the accountant issuing the Accountant's Certificate to be necessary to present fairly the financial position of such Funds and Accounts at the end of the Fiscal Year and the results of operations for the Fiscal Year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding Fiscal Year.

## **Cash Flow Certificates**

The Authority shall file a Cash Flow Certificate with the Trustee (i) prior to or concurrent with the issuance or conversion (i.e., in conjunction with the resetting of the interest rate determination method thereon) of any Series of Bonds, (ii) on or within thirty (30) days after any July 1, if a Cash Flow Certificate has not been filed within the prior year or within thirty (30) days of the last day of such longer period as the Authority shall adopt and (iii) at such other times as required by the Bond Resolution or as may be required by a Supplemental Bond Resolution, and may file a Cash Flow Certificate at any time in its discretion, provided that the Authority is not required to file a Cash Flow Certificate as aforesaid if the Authority certifies to the Trustee that the assumptions for the most recently filed Cash Flow Certificate still reflect the Authority's reasonable expectations, and in the case of (ii) above if a Cash Flow Certificate has not been filed within the prior year each Rating Agency then rating the Bonds at the request of the Authority is notified of the Authority's intention to not prepare a new Cash Flow Certificate and does not object to the same within ten (10) days, in which case such most recently filed Cash Flow Certificate shall be deemed a newly filed Cash Flow Certificate as required aforesaid.

A Cash Flow Certificate shall set forth projected Revenues, Program Expenses and the interest payments and Principal Installment for each Bond Year during which Bonds will be Outstanding based upon the reasonable expectations of the Authority at the time such Certificate is filed. The Cash Flow Certificate shall also set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Authority's reasonable expectations at the time such Cash Flow Certificate is filed. Except with respect to actions being taken contemporaneously with the delivery of a Cash Flow Certificate, events reflected in a Cash Flow Certificate may be as of a date or reasonably adjusted to a date not more than one hundred eighty (180) days prior to the date of delivery of such statement. The listing of Revenues from Mortgage Loans and Investments shall be supported by a schedule identifying the Mortgage Loans and Investments by maturity and interest rate which shall be furnished to the Trustee upon request.

## **Amendments to the Bond Resolution**

The Bond Resolution may be amended or supplemented at any time without the consent of any of the Bondholders or of the Trustee for the following purposes:

- (1) To close the Bond Resolution against, or provide limitations and restrictions in addition to, the limitations and restrictions contained in the Bond Resolution on the issuance in future of Bonds or of other notes, bonds, obligations or evidences of indebtedness;
- (2) To add to the covenants or agreements of the Authority in the Bond Resolution other covenants or agreements to be observed by the Authority which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;
- (3) To add to the limitations or restrictions in the Bond Resolution other limitations or restrictions to be observed by the Authority which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Bond Resolution;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues or any other money, securities, Funds or Accounts; or

(6) To specify, determine or authorize by Series Resolution any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

The Bond Resolution may be amended or supplemented at any time without the consent of any of the Bondholders or of the Trustee to modify any of the provisions of the Bond Resolution or to release the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions contained in the Bond Resolution, provided that:

(1) No Bonds are Outstanding at the time the resolution becomes effective; or

(2) Such resolution, by its terms, is applicable only to the obligations, covenants, agreements, limitations, conditions and restrictions of and upon the Authority in relation to the Holders of Bonds issued after it becomes effective.

The Bond Resolution may be amended or supplemented at any time with the consent of the Trustee, but without the consent of any of the Bondholders, for any of the following purposes:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution;

(2) To insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; or

(3) To make any other change as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondholders (and the Trustee may rely upon the respective opinions of the nationally recognized Rating Agencies then rating the Bonds at the request of the Authority as to whether the rating of the Bonds will be adversely affected as conclusively establishing whether the change is materially adverse to the security of the Bondholders).

The Bond Resolution may be amended or supplemented at any time for any purpose with the written consent of the Holders of at least 66 2/3% in Capital Value of the Bonds Outstanding at the time such consent is given; provided that if such modification or amendment, by its terms, will not take effect so long as any Bonds of any specified Series, maturity and interest rate remain outstanding or will not affect the obligations, covenants, agreements, limitations, conditions and restrictions of and upon the Authority in relation to the Holders of such Bonds, the consent of the Holders of such Bonds shall not be required, and such Bonds shall not be deemed to be outstanding for the purpose of any such calculation of Outstanding Bonds; and provided further that no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the description of Bonds, the consent of the Holders of which is required to effect any such modification or amendment. No such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the Fiduciary's written consent.

The Bond Resolution may be amended or supplemented at any time for any purpose with the consent of all the Bondholders, except that none of the rights or obligations of a Fiduciary may be changed or modified without its written consent.

## **Defeasance**

The pledge of Revenues and other moneys, securities and funds in the Bond Resolution, and the covenants, agreements and other obligations of the Authority to the Bondholders therein, will be discharged and satisfied, if the Authority shall pay or cause to be paid to the Holders of the Bonds and coupons the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution.

Any Bond or coupon or interest installment will be deemed paid, if moneys for the payment or redemption thereof shall have been deposited with the Trustee by or on behalf of the Authority, whether at or prior to the maturity or the redemption date of such Bond; provided that if any Bond is to be redeemed prior to its maturity, all action necessary to call such Bond for redemption shall have been taken, notice of such redemption shall have been duly given, or provision satisfactory to the Trustee shall have been made for the giving of such notice. Any moneys so held by the Trustee shall be invested, at the direction of an Authorized Officer of the Authority, in Investments maturing on or before the date when payment to the Holder of the Bond or interest coupon is due, and all interest and earnings on such Investments shall be deposited in the Revenue Fund.

Any Bond and any coupon or interest installment thereon, whether at or prior to the maturity or the redemption date or Interest Payment Date, shall be deemed paid if:

(1) In case such Bond is to be redeemed prior to its maturity, there shall have been taken all action necessary to call such Bond for redemption, and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(2) There shall have been deposited with the Trustee by or on behalf of the Authority either (i) moneys in an amount which shall be sufficient, or (ii) Investments (not redeemable at the option of the issuer) of the type described in (i) or (ii) of the definition thereof, or in (iv) of the definition thereof if at that time accepted as a permitted defeasance investment by each Rating Agency then rating the Bonds at the request of the Authority, the principal of and the interest on which when due (or redeemable at the option of the holder), will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay, when due, the principal or Redemption Price, if applicable, to become due on said Bond on the redemption date or maturity date thereof, as the case may be, and to pay each such coupon or interest installment at the proper Interest Payment Date; and

(3) Neither such Investments, nor any money so deposited with the Trustee, nor any money received by the Trustee on account of principal or interest on said Investments may be withdrawn or used for any purpose other than, and all such money shall be held in trust for and be applied to the payment, when due, of the principal, redemption premiums or interest for the payment or redemption of which they were deposited.

## **Refunding Bonds**

Upon compliance with certain provisions of the Bond Resolution, Bonds may be issued thereunder to refund Bonds previously issued under the Bond Resolution.

## **Events of Default**

Each of the following shall constitute an event of default under the Bond Resolution:

(1) Interest on any of the Bonds shall become due on any date and shall not be paid on said date, or the principal or redemption price of any of the Bonds shall become due on any date, whether at maturity or upon call for redemption, and shall not be paid on said date;

(2) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the Resolution on any date;

(3) A default shall be made in observance or performance of any covenant, contract or other provision in the Bonds or the Resolution contained, and such default shall continue for a period of ninety days after written notice of the Authority from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or

(4) There shall be filed a petition seeking a composition of indebtedness of the Authority under any applicable law or statute of the United States or of the State.

## **Remedies**

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the written request of the Holders of 25% in Capital Value of the Bonds affected by an event of default described in clause (1) or (2) of "Events of Default" above, or 25% in Capital Value of all Bonds if the event of default is one described in clause (3) or (4) of "Events of Default" above, proceed to protect the rights of the Bondholders under the laws of the State or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Resolution shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds.

## APPENDIX D

### OUTSTANDING HOMEOWNERSHIP MORTGAGE BONDS

The following table sets forth certain information relating to Homeownership Mortgage Bonds issued and outstanding as of December 31, 2024.

<u>Series of Bonds</u>	<u>Date of Issuance or Remarketing</u>	<u>Final Maturity</u> <sup>(1)</sup>	<u>Interest Rate Range</u>		<u>Original Amount</u>	<u>Outstanding Amount</u> <sup>(2,3)</sup>
2013 Series B.....	5/30/2013	5/1/2025	3.000%	\$	7,940,000	\$ 745,000
2013 Series C.....	5/30/2013	11/1/2033	3.550		10,460,000	4,110,000
2013 Series D .....	6/25/2013	7/1/2043	3.250 - 4.000		66,672,566	9,283,982
2014 Series C.....	4/30/2014	11/1/2025	3.450		14,000,000	1,625,000
2014 Series D .....	11/20/2014	11/1/2028	2.800 - 3.150		51,545,000	5,210,000
2014 Series F .....	11/20/2014	11/1/2025	3.546 - 3.596		39,015,000	1,945,000
2015 Series A .....	4/30/2015	11/1/2025	2.700 - 2.750		18,305,000	2,445,000
2015 Series C.....	4/30/2015	11/1/2045	variable		30,000,000	30,000,000
2015 Series D .....	12/17/2015	11/1/2045	2.700 - 4.000		50,000,000	1,435,000
2015 Series E.....	12/17/2015	11/1/2037	variable		25,000,000	25,000,000
2016 Series A .....	6/8/2016	11/1/2036	2.700 - 3.450		44,680,000	6,885,000
2016 Series B.....	6/8/2016	11/1/2046	2.100 - 3.500		55,000,000	15,420,000
2016 Series C.....	11/15/2016	11/1/2025	2.400 - 2.450		38,115,000	2,545,000
2016 Series D .....	11/15/2016	11/1/2046	3.500		79,500,000	6,025,000
2016 Series E.....	11/15/2016	5/1/2037	variable		50,000,000	50,000,000
2017 Series A .....	6/15/2017	11/1/2037	3.042 - 3.492		24,870,000	5,550,000
2017 Series B.....	6/15/2017	11/1/2047	2.300 - 4.000		110,500,000	45,260,000
2017 Series C.....	6/15/2017	5/1/2039	4.000		30,240,000	1,905,000
2017 Series D .....	12/7/2017	11/1/2047	2.200 - 4.000		125,000,000	39,130,000
2017 Series E.....	12/28/2017	5/1/2039	2.700 - 4.000		45,240,000	7,115,000
2017 Series F .....	12/28/2017	11/1/2030	2.600 - 2.950		21,940,000	12,065,000
2018 Series A .....	6/19/2018	11/1/2048	2.800 - 4.000		99,000,000	20,990,000
2018 Series B .....	12/18/2018	11/1/2048	2.900 - 4.500		99,000,000	22,580,000
2019 Series A .....	2/26/2019	5/1/2049	2.300 - 4.000		99,000,000	34,690,000
2019 Series B .....	9/26/2019	11/1/2049	1.450 - 4.000		99,000,000	55,160,000
2020 Series A .....	2/12/2020	11/1/2050	1.350 - 3.750		66,000,000	35,595,000
2020 Series B .....	2/12/2020	11/1/2041	variable		33,000,000	33,000,000
2020 Series C .....	8/12/2020	5/1/2051	0.800 - 3.500		66,000,000	42,875,000
2020 Series D .....	8/12/2020	5/1/2043	variable		33,000,000	33,000,000
2021 Series A .....	2/11/2021	11/1/2051	0.450 - 3.000		99,000,000	79,425,000
2021 Series B .....	8/4/2021	11/1/2051	0.500 - 3.000		119,285,000	98,170,000
2021 Series C .....	8/4/2021	11/1/2030	0.958 - 2.019		20,000,000	14,495,000
2022 Series A .....	2/10/2022	11/1/2027	0.850 - 5.000		16,520,000	9,835,000
2022 Series B.....	2/10/2022	11/1/2052	1.400 - 5.000		99,000,000	91,890,000
2022 Series C.....	6/23/2022	5/1/2053	2.900 - 5.000		66,000,000	58,910,000
2022 Series D .....	6/23/2022	11/1/2046	variable		33,000,000	33,000,000
2022 Series E.....	10/13/2022	5/1/2053	4.747 - 5.796		33,000,000	29,585,000
2022 Series F .....	10/13/2022	11/1/2046	variable		17,000,000	17,000,000
2023 Series A .....	2/15/2023	5/1/2054	2.650 - 6.000		99,000,000	95,665,000
2023 Series B.....	2/15/2023	11/1/2053	4.120 - 5.130		46,000,000	43,505,000
2023 Series C.....	2/15/2023	11/1/2047	variable		23,000,000	23,000,000
2023 Series D .....	10/4/2023	11/1/2054	3.450 - 6.000%		99,000,000	97,550,000
2023 Series E.....	10/4/2023	5/1/2054	5.373 - 6.250		50,000,000	48,710,000
2023 Series F .....	10/4/2023	5/1/2048	variable		25,000,000	25,000,000
2023 Series G .....	12/13/2023	5/1/2055	3.600 - 6.250		105,000,000	104,020,000

2023	Series H .....	12/13/2023	5/1/2054	5.380 – 6.266	40,000,000	39,245,000
2023	Series I.....	12/13/2023	11/1/2048	variable	20,000,000	20,000,000
2024	Series A .....	4/24/2024	5/1/2055	4.450 – 6.250	99,000,000	98,875,000
2024	Series B.....	4/24/2024	11/1/2039	5.097 – 5.430	49,000,000	49,000,000
2024	Series C.....	9/18/2024	11/1/2055	4.000 – 6.250	200,000,000	200,000,000
2024	Series D .....	9/18/2024	5/1/2036	4.188 – 4.999	50,000,000	50,000,000
Total .....					<u>\$ 2,963,160,000</u>	<u>\$1,878,468,982</u>

(1) Final maturity of Outstanding Bonds.

(2) The Authority redeemed certain Bonds in the aggregate principal amounts of \$79,025,000 on May 1, 2025.

(3) The Authority issued Series 2025 AB for \$199,000,000 on 2/20/2025.

## INTEREST RATE SWAP COUNTERPARTIES

The following table lists certain information concerning interest rate swap counterparties related to Outstanding Bonds as of May 20, 2025.

<u>Bond Series</u>	<u>Swap Counterparty</u>	<u>Swap Counterparty Rating<sup>(1)</sup> (Moody's/S&amp;P)</u>	<u>Maturity Date</u>	<u>Notional Amount Outstanding</u>	<u>Fixed Rate Paid</u>	<u>Rate Received<sup>(2)</sup></u>
2015 Series E	Wells Fargo, N.A.	Aa2/A+	11/1/2037	\$ 25,000,000	2.105%	66.4% LIBOR + 0.23%
2016 Series E	Wells Fargo, N.A.	Aa2/A+	5/1/2037	50,000,000	2.208	66.4% LIBOR + 0.23%
2020 Series B	BNY Mellon, N.A.	Aa1/AA-	11/1/2041	33,000,000	1.6525	SIFMA Municipal Swap Index <sup>(3)</sup>
2020 Series D	Wells Fargo, N.A.	Aa2/A+	5/1/2043	33,000,000	0.928	SIFMA Municipal Swap Index <sup>(4)</sup>
2022 Series D	Bank of America, N.A.	Aa2/A+	11/1/2046	33,000,000	2.349	70% of SOFR + 0.08%
2022 Series F	BNY Mellon, N.A.	Aa1/AA-	11/1/2046	17,000,000	4.377	100% of SOFR + 0.15%
2023 Series C	BNY Mellon, N.A.	Aa1/AA-	11/1/2047	23,000,000	3.950	100% of SOFR + 0.15%
2023 Series F	Bank of America, N.A.	Aa2/A+	5/1/2048	25,000,000	4.810	100% of SOFR + 0.15%
2023 Series I	BNY Mellon, N.A.	Aa1/AA-	11/1/2048	<u>20,000,000</u>	5.175	100% of SOFR + 0.15%
Total.....				<u>\$259,000,000</u>		

<sup>(1)</sup> Moody's Swap Counterparty Rating refers to the Moody's Long Term Counterparty Risk Assessment rating.

<sup>(2)</sup> All SOFR rates are Daily USD-SOFR-COMPOUND.

<sup>(3)</sup> Converts to 70% of (SOFR + 0.11448%) on 11/1/2028.

<sup>(4)</sup> Converts to 70% of (SOFR + 0.11448%) on 5/1/2029.

## LIQUIDITY PROVIDERS

The following table sets forth certain information relating to liquidity providers for variable interest rate Bonds issued and outstanding as of May 20, 2025.

<u>Series of Bonds</u>	<u>Liquidity Provider</u>	<u>Liquidity Provider Rating (Moody's/S&amp;P)</u>	<u>Expiration Date</u>	<u>Bonds Outstanding</u>
2015 Series C	Authority	Aa3/NR	11/1/2045	\$ 30,000,000
2015 Series E	Bank of America, N.A.	Aa2/A+	5/1/2025	25,000,000
2020 Series B	Authority	Aa3/NR	11/1/2041	33,000,000
2020 Series D	Bank of America, N.A.	Aa2/A+	2/10/2027	33,000,000
2022 Series D	Federal Home Loan Bank of Des Moines	Aa1/AA+	6/23/2027	33,000,000
2022 Series F	Authority	Aa3/NR	11/1/2046	17,000,000
2023 Series C	Authority	Aa3/NR	11/1/2047	23,000,000
2023 Series F	Federal Home Loan Bank of Des Moines	Aa1/AA+	10/4/2028	25,000,000
2023 Series I	Federal Home Loan Bank of Des Moines	Aa1/AA+	12/13/2028	<u>20,000,000</u>
Total.....				<u>\$ 239,000,000</u>



**DTC AND BOOK-ENTRY SYSTEM**

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 a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) (information on the DTC website is not a part of this 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 the Offered Bonds of the same series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and 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 Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Offered Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority 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 Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption 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 Authority 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 Authority 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 Authority 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 Authority believes to be reliable, but the Authority 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 Exemption and Related Considerations" in the Official Statement) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Offered Bonds.

**PROPOSED FORM OF OPINION OF BOND COUNSEL**  
(Letterhead of Kutak Rock LLP)

South Dakota Housing Development Authority  
Pierre, South Dakota

Re: South Dakota Housing Development Authority  
Homeownership Mortgage Bonds, 2025 Series C and 2025 Series D

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, issuance and delivery by the South Dakota Housing Development Authority (the "Authority") of its \$\_\_\_\_\_ aggregate principal amount of Homeownership Mortgage Bonds, 2025 Series C (the "2025 Series C Bonds") and its \$\_\_\_\_\_ aggregate principal amount of Homeownership Mortgage Bonds, 2025 Series D (the "2025 Series D Bonds"), and, collectively with the 2025 Series C Bonds, the "Offered Bonds", which are issuable only as fully registered bonds. The Offered Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

The Offered Bonds are dated, mature on the dates, and in the principal amounts, bear interest at the rates, are subject to redemption and are payable, all as set forth in the Series Resolution referenced below.

In this connection, we have examined certificates as to facts, estimates and circumstances and certified copies of proceedings of the Authority and other documents considered necessary as the basis for this opinion, including the Authority's Bond Resolution adopted June 16, 1977, as amended, restated and supplemented (the "Bond Resolution"), and the Series Resolution adopted May 13, 2025 and related Series Determinations (together, the "Series Resolution" and together with the Bond Resolution, the "Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination it is our opinion that, under state and federal laws, regulations, rulings and decisions in effect on the date hereof: (1) the Authority is a public body corporate and politic, having no taxing power, duly organized and existing under South Dakota Codified Laws, Chapter 11-11, as amended; (2) the Resolution have been duly and validly adopted by the Authority and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans (or Guaranteed Mortgage Securities representing pools of Mortgage Loans), Revenues, moneys, securities and Funds held and to be set aside under the Resolution; (3) the Offered Bonds are duly and lawfully authorized to be issued and are valid and binding obligations of the Authority in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Resolution, and are further payable from other moneys, assets or revenues of the Authority, subject to the provisions of other Resolution or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, or state laws appropriating particular funds for a specified purpose, but the State of South Dakota is not liable thereon and the Offered Bonds are not a debt of the State; (4) in the Resolution the Authority has created a Capital Reserve Fund for the security of the Offered Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified in the Resolution, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to the Fund; (5) interest on the 2025 Series C Bonds is excludable from gross income for federal income tax purposes; (6) interest on the 2025 Series C Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the 2025 Series C Bonds may affect the federal alternative minimum tax imposed on certain corporations; and (7) interest on the 2025 Series D Bonds is included in gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance of the 2025 Series C Bonds in order that interest thereon be and remain excludable from gross income for federal income tax purposes. The requirements include provisions that restrict the yield and set

forth limitations within which the proceeds of the 2025 Series C Bonds are to be invested, including eligibility requirements for mortgages, and require that certain investment earnings be rebated on a periodic basis to the United States Treasury. The Authority has covenanted to comply with such requirements. Failure to comply with such requirements may cause interest on the 2025 Series C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance thereof. The opinions described in clauses (5) and (6) above assume the accuracy of certain representations of the Authority and its compliance with covenants designed to satisfy the requirements of the Code. We express no opinion regarding other federal tax consequences arising with respect to the 2025 Series C Bonds.

The accrual or receipt of interest on the 2025 Series C Bonds may otherwise affect the federal income tax liability of the owners thereof. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. We express no opinion regarding any such consequences.

Purchasers of the 2025 Series C Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the 2025 Series C Bonds.

The opinions expressed in clauses (2) and (3) above are qualified only to the extent that the enforceability of the Offered Bonds and the Resolution may be limited by general principles of equity and by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditor's rights.

The opinions we have expressed herein are based upon laws, regulations, rulings and decisions in effect on the date hereof, and we express no opinion herein as of any subsequent date or with respect to any pending legislation.

Respectfully,





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