

Exhibit A

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

SIXTY-SIXTH SUPPLEMENTAL SINGLE FAMILY MORTGAGE
REVENUE BOND TRUST INDENTURE

AUTHORIZING

\$ _____
SINGLE FAMILY MORTGAGE REVENUE BONDS
2018 SERIES A

BETWEEN

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AND

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
AS TRUSTEE

Dated as of September 1, 2018

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SIXTY-SIXTH SUPPLEMENTAL SINGLE FAMILY
MORTGAGE REVENUE BOND TRUST INDENTURE
AUTHORIZING
\$ _____
SINGLE FAMILY MORTGAGE REVENUE BONDS
2018 SERIES A

THIS SIXTY-SIXTH SUPPLEMENTAL SINGLE FAMILY MORTGAGE REVENUE BOND TRUST INDENTURE dated as of September 1, 2018 (this "Supplemental Indenture"), is made by and between the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, as successor to the Texas Housing Agency (the "Agency") (together with any successor to its rights, duties, and obligations hereunder, the "Agency" or the "Department"), a public and official agency duly created, organized and existing under the laws of the State of Texas, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (as successor trustee to The Fort Worth National Bank, and together with any successor trustee hereunder, the "Trustee"), a national banking association.

RECITALS

WHEREAS, the Department and the Trustee have heretofore executed and delivered that certain Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2017 (as amended and supplemented from time to time, the "Indenture"), providing for the issuance from time to time by the Department of one or more series of its Single Family Mortgage Revenue Bonds (collectively, the "Bonds"); and

WHEREAS, the Department has been created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as such may be amended from time to time (together with other laws of the State of Texas (the "State") applicable to the Department, the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide safe and sanitary housing for persons and families of low and very low income and families of moderate income (as described in the Act and as determined by the Governing Board of the Department from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (i) to make and acquire, and to enter into advance commitments to make and acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State; (ii) to issue its bonds for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (iii) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or participations therein or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, Sections 1001 and 1002 of the Indenture authorize the Department to adopt and file with the Trustee, with the written consent of the Trustee, a supplemental indenture, authorizing Bonds of a Series to include any other matters and things relative to such Bonds which are not inconsistent with or contrary to the Indenture, to add to the covenants of the Department, and to pledge other moneys, securities or funds as part of the Trust Estate; and

WHEREAS, the Department has determined to issue its \$ _____ Single Family Mortgage Revenue Bonds, 2018 Series A (the "2018 Series A Bonds") pursuant to the Indenture and this Supplemental Indenture for the purpose of obtaining funds to acquire Mortgage Certificates backed by Mortgage Loans secured by mortgages on residential housing in the State and occupied by persons and families of low and very low income and families of moderate income, to provide down payment assistance and closing assistance and to pay a portion of the costs of issuance of the 2018 Series A Bonds, all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the execution and delivery of this Supplemental Indenture and the issuance of the 2018 Series A Bonds have been in all respects duly and validly authorized by a written resolution of the Governing Board of the Department; and

WHEREAS, the Trustee has accepted the trusts created by the Indenture and this Supplemental Indenture and in evidence thereof has joined in the execution and delivery hereof; and

WHEREAS, except as provided herein, all acts and conditions and things required by the Constitution and laws of the State to happen, exist and be performed precedent to execution and delivery of this Supplemental Indenture have happened, exist and have been performed as so required in order to make the Indenture, as supplemented by this Supplemental Indenture, a valid, binding and legal instrument for the security of the 2018 Series A Bonds and a valid and binding agreement in accordance with its terms;

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the 2018 Series A Bonds by the holders thereof from time to time, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the further purpose of fixing and declaring the terms and conditions upon which the 2018 Series A Bonds are to be issued, authenticated, delivered and accepted by the holders thereof from time to time, the Department and the Trustee do hereby mutually covenant and agree, for the equal and proportionate benefit (except to the extent that such benefit is not equal and proportionate pursuant to the terms of the Indenture and any supplemental indenture thereunder) of the respective holders from time to time of the Bonds, including the 2018 Series A Bonds as follows:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND PLEDGE OF SECURITY

Section 1.1 Supplemental Indenture. This Supplemental Indenture is supplemental to, and is adopted in accordance with, Articles III and X of the Indenture.

Section 1.2 Definitions.

(a) Unless defined in subsection (b) of this Section 1.2 or unless the context shall require otherwise, all defined terms contained in the Indenture, shall have the same meanings in this Supplemental Indenture (other than in the form of 2018 Series A Bond set forth in Exhibit A hereto) as such defined terms are given in Section 101 of the Indenture.

(b) As used in this Supplemental Indenture (other than in the form of 2018 Series A Bond set forth in Exhibit A hereto), unless the context shall otherwise require, the following terms shall have the following respective meanings:

“Account” or “Accounts” shall mean any one or more, as the case may be, of the special trust accounts pertaining to the 2018 Series A Bonds created and established in Section 502 of the Indenture and Section 2.12 hereof.

“Authorized Denomination” shall mean \$5,000 principal amount or any integral multiple thereof.

“Authorized Officer of the Department” shall mean the Chair or Vice Chair of the Board, the Executive Director of the Department, the Deputy Executive Directors of the Department, the Chief Investment Officer of the Department, the Director of Texas Home Ownership of the Department, the Director of Multifamily Finance of the Department, or the Secretary or any Assistant Secretary to the Board or any officer or employee of the Department authorized to perform specific acts or duties by resolution duly adopted by the Department and as evidenced by a written certificate delivered to the Trustee containing the specimen signature of such person.

“Board” shall mean the Governing Board of the Department.

“Bond Counsel” shall mean a firm or firms of attorneys selected by the Department, and acceptable to the Trustee, experienced in the field of housing revenue bonds the interest on which is excludable from gross income for federal income tax purposes, and whose legal opinion on such bonds is acceptable in national bond markets.

“Bond Depository” shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and any successor Bond Depository appointed pursuant to Section 2.11 hereof.

“Business Day” shall mean any day other than a (i) Saturday or Sunday, (ii) day on which banking institutions in New York, New York, the State, or the city in which the payment office of the Paying Agent is located are authorized or obligated by law or executive order to be closed for business, or (iii) day on which the New York Stock Exchange is closed.

“Certificate Accrued Interest” shall mean the amount of interest received in the month following the month of the purchase of a 2018 A Mortgage Certificate which represents the number of days of interest on such 2018 A Mortgage Certificate at the applicable Pass-Through Rate from the first day of the month of purchase to, but not including, the Certificate Purchase Date.

“Certificate Purchase Date” shall mean, with respect to a 2018 A Mortgage Certificate, the date of purchase thereof by the Trustee on behalf of the Department in accordance with the Servicing Agreement.

“Certificate Purchase Period” shall mean the period from September __, 2018, to and including _____ 1, 20 __, but which may be extended to a date no later than _____ 1, 20 __ [(_____ 1, 20 __ with respect to use of 0% loan funds)], in accordance with Section 2.12(e) hereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Compliance Agent” shall mean Housing and Development Services d/b/a eHousingPlus and its successors and assigns.

“Compliance Agreement” shall mean the Program Administration Agreement dated as of May 7, 2013, by and between the Department and the Compliance Agent, together with any amendments thereto.

“Computation Date” shall mean each Installment Computation Date and the Final Computation Date.

“Contract for Deed Exception” shall mean the exception from certain Mortgage Loan eligibility requirements available with respect to a Borrower possessing land under a contract for deed, as provided in Section 143(i)(1)(C) of the Code.

“Costs of Issuance” shall mean costs to the extent incurred in connection with, and allocable to, the issuance of an issuance of obligations within the meaning of Section 147(g) of the Code. For example, Costs of Issuance include the following costs, but only to the extent incurred in connection with, and allocable to, the borrowing: underwriters’ spread; counsel fees; financial advisory fees; fees paid to an organization to evaluate the credit quality of an issue; trustee fees; paying agent fees; bond registrar, certification and authentication fees; accounting fees; printing costs for bonds and offering documents; public approval process costs; engineering and feasibility study costs; guarantee fees, other than qualified guarantees; and similar costs.

“Counsel’s Opinion” shall mean a written opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may also be counsel to the Department) selected by the Department and satisfactory to the Trustee.

“Department” shall mean the Texas Department of Housing and Community Affairs, a public and official agency of the State, and its successors and assigns. The terms Department and Agency shall be used interchangeably in the Indenture and this Supplemental Indenture.

“Depository” shall mean the Texas Treasury Safekeeping Trust Company, acting in accordance with the Depository Agreement, and any successor depository appointed pursuant to Section 601 of the Indenture.

“Depository Agreement” shall mean the Amended and Restated Depository Agreement dated as of August 1, 1991, among the Department, the Trustee and the Depository, relating to the Bonds, together with any amendments or supplements thereto.

“Depository Participant” shall mean a broker, dealer, bank, other financial institution or any other Person for whom from time to time a Bond Depository effects book-entry transfers and pledges of securities deposited with such Bond Depository.

“DPA Loan” means a subordinated, no stated interest, thirty year term loan for down payment and closing costs made to a Mortgagor under the Program in an amount equal to _____% of the principal amount of the 2018 A Mortgage Loan, as identified in the commitment lot notice applicable to the 2018 A Mortgage Loan, subject to adjustment from time to time at the direction of the Department.

“Favorable Opinion of Bond Counsel” shall mean, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Bond Counsel to the effect that such action or omission does not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the 2018 Series A Bonds under existing law (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon original issuance of the 2018 Series A Bonds or other customary exceptions acceptable to the recipient thereof).

“Final Computation Date” shall mean the date on which final payment in full of the 2018 Series A Bonds is made.

“Ginnie Mae Certificate Purchase Price” shall mean, with respect to the Program and the purchase of any Ginnie Mae Certificate thereunder by the Trustee on any Certificate Purchase Date, the total of _____% of the principal balance of the 2018 A Mortgage Loans in the applicable Mortgage Pool on record with Ginnie Mae (each subject to adjustment upon written notice from the Department) on the first day of the month in which the subject Certificate Purchase Date occurs, but shall not include any Certificate Accrued Interest thereon.

“Gross Proceeds” shall mean any Proceeds and any Replacement Proceeds.

“Indenture” shall mean the Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2017, as supplemented and amended from time to time, each between the Department and the Trustee.

“Installment Computation Date” shall mean the last day of the fifth Tax Bond Year and each succeeding fifth Tax Bond Year.

“Interest Payment Date” shall mean, with respect to the 2018 Series A Bonds, each March 1 and September 1, commencing March 1, 2019, and on any other date on which the 2018 Series A Bonds are subject to redemption.

“Investment Proceeds” has the meaning set forth in Section 1.148-1(b) of the Regulations and, generally, consist of any amounts actually or constructively received from investing Proceeds.

“Issuance Date” shall mean September ___, 2018, the date of initial issuance and delivery of the 2018 Series A Bonds to the Underwriters, as initial purchasers thereof, in exchange for payment of the purchase price of such 2018 Series A Bonds.

“Letter of Instructions” shall mean, with respect to the 2018 Series A Bonds, a written directive and authorization to the Trustee or any Depository specifying the period of time for which such directive and authorization shall remain in effect, executed by two Authorized Officers of the Department.

“Letter of Representations” shall mean that certain DTC Blanket Issuer Letter of Representations executed by the Department and the Bond Depository.

“Mortgage Loan Principal Payments” shall mean all Mortgage Loan Principal Prepayments and all regularly scheduled payments of principal with respect to all Mortgage Loans included in the 2018 A Mortgage Certificates.

“Mortgage Origination Agreement” shall mean the Master Mortgage Origination Agreement, dated October 2016, by and between the Department and a Mortgage Lender, together with any amendments thereto.

“Mortgage Pool” shall have the meaning assigned to the term “Pool” in the Servicing Agreement.

“Net Proceeds” means Sale Proceeds, less the portion of any Sale Proceeds invested in a reasonably required reserve or replacement.

“Nonpurpose Investment” shall mean any “investment property,” within the meaning of Section 148(b) of the Code, that is not a purpose investment acquired to carry out the governmental purpose of the 2018 Series A Bonds.

“Other Obligated Person” shall mean a Person that is a mortgagor with respect to at least 20% in aggregate principal amount of the Mortgage Loans held under the Indenture.

“Pass-Through Rate” shall mean, the Pass-Through Rates for each 2018 A Mortgage Certificate [as described in Exhibit B] and with respect to any 2018 A Mortgage Certificate purchased after the Issuance Date, the interest rate accruing each month on a 2018 A Mortgage Certificate, which will equal the mortgage rate of the 2018 A Mortgage

Loans backing the 2018 A Mortgage Certificate less a servicing fee in the amount provided for in the Servicing Agreement, which fee is retained by the Servicer.

“Paying Agent” shall mean the Trustee.

“Premium PAC Term Bonds” shall mean the 2018 Series A Bonds maturing on _____ 1, 20__.

“Premium PAC Term Bonds Outstanding Applicable Amount” shall mean the amounts set forth in Section 2.6(b)(i) hereof.

“Proceeds” shall mean any Sale Proceeds, Investment Proceeds and Transferred Proceeds.

“Program” shall mean the Department’s Single Family Mortgage Revenue Bond Program 89 as set forth and implemented through the Program Agreement.

“Program Agreement” shall mean the Mortgage Origination Agreement, the Servicing Agreement, the Compliance Agreement and the Program Guidelines.

“Program Guidelines” shall mean the Program Guidelines for Texas Department of Housing and Community Affairs effective February 23, 2017, relating to specific provisions of the Program, as amended from time to time.

“Purchase Agreement” shall mean the Bond Purchase Agreement dated _____, 2018 between the Department and the Underwriters, providing for the purchase of the 2018 Series A Bonds by the Underwriters, as amended or supplemented from time to time.

“Rating Agency” shall mean: (i) S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and any successor thereto; and (ii) Moody’s Investors Service, Inc. and any successor thereto to the extent either agency then has a rating on the Bonds in effect at the request of the Department.

“Rebate Amount” has the meaning set forth in Section 1.148-3(b) of the Regulations and generally means the excess, as of any date, of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments all as determined in accordance with Section 1.148-3 of the Regulations.

“Rebate Analyst” shall mean a person that is (a) qualified and experienced in the calculation of rebate payments under Section 148 of the Code, (b) chosen by the Department, and (c) engaged for the purpose of determining the amount of required deposits, if any, to the Rebate Fund.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Replacement Proceeds” has the meaning set forth in Section 1.148-1(c) of the Regulations and, generally, consist of amounts that have a sufficiently direct nexus to an issue of obligations or the governmental purpose of an issue of obligations to conclude that the amounts would have been used for that governmental purpose if the Proceeds were not used or to be used for that governmental purpose.

“Revenues” shall mean in addition to those items defined as such in the Indenture, all amounts paid or required to be paid from time to time on the 2018 A Mortgage Certificates, including any payments received from Ginnie Mae pursuant to its guaranty of the Ginnie Mae Certificates, all Mortgage Loan Principal Payments representing the same, all prepayment premiums or penalties received by or on behalf of the Department in respect of the 2018 A Mortgage Certificates and all other net proceeds of such 2018 A Mortgage Certificates.

“Sale Proceeds” has the meaning set forth in Section 1.148-1(b) of the Regulations and, generally, consist of any amounts actually or constructively received from the sale (or other disposition) of any obligation, including amounts used to pay underwriters’ discount or compensation and accrued interest other than pre-issuance accrued

interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any obligation and that is described in Section 1.148-4(b)(4) of the Regulations.

“Servicer” shall mean Idaho Housing and Finance Association, or any successor thereto as servicer for the Program, including any designee to act as subservicer on its behalf.

“Servicing Agreement” shall mean the Mortgage Acquisition, Pooling and Servicing Agreement dated as of October 3, 2016, by and between the Department and the Servicer, together with any amendments thereto.

“State” shall mean the State of Texas.

“Subaccount” or “Subaccounts” shall mean any one or more, as the case may be, of the special subaccounts pertaining to the 2018 Series A Bonds created in certain Accounts pursuant to Section 2.12 hereof.

“Supplemental Indenture” shall mean this Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of September 1, 2018, by and between the Department and the Trustee, together with any amendments hereto.

“Tax Bond Year” shall mean each one-year period that ends at the close of business on the day selected by the Department. The first and last Tax Bond Years may be short periods. If no day is selected by the Department before the earlier of the date the last 2018 Series A Bond is discharged or the date that is five years after the Issuance Date, Tax Bond Years end on each anniversary of the Issuance Date and on the date the last 2018 Series A Bond is discharged.

“Transferred Proceeds” shall mean the amounts described in Section 1.148-9 of the Regulations.

“Trustee’s Fee” shall mean the fee payable to the Trustee which shall be equal to [0.0325]% per annum of the aggregate principal amount of the Outstanding 2018 Series A Bonds, payable in arrears.

“2018 A Capitalized Interest Subaccount” shall mean the 2018 A Capitalized Interest Subaccount within the 2018 A Account of the Revenue Fund established pursuant to Section 2.12 hereof.

“2018 A Costs of Issuance Account” shall mean the 2018 A Costs of Issuance Account of the Mortgage Loan Fund established pursuant to Section 2.12 hereof.

[“2018 A Down Payment Assistance Subaccount” shall mean the 2018 A Downpayment Assistance Subaccount within the 2018 A Account of the Mortgage Loan Fund established pursuant to Section 2.12 hereof.]

“2018 A Interest Subaccount” shall mean the 2018 A Subaccount within the Interest Account of the Debt Service Fund established pursuant to Section 2.12 hereof.

“2018 A Mortgage Loans” shall mean the Mortgage Loans allocated to Proceeds of the 2018 Series A Bonds.

“2018 A Mortgage Certificates” shall mean the Mortgage Certificates that evidence beneficial ownership of and a participation in a Mortgage Pool, that satisfy the requirements of Section 2.16 which are purchased by the Trustee from amounts available in the 2018 A Mortgage Loan Account and pledged by the Department to the Trustee pursuant to the Indenture and this Supplemental Indenture. 2018 A Mortgage Certificates available for purchase on the Issuance Date are identified on Exhibit B.

“2018 A Mortgage Loan Account” shall mean the 2018 A Account of the Mortgage Loan Fund established pursuant to Section 2.12 hereof.

“2018 A Principal Subaccount” shall mean the 2018 A Subaccount within the Principal Account of the Debt Service Fund established pursuant to Section 2.12 hereof.

“2018 A Proceeds Account” shall mean the 2018 A Proceeds Account of the Mortgage Loan Fund established pursuant to Section 2.12 hereof.

“2018 A Rebate Account” shall mean the 2018 A Rebate Account of the Expense Fund established pursuant to Section 2.12 hereof.

“2018 A Redemption Subaccount” shall mean the 2018 A Subaccount within the Redemption Account of the Debt Service Fund established pursuant to Section 2.12 hereof.

“2018 A Revenue Account” shall mean the 2018 A Account of the Revenue Fund established pursuant to Section 2.12 hereof.

“2018 Series A Bonds” shall mean the Department’s Single Family Mortgage Revenue Bonds, 2018 Series A to be issued under the Indenture and this Supplemental Indenture.

“2018 Series A Cumulative Prepayments” means the amount of [Mortgage Loan Principal Prepayments] of Mortgage Loans financed with the proceeds of the 2018 Series A Bonds expressed on a cumulative basis.

“2018 Series A Cumulative Applicable Amount” shall mean the amount based on the assumed receipt of [Mortgage Loan Principal Prepayments] received with respect to Mortgage Loans financed with the proceeds of the 2018 Series A Bonds at 100% of the SIFMA Prepayment Model and redemption of the 2018 Series A Bonds in accordance with the Indenture. Any special redemption of the 2018 Series A Bonds from unexpended proceeds will reduce the 2018 Series A Cumulative Applicable Amount for the 2018 Series A Bonds for the current and each future semiannual period by an amount equal to the product of such 2018 Series A Cumulative Applicable Amount and a fraction (a) the numerator of which equals the sum of the amount of moneys disbursed from the 2018 A Mortgage Loan Account to redeem 2018 Series A Bonds and (b) the denominator of which equals the sum of the amount of moneys initially deposited by the Trustee in the 2018 A Mortgage Loan Account [including the 2018 A Down Payment Assistance Subaccount]. The “2018 Series A Cumulative Applicable Amount” is equal to the amounts expressed on a cumulative basis in each of the semiannual periods ending on the dates set forth in the table of 2018 Series A Cumulative Applicable Amounts set forth in Section 2.6(b) (subject to adjustments as described above). Thereafter, the 2018 Series A Cumulative Applicable Amount shall be the remaining balance, if any, of the 2018 Series A Cumulative Applicable Amount as adjusted from prior periods.

“Underwriters” shall mean RBC Capital Markets, LLC and the other underwriters named on the schedule attached to the Purchase Agreement.

“Yield” shall mean (i) with respect to the 2018 Series A Bonds, yield as determined in accordance with Section 143(g)(2)(C) of the Code and (ii) with respect to the 2018 A Mortgage Loans, the effective rate of mortgage interest as determined in accordance with Section 143(g)(2)(B) of the Code.

Section 1.3 Authority for this Supplemental Indenture. This Supplemental Indenture is adopted pursuant to the provisions of the Act and the Indenture.

Section 1.4 Rules of Construction.

(a) For all purposes of this Supplemental Indenture, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the articles, sections and other subdivisions of this Supplemental Indenture.

(b) Except where the context otherwise requires, terms defined in this Supplemental Indenture to impart the singular number shall be considered to include the plural number and vice versa.

(c) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa.

(d) This Supplemental Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of this Supplemental Indenture and the Indenture which it supplements.

Section 1.5 Interpretation. The Table of Contents, titles and headings of the Articles and Sections of this Supplemental Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms of provisions hereof.

Section 1.6 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.7 Indenture to Remain in Force. Except as amended by this Supplemental Indenture, the Indenture shall remain in full force and effect as to the matters covered therein.

Section 1.8 Successors and Assigns. All covenants and agreements in this Supplemental Indenture by the Department and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 1.9 Separability Clause. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.10 Benefits of Supplemental Indenture. Nothing in this Supplemental Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders of Bonds any benefit or any legal or equitable right, remedy or claim under this Supplemental Indenture.

Section 1.11 Governing Law. This Supplemental Indenture shall be construed in accordance with and governed by the laws of the State.

Section 1.12 Miscellaneous. Every “request,” “order,” “demand,” “application,” “notice,” “statement,” “certificate,” “consent,” “instruction,” or similar action hereunder shall, unless the form thereof is specifically provided herein, be in writing, and in the case of the Department signed by an Authorized Officer of the Department or in the case of any other Person signed by its President or Vice President, or other officer serving in similar capacities specifically authorized to execute such writing on behalf of such other Person.

Section 1.13 Granting Clause. In order to secure the payment of the principal of, premium, if any, and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, and the performance and observance of all of the covenants and conditions herein contained, and in consideration of the premises, the acceptance by the Trustee of the trust hereby created, the purchase and acceptance of the Bonds by the Holders thereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Department does hereby GRANT, BARGAIN, CONVEY, ASSIGN, MORTGAGE, and PLEDGE to the Trustee and its successors in trust hereunder all rights, title and interest of the Department now owned or hereafter acquired in and to the [DPA Loans and the] 2018 A Mortgage Certificates, all amounts that may be received with respect to the [DPA Loans and the] 2018 A Mortgage Certificates held under the Indenture, including any amendments, extensions, or renewals of the terms thereof, including, without limitation, all present and future rights of the Department to make claim for, collect and receive any income, revenues, issues, profits, insurance proceeds and other sums of money payable to the account of or receivable by the Department under the [DPA Loans and the] 2018 A Mortgage Certificates, to bring actions and proceedings under the 2018 A Mortgage Certificates, or for the enforcement thereof, and to do any and all things which the Department is or may become entitled to do under the [DPA Loans and the] 2018 A Mortgage Certificates, and the Holders of the Bonds are by such pledge and assignment afforded a beneficial interest in [such DPA Loans and] the 2018 A Mortgage Certificates.

[End of Article I]

ARTICLE II

AUTHORIZATION AND TERMS OF 2018 SERIES A BONDS

Section 2.1 Authorization, Principal Amount, Designation, and Series. In accordance with and subject to the terms, conditions, and limitations established in the Indenture and this Supplemental Indenture, one Series of Single Family Mortgage Revenue Bonds is hereby authorized to be issued in the initial aggregate principal amount of \$ _____. The Department hereby determines that the issuance of the 2018 Series A Bonds in the initial amount authorized hereby is necessary to provide funds to be used and expended for the purposes set forth in the Indenture and this Supplemental Indenture. Each Bond of this Series of Bonds shall be entitled "Single Family Mortgage Revenue Bond, 2018 Series A." The terms of the 2018 Series A Bonds shall be as set forth in Article III of the Indenture and this Article II.

Section 2.2 Purposes. The 2018 Series A Bonds are issued for the purposes of providing funds to acquire Mortgage Loans, or participations therein, through the purchase of 2018 A Mortgage Certificates, providing down payment and closing cost assistance and paying costs of issuance.

Section 2.3 Registered Bonds Only; Dates, Denominations, Numbers, and Letters.

(a) The 2018 Series A Bonds shall be issuable only in the form of fully registered bonds without coupons and may not be exchanged into Coupon Bonds. The initially issued 2018 Series A Bonds shall be registered to Cede & Co.

(b) The 2018 Series A Bonds shall be dated as of the date of authentication thereof by the Trustee, unless such date of authentication shall be an Interest Payment Date, in which case they shall be dated as of such Interest Payment Date; provided, however, that if, as shown by the records of the Trustee, interest on the 2018 Series A Bonds shall be in default, the registered 2018 Series A Bonds issued in lieu of 2018 Series A Bonds surrendered for the transfer or exchange may be dated as of the date to which interest has been paid in full on the 2018 Series A Bonds surrendered; provided, further, that if the date of authentication shall be prior to the first Interest Payment Date, the 2018 Series A Bonds shall be dated as of the Issuance Date.

(c) The 2018 Series A Bonds shall be issued in Authorized Denominations.

(d) Unless the Department shall direct otherwise, each 2018 Series A Bond within a maturity of the 2018 Series A Bonds shall be lettered and numbered separately from 00001 upward prefixed by the letter R, the letter [M or S] depending on whether the maturity is [March or September], and the last two digits of the year of maturity. The 2018 Series A Bond approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas (the "Initial Bond") shall be numbered TR-1.

Section 2.4 Interest Payment Dates, Interest Rates and Maturities of the 2018 Series A Bonds. The 2018 Series A Bonds shall bear interest from the date thereof until maturity or prior redemption at the respective rates per annum set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months, payable on each Interest Payment Date until maturity or prior redemption. The 2018 Series A Bonds shall mature and become payable on the dates and in the respective principal amounts set forth below, subject to prior redemption in accordance with Sections 2.6 and 2.7 hereof and Article IV of the Indenture.

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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Section 2.5 Conditions to Issuance of 2018 Series A Bonds. The 2018 Series A Bonds shall be executed by the Department and, except for the initially issued 2018 Series A Bonds registered by the Comptroller of Public Accounts of the State, shall be delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered by it to the Department or upon its order, but only upon receipt by the Trustee of the following (in addition to the documents required under the Indenture):

(a) A certificate of an Authorized Officer of the Department to the effect that, on the basis of all facts and estimates and circumstances (including covenants of the Department contained in the Indenture) reasonably expected to be in existence on the Issuance Date, it is not expected that the proceeds of the 2018 Series A Bonds will be used in a manner that would cause the 2018 Series A Bonds to be arbitrage bonds within the meaning of Section 148(a) of the Code, and the applicable regulations promulgated thereunder, and such certificate shall set forth such facts, estimates, and circumstances (including covenants of the Department contained in the Indenture), which may be in brief and summary terms, and shall state that to the best of the knowledge and belief of such Authorized Officer of the Department there are no other facts, estimates, or circumstances that would materially change such expectation;

(b) The amounts specified in this Supplemental Indenture to be deposited in the Accounts and Subaccounts as required herein; and

(c) Written confirmation from each Rating Agency that issuance of the 2018 Series A Bonds will not cause the rating on any Outstanding Bonds (determined without regard to any bond insurance or similar credit enhancement) to be lower than Aa1 by Moody's Investors Service and AA+ by Standard & Poor's Ratings Services or their equivalents, as applicable, or the rating on any Junior Lien Bond (determined without regard to any bond insurance or similar credit enhancement) to be lower than Aa2 and AA+ or their equivalents, as applicable.

Section 2.6 Special Redemption.

(a) Special Redemption from Unexpended Proceeds. The 2018 Series A Bonds are subject to special redemption, at any time and from time to time, prior to their stated maturities, in whole or in part, at a Redemption Price equal to 100% of the principal amount thereof (provided that any redemption of Premium PAC Term Bonds pursuant to this Section 2.6(a) shall be at the Redemption Prices set forth below, expressed as a percentage of such Premium PAC Term Bonds to be redeemed) plus accrued interest thereon to, but not including, the date of redemption, from amounts transferred to the 2018 A Redemption Subaccount in accordance with Section 2.12(e) (i) as soon as practicable after receipt of the certification of the Department that such amounts will not be used to purchase 2018 A Mortgage Certificates or (ii) the end of the Certificate Purchase Period, but in no event later than March 1, 2022.

Premium PAC Term Bonds

<u>Unexpended Proceeds</u>		<u>Redemption</u>
<u>Redemption Date</u>		<u>Price</u>
_____, 20__	to and including	_____, 20__
_____, 20__	to and including	_____, 20__
_____, 20__	to and including	_____, 20__
_____, 20__	to and including	_____, 20__
_____, 20__	to and including	_____, 20__
_____, 20__	to and including	_____, 20__
_____, 20__	to and including	_____, 20__

The 2018 Series A Bonds to be redeemed in accordance with this subsection shall be selected by the Trustee on a pro rata basis among all maturities unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues.

(b) Special Redemption from [Mortgage Loan Principal Payments]. The 2018 Series A Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time on or after _____ 1, 20__, after giving notice as provided in Section 2.8 hereof, at a Redemption Price equal to 100% of the principal amount of the 2018 Series A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date, from amounts transferred to the 2018 A Redemption Subaccount in accordance with Section 2.12(d)(ii) hereof.

In the event of a redemption pursuant to this Section 2.6(b) from [Mortgage Loan Principal Payments] relating to the 2018 A Mortgage Certificates, the Trustee shall select the particular 2018 Series A Bonds to be redeemed as follows:

(i) the Trustee shall redeem the Premium PAC Term Bonds, but only to the extent that the Outstanding principal amount of such Premium PAC Term Bonds following such redemption is not less than the Premium PAC Term Bonds Outstanding Applicable Amount as of such date;

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

<u>Date</u>	<u>Premium PAC Term Bonds Outstanding Applicable Amount</u>
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(ii) amounts remaining following the redemptions specified in clause (i) above shall be applied, unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues, to the redemption of the 2018 Series A Bonds (other than the Premium PAC Term Bonds) which would produce, as nearly as practicable, a pro rata redemption among the maturities of the 2018 Series A Bonds (other than the Premium PAC Term Bonds) to the extent that the 2018 Series A Cumulative Prepayments as of such date do not exceed the 2018 Series A Cumulative Applicable Amount as of such date;

The 2018 Series A Cumulative Applicable Amount is as follows:

<u>Date</u>	<u>2018 Series A Cumulative Applicable Amount</u>
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(iii) amounts remaining following the redemptions specified in clauses (i) and (ii) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Statement of Projected Revenues, to the redemption of those maturities of the 2018 Series A Bonds which would produce, as nearly as practicable, a pro rata redemption of all of the maturities of the 2018 Series A Bonds taking into account the amounts applied to redeem the 2018 Series A Bonds pursuant to the above-described redemptions.

Any special redemption of the 2018 Series A Bonds pursuant to Section 2.6(a) will reduce the Premium PAC Term Bonds Outstanding Applicable Amount and the 2018 Series A Cumulative Applicable Amount described above for the current and each future semiannual period by an amount equal to the product of the amount of such redemption and a fraction the numerator of which equals the sum of the amount of moneys disbursed from the 2018 A Mortgage Loan Account [including the 2018 A Down Payment Assistance Subaccount] to redeem 2018 Series A Bonds and the denominator of which equals the sum of the amount of moneys initially deposited by the Trustee in the 2018 A Mortgage Loan Account [including the 2018 A Down Payment Assistance Subaccount] for the purchase of 2018 A Mortgage Certificates.

(c) Special Redemption from Excess Revenues. The 2018 Series A Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time on or after _____ 1, 20__, after giving notice as provided in in Section 2.8 hereof, at a Redemption Price equal to 100% of the principal amount of the 2018 Series A Bonds or portions thereof to be redeemed, plus accrued interest to but not including the redemption date, from excess Revenues (including Surplus Revenues whether or not derived in connection with the 2018 Series A Bonds).

In the event of a redemption pursuant to this Section 2.6(c) from excess Revenues, the Trustee shall apply amounts transferred in accordance with Section 2.12(d)(iv) to redeem the 2018 Series A Bonds Outstanding in the same manner provided in Section 2.6(b), unless otherwise instructed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues.

(d) Scheduled Mandatory Redemption. The 2018 Series A Bonds maturing on the respective dates specified below, are subject to scheduled mandatory redemption prior to maturity and shall be redeemed, after giving notice as provided in Article IV of the Indenture, in the aggregate principal amounts and on the dates set forth in the following tables, at a Redemption Price equal to 100% of the principal amount of the 2018 Series A Bonds or portions thereof to be redeemed, plus accrued interest to but not including the redemption date, from amounts that have been transferred to the 2018 A Principal Subaccount from the 2018 A Revenue Account.

\$ _____ 2018 Series A Term Bonds maturing _____ 1, 20__

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
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* Final Maturity

\$ _____ 2018 Series A Term Bonds maturing _____ 1, 20__

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
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* Final Maturity

\$ _____ 2018 Series A Term Bonds maturing _____ 1, ____

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
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* Final Maturity

\$ _____ 2018 Series A Premium PAC Term Bonds maturing _____ 1, ____

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
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* Final Maturity

The principal amount of the 2018 Series A Bonds to be redeemed on each such redemption date pursuant to mandatory sinking fund redemption shall be reduced by the principal amount of any 2018 Series A Bonds having the same stated maturity and interest rate, which (A) at least 45 days prior to such mandatory sinking fund redemption date, (1) shall have been acquired by the Department and delivered to the Trustee for cancellation, or (2) shall have

been acquired and canceled by the Trustee at the direction of the Department, or (3) shall have been redeemed other than pursuant to mandatory sinking fund redemption, and (B) shall have not been previously credited against a scheduled mandatory sinking fund redemption.

Section 2.7 Optional Redemption.

(a) The 2018 Series A Bonds are subject to redemption prior to maturity, in whole or in part, at any time and from time to time on and after _____ 1, 20__, at the option of the Department, after giving notice as provided in Section 2.8 hereof, at a Redemption Price equal to 100% of the principal amount of the 2018 Series A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date.

(b) At least 45 days prior to, or such later date as the Trustee will accept, any redemption date described in paragraph (a) above the Department shall give a Letter of Instructions to the Trustee specifying the principal amount of 2018 Series A Bonds to be redeemed and the date of such redemption and identifying the 2018 Series A Bonds by the maturity date and interest rate of such Bonds and the source of funds to be utilized to redeem such Bonds. Prior to any redemption in part pursuant to this Section 2.7, the Department shall provide a Statement of Projected Revenues to the Trustee.

Section 2.8 Notice of Redemption; Selection of 2018 Series A Bonds to be Redeemed.

(a) Notice of the call for any redemption, identifying the 2018 Series A Bonds or portions thereof to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail (postage prepaid) (or overnight delivery or facsimile, as to owners of at least \$1,000,000 in principal amount of the Bonds) not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each 2018 Series A Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. The notice of redemption shall specify the 2018 Series A Bonds to be redeemed, the redemption date, and the place or places where amounts due upon such redemption will be payable, and if less than all of the 2018 Series A Bonds are to be redeemed, the letters and numbers or other distinguishing marks and the principal amounts, maturity dates and interest rates of such 2018 Series A Bonds to be redeemed. Such notice shall further state that on such date there shall become due and payable on each 2018 Series A Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal amount thereof in the case of 2018 Series A Bonds to be redeemed in part only, together with interest accrued to, but not including, the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. If applicable, such notice shall provide that redemption of the 2018 Series A Bonds is conditioned upon moneys being available for such purpose on the redemption date.

(b) If the 2018 Series A Bonds are registered in the name of the nominee of the Bond Depository, the Trustee shall deliver, by overnight delivery service or facsimile, notice of a redemption in the manner and form described above which will allow the 2018 Series A Bonds to be timely redeemed on the redemption date.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the registered owner of such 2018 Series A Bonds receives the notice.

(d) A second notice of redemption shall be given promptly after the 60th day after the redemption date in the manner required above to the registered owners of redeemed 2018 Series A Bonds that have not been presented for payment by the 60th day after the redemption date.

(e) Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given upon mailing or being sent by facsimile to the latest known facsimile address, as applicable, whether or not the registered owner or other intended recipient thereof receives such notice.

(f) Except as specified in Sections 2.6(b) and 2.6(c), the 2018 Series A Bonds to be redeemed in part shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. A portion of any 2018 Series A Bond may be redeemed, but only in an Authorized Denomination. While the 2018 Series A Bonds are held by the Bond Depository, 2018 Series A Bonds shall be selected for redemption as described in Section 2.11.

Section 2.9 Form of 2018 Series A Bonds. (a) Each 2018 Series A Bond shall be in substantially the form and tenor of Exhibit A attached hereto, which Exhibit A is incorporated herein as if fully set forth in this Supplemental Indenture, with such omissions, insertions, and variations as permitted or required by the Indenture. The registration certificate of the Comptroller of Public Accounts of the State of Texas and the certificate of authentication of the Trustee shall be in the form set forth in Exhibit A. The Department is hereby authorized, in its discretion, to provide for the assignment of CUSIP numbers for the 2018 Series A Bonds and to have such CUSIP numbers printed thereon, and the Department may direct the Trustee to use such CUSIP numbers in notices of redemption, provided that any such notice may state that no representation is made by the Trustee or the Department as to the correctness of such CUSIP number either as printed on the 2018 Series A Bonds or as contained in any notice of redemption. There may be printed on or attached to each 2018 Series A Bond registered in the name of the Bond Depository a schedule for the purpose of notation by the Bond Depository of the portion of the principal amount thereof which shall have been paid and the portion of the principal amount thereof which remains Outstanding and unpaid.

(b) Notwithstanding the foregoing, the Initial Bond shall be in the form set forth in Exhibit A, except that the form of single fully-registered Initial Bond shall be modified as follows:

(i) Immediately under the name of the bond issue and the legends, the existing headings shall be omitted and replaced with the following headings:

“No. _____ Dated Date: _____ \$ _____

Registered Owner: _____

Principal Amount: _____ DOLLARS”

(ii) Paragraph one shall read as follows:

The TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (herein called the “Department”), a public and official agency of the State of Texas, organized and existing under and by virtue of the laws of the State of Texas, acknowledges itself indebted to, and FOR VALUE RECEIVED, hereby promises to pay to the registered owner named above or registered assigns, but solely from the sources and in the manner hereinafter provided, on the maturity date specified below, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal sum to the registered owner hereof in like coin or currency from the Dated Date of this Bond set forth above or from the most recent date to which interest on this Bond (or any Bond in exchange for, or in lieu of, which this Bond was issued), has been paid at the interest rate per annum set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months, payable on March 1, 2019 and on each September 1 and March 1 thereafter (each, an “Interest Payment Date”) to the date of maturity or earlier redemption, until the Department’s obligation with respect to the payment of such principal amount shall be discharged, in accordance with the following schedule:

[Insert list of maturities from Section 2.4 of this Supplement Indenture.]

The principal amount or Redemption Price of this Bond shall be payable upon presentation and surrender of this Bond, at the applicable office of The Bank of New York Trust Company, N.A. (such bank and any successor in such capacity being referred to as the “Trustee”). Notwithstanding the foregoing, in no event shall the cumulative amount of interest paid or payable on any Bond (including interest calculated as provided in the Indentures (as defined below), together with all other amounts that constitute interest on the Bonds under the laws of the State of Texas that are contracted for, charged, reserved, taken or received pursuant to the Indentures) through any Interest Payment Date or through the date of payment of such Bond (whether at maturity, by acceleration or upon earlier redemption) exceed the “net interest cost” that will produce a “net effective interest rate” of greater than 15% per annum or, to the extent allowed by law, such greater “net effective interest rate” as may be allowed from time to time. The terms “net interest cost” and “net effective interest rate,” as used herein, shall have the respective meanings ascribed to them in Chapter 1204, Texas Government Code, as amended.

Section 2.10 Paying Agent; Method and Place of Payment.

(a) The Trustee is hereby appointed as Paying Agent for the 2018 Series A Bonds and the Trustee hereby accepts such appointment. The 2018 Series A Bonds shall be payable with respect to interest and principal of and the Redemption Price in any coin or currency of the United States of America which at the time is legal tender for the payment of public and private debts. The interest on each 2018 Series A Bond shall be payable by check or draft mailed on each Interest Payment Date to the Person in whose name such 2018 Series A Bond is registered as of the close of business on the 15th day of the month (whether or not a Business Day) immediately preceding such Interest Payment Date, at the address of such Person as shown on the registry books of the Department kept and maintained by the Trustee. The principal, Redemption Price of and interest on the 2018 Series A Bonds shall also be payable at any other place that may be provided for such payment by the appointment of any other Paying Agent for the 2018 Series A Bonds as permitted by the Indenture.

(b) Notwithstanding the foregoing, for so long as the Bond Depository is the exclusive registered owner of the 2018 Series A Bonds and for owners of not less than \$1,000,000 in aggregate principal amount of the 2018 Series A Bonds, and except for the final payment of principal of the 2018 Series A Bonds at maturity the principal amount, Redemption Price thereof and the interest thereon shall be payable by wire transfer in immediately available federal funds to the Bond Depository or such owners to an account in the continental United States without the necessity of any immediate presentation and surrender of 2018 Series A Bonds pursuant to written instructions from the registered owner.

Section 2.11 Bond Depository; Book-Entry System.

(a) The Department hereby appoints The Depository Trust Company, New York, New York, as Bond Depository for the 2018 Series A Bonds. In accordance with the Letter of Representations, the Department shall cause the initial 2018 Series A Bonds to be registered in the name of Cede & Co., as nominee for the Bond Depository, and to be delivered to the Bond Depository on the Issuance Date.

(b) With respect to 2018 Series A Bonds registered in the registry books of the Department required to be maintained by the Trustee pursuant to Section 308 of the Indenture in the name of Cede & Co. or any successor Bond Depository, or a nominee therefor, the Department and the Trustee shall have no responsibility or obligation to any Depository Participant or to any Person on behalf of whom such Depository Participant holds an interest in 2018 Series A Bonds. The Department and the Trustee may treat and consider the registered owner of any 2018 Series A Bond as the holder and absolute owner of such 2018 Series A Bond for the purpose of payment of the principal and Redemption Price of and interest with respect to such 2018 Series A Bond, for the purpose of giving notices of redemption and other matters with respect to such 2018 Series A Bond, for the purpose of registering transfers and exchanges with respect to such 2018 Series A Bond, and for all other purposes whatsoever. The Trustee shall pay all the principal amount and Redemption Price of and interest on the 2018 Series A Bonds only to or upon the order of the respective registered owners of the 2018 Series A Bonds and all such payments shall be valid and effective with respect to such payments to the extent of the sum or sums so paid. The Department and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of The Depository Trust Company, any successor Bond Depository or any Depository Participant with respect to any ownership interest in 2018 Series A Bonds, (ii) the delivery to any Depository Participant or any other Person, other than a registered owner of a 2018 Series A Bond as shown in the registry books required to be kept and maintained pursuant to Section 308 of the Indenture, of any notice with respect to the 2018 Series A Bonds, including any notice of redemption, or (iii) the payment to any Depository Participant or any other Person, other than a registered owner of a 2018 Series A Bond, of any amount with respect to any 2018 Series A Bond. The rights of Depository Participants and Persons on behalf of whom any Depository Participant holds a beneficial interest in 2018 Series A Bonds shall be limited to those established by law and agreements between such Depository Participants and other Persons and the applicable Bond Depository.

(c) In the event that either (i) the Bond Depository that is, directly or through a nominee, the registered owner of all of the Outstanding 2018 Series A Bonds notifies the Trustee and the Department that it is no longer willing or able to discharge its responsibilities as a Bond Depository or (ii) the Department determines that continuance of the existing book-entry system for ownership of interests in the 2018 Series A Bonds is not in the best interest of such owners of beneficial interests in the 2018 Series A Bonds, then the Department shall direct the Bond Depository

to terminate the existing book-entry system for ownership of interests in the 2018 Series A Bonds. Upon such termination, the Department shall promptly select a substitute Bond Depository (and shall notify the Trustee in writing of such selection) to provide a system of book-entry ownership of beneficial interests in the 2018 Series A Bonds, if one is available satisfactory to the Department, and the ownership of all 2018 Series A Bonds shall be transferred on the registry books required to be kept and maintained pursuant to Section 308 of the Indenture to such successor Bond Depository, or its nominee. In the alternative, the Department may direct the Trustee to, and if the Department fails to promptly designate a successor Bond Depository the Trustee, without further direction, shall, notify the Depository Participants, through the Bond Depository for the 2018 Series A Bonds, of the availability of Bonds registered in the names of such Persons as are owners of beneficial interests in the 2018 Series A Bonds and, upon surrender to the Trustee of the Outstanding 2018 Series A Bonds held by the Bond Depository, accompanied by registration instructions from the Bond Depository, the Trustee shall, at the expense of the transferees, cause to be printed and authenticated 2018 Series A Bonds, in Authorized Denominations, to the owners of beneficial interests in the 2018 Series A Bonds as of the date of the termination of the existing book-entry ownership system for the 2018 Series A Bonds. Neither the Department nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying upon, such instructions. So long as the Department has designated a Bond Depository to provide a system of book-entry ownership of the 2018 Series A Bonds, all of the 2018 Series A Bonds must be held under such book-entry system.

(d) Notwithstanding any other provisions in Article II of this Supplemental Indenture, the Department and the Trustee may, but shall not be required to, enter into separate agreements with one or more Bond Depositories which may provide for alternative or additional provisions with respect to the delivery of notices, payment of interest and/or principal, or any other matters.

Section 2.12 Creation of Additional Funds, Accounts and Subaccounts and Application Thereof.

(a) Pursuant to the provisions of subsection 4 of Section 713 of the Indenture, there is established by this Section 2.12, for the 2018 Series A Bonds, an Account in each Fund and a Subaccount in each Account established by Section 502 of the Indenture. Each such Account and Subaccount shall be known and designated as the 2018 A Account or Subaccount followed by the appropriate reference to the Fund or the Account within the Fund to which such Account or Subaccount relates. In addition, there are hereby established for the 2018 Series A Bonds the following additional Funds, Accounts and Subaccounts:

(i) within the Mortgage Loan Fund, (i) a temporary Account to be known and designated as the 2018 A Proceeds Account, (ii) the 2018 A Costs of Issuance Account [and (iii) within the 2018 A Mortgage Loan Account, a 2018 A Down Payment Assistance Subaccount]; and

(ii) within the 2018 A Revenue Account, a 2018 A Capitalized Interest Subaccount; and

(iii) within the Expense Fund held by the Department, an additional Account designated as the 2018 A Rebate Account.

(b) Unless an Event of Default shall have occurred and be continuing, Revenues from the 2018 A Mortgage Certificates or from the investment or reinvestment of moneys on deposit in each Account or Subaccount for the 2018 Series A Bonds shall be kept separate and apart from the Revenues attributable to other Mortgage Loans or other Mortgage Certificates or attributable to the investment and reinvestment of the moneys on deposit under the Indenture with respect to any other Series. The Accounts and Subaccounts described in this Section shall be for the equal benefit of the Holders of all of the Bonds. The segregation of the Accounts and Subaccounts as required by this Section 2.12 is for the purpose of making the calculations required by Sections 143(g) and 148 of the Code, and is not for the purpose of giving a priority or preference to the Bonds of one Series over that of another Series. Except as provided in this Section, the Revenues and proceeds of a Series shall continue to be used as provided in Article V of the Indenture.

(c) The Costs of Issuance incurred by the Department in connection with the issuance of the 2018 Series A Bonds shall be payable from amounts deposited in the 2018 A Costs of Issuance Account.

(d) Deposits to and Transfers from the 2018 A Revenue Account.

(i) All payments received with respect to the 2018 A Mortgage Certificates shall be deposited in the 2018 A Revenue Account.

(ii) Pursuant to subsection 2 of Section 505 of the Indenture, the Trustee shall transfer to the 2018 A Redemption Subaccount amounts in the 2018 A Revenue Account (after transfer to the 2018 A Principal Subaccount of Mortgage Loan Principal Payments required to pay maturing principal on any 2018 Series A Bond on the next Interest Payment Date) [representing Mortgage Loan Principal Prepayments], and the Trustee shall use such funds to redeem 2018 Series A Bonds pursuant to Section 2.6(b).

(iii) The Trustee shall transfer Mortgage Loan Principal Payments representing regularly scheduled principal repayments to the 2018 A Principal Subaccount to redeem 2018 Series A Bonds in accordance with Section 2.6(d) hereof.

(iv) On each Interest Payment Date the Trustee shall transfer to the 2018 A Redemption Subaccount from the 2018 A Revenue Account the amount in such Account after taking into account (1) the provision for payment of Debt Service on the 2018 Series A Bonds on such Interest Payment Date, (2) the required transfers of amounts to the 2018 A Redemption Subaccount and the 2018 A Principal Subaccount pursuant to Sections 2.12(d)(ii) and 2.12(d)(iii) of this Supplemental Indenture, and (3) the payment of Department Expenses in accordance with subsection 1 of Section 505 of the Indenture, unless otherwise instructed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues, and such excess revenues shall be used to redeem 2018 Series A Bonds in accordance with Section 2.6(c).

(e) Upon receipt by the Trustee of a certification from the Department as described in Section 2.6(a), the Trustee shall transfer the amounts set forth in such certification to 2018 A Redemption Subaccount to redeem 2018 Series A Bonds pursuant to Section 2.6(a). Any amounts in the 2018 A Mortgage Loan Account remaining unexpended for acquisition of 2018 A Mortgage Certificates on the last day of the Certificate Purchase Period (or such earlier date as directed in writing by the Department), as such date may be extended as provided herein, shall be transferred to the 2018 A Redemption Subaccount and applied to the redemption of 2018 Series A Bonds pursuant to Section 2.6(a). The Certificate Purchase Period for amounts in the 2018 A Mortgage Loan Account may be extended to a date certain as set out in a Letter of Instructions to the Trustee, but not later than _____, 20__ [_____ 1, 20__ with respect to 0% loan funds)], upon delivery to the Trustee no later than [thirty (30)] days prior to the last day of the then existing Certificate Purchase Period of the following:

(i) a Favorable Opinion of Bond Counsel addressed to the Department and the Trustee; and

(ii) confirmation from each Rating Agency that such extension will not adversely affect the rating on the 2018 Series A Bonds assigned by such Rating Agency.

The Department shall provide written notice to the Servicer at least [thirty (30)] days prior to the last day of the then existing Certificate Purchase Period of any such proposed extension of the Certificate Purchase Period.

(f) Unless otherwise directed pursuant to a letter of instructions accompanied by a Statement of Projected Revenues, on each interest payment date for the Bonds, the Trustee shall transfer amounts from the 2018 A Capitalized Interest Subaccount to the 2018 A Interest Subaccount, if and to the extent required so that the balance in said Account shall equal any due and unpaid interest and the interest to become due on such interest payment date on the Outstanding 2018 Series A Bonds. Unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues, on the Business Day prior to _____ 1, 20__, the amount remaining on deposit in the 2018 A Capitalized Interest Subaccount shall be transferred as follows: (i) an amount up to \$ _____ shall be transferred to the 2018 A Revenue Account, and (ii) any amount in excess of \$ _____ shall be transferred to the 2018 A Revenue Account to be used to redeem 2018 Series A Bonds in accordance with Section 2.6(a) on the earliest practicable date.

Section 2.13 Initial Deposits and Transfers into Accounts and Subaccounts. The proceeds of the 2018 Series A Bonds initially shall be deposited by the Trustee in the 2018 A Proceeds Account. There shall be deposited, out of the proceeds of the 2018 Series A Bonds, the amounts specified in the Letter of Instructions to the Trustee authorizing the authentication and delivery of the 2018 Series A Bonds, into the 2018 A Mortgage Loan Account[, the 2018 A Capitalized Interest Subaccount, the 2018 Down Payment Assistance Subaccount] and the 2018 A Costs of Issuance Account. [On _____ 1, 20__, any amounts remaining in the 2018 A Costs of Issuance Account shall be transferred to the 2018 A Mortgage Loan Account.]

Section 2.14 2018 A Rebate Account.

(a) At the beginning of each Tax Bond Year, the Department shall calculate the estimated Rebate Amount that will be payable on the next occurring Computation Date, as set forth in Section 3.6(a)(ii). In calculating the Rebate Amount, the Department may rely upon a Counsel's Opinion or an opinion of an Arbitrage Analyst that the method of calculation utilized by the Department complies with the requirements of Section 148 of the Code and Section 1.148-3 of the Regulations. If, in making such calculations, the Department determines that there is an insufficient amount currently on deposit in the 2018 A Rebate Account to make the payment required by Section 3.6(a)(ii), then the Department shall (i) immediately transfer the amount of such deficiency from any other account in the Expense Fund or (ii) instruct the Trustee to transfer such amount to the 2018 A Rebate Account from the Revenue Fund and the Trustee shall transfer from the 2018 A Revenue Account to the 2018 A Rebate Account the amounts so specified, all in accordance with Section 505(1) of the Indenture. If, in making such calculations, the Department determines that there is a negative Rebate Amount, then the Department may direct the Trustee in writing to transfer from the 2018 A Rebate Account to the Revenue Fund the amount then on deposit in the 2018 A Rebate Account.

(b) All earnings resulting from the investment of amounts on deposit in the 2018 A Rebate Account shall be credited to the 2018 A Rebate Account.

(c) No later than 55 day after each Computation Date for the 2018 Series A Bonds, the Department shall deliver the items set forth in Section 3.6(a) to the Trustee. Not later than 60 days after each Computation Date for the 2018 Series A Bonds, the Trustee shall withdraw from the 2018 A Rebate Account the amounts described in Section 3.6(a)(ii) and remit to the United States of America the amounts required to be paid to the United States of America in accordance with written instructions from the Department, which shall be in compliance with Sections 1.148-1 through 1.148-8 of the Regulations or any successor regulation.

(d) If the Department discovers or is notified that any amount due to the United States of America in an amount described in Section 3.6(a)(ii) has not been paid to the United States of America pursuant hereto as required or that any payment paid to the United States of America pursuant hereto has failed to satisfy any requirement of Section 148(f) of the Code or Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Department or the Trustee), the Department, shall immediate transfer any amounts due as set forth in Section 3.6(b) and shall deliver to the Trustee any documents required pursuant to Section 3.6(b). Upon receipt of such amount and documentation relating thereto, the Trustee shall withdraw from the 2018 A Rebate Account the amounts described in Section 3.6(b) and remit to the United States of America the amounts required to be paid in accordance with written instructions from the Department, which shall be in compliance with Regulations Sections 1.148-1 through 1.148-8 or any successor regulation.

(e) Each payment required to be made to the United States of America pursuant to this Section shall be submitted to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 or such other address as provided by law or regulation and shall be accompanied by Internal Revenue Service Form 8038-T properly completed by the Department with respect to the 2018 Series A Bonds.

Section 2.15 2018 A Mortgage Loan Account. The 2018 A Mortgage Loan Account established pursuant to Section 2.12(a) shall be credited with all amounts deposited therein from whatever source. The amounts in such Account shall be used to purchase, on the Issuance Date, 2018 A Mortgage Certificates shown on Exhibit B and thereafter, on each Certificate Purchase Date within the Certificate Purchase Period, 2018 A Mortgage Certificates. On _____ 1, 20__, unless the Certificate Purchase Period is extended in accordance with Section 2.12(e), unexpended proceeds of the 2018 Series A Bonds shall be transferred from 2018 A Mortgage Loan Account to the 2018 A Redemption Subaccount in accordance with Section 2.6(a) on _____ 1, 20__.

Section 2.16 2018 A Mortgage Certificate Acquisition.

(a) The Department has determined that the Supplemental Mortgage Security for the 2018 A Mortgage Loans shall be the guaranty of timely payment of principal and interest provided by Ginnie Mae pursuant to the Ginnie Mae Certificates. Accordingly, the purchase of the 2018 A Mortgage Loans shall be accomplished through the purchase of Ginnie Mae Certificates in accordance with the Program Agreement, and no 2018 A Mortgage Loan shall be eligible for purchase unless it has been included in a Mortgage Pool and the beneficial ownership thereof is represented by a 2018 A Mortgage Certificate. Following the purchase of any 2018 A Mortgage Certificate, all payments received by the Trustee with respect thereto shall be deemed to be payments of principal and interest with respect to the 2018 A Mortgage Loans included in the Mortgage Pool pertaining to such 2018 A Mortgage Certificate.

(b) On each applicable Certificate Purchase Date, the Trustee shall purchase Ginnie Mae Certificates at the Ginnie Mae Certificate Purchase Price from amounts available in the 2018 A Mortgage Loan Account in accordance with this subsection (b) unless otherwise instructed by the Department in a Letter of Instructions.

(c) Each 2018 A Mortgage Certificate purchased shall bear interest at the applicable Pass-Through Rate. Ginnie Mae Certificates shall be accepted by the Trustee only if:

(i) The Ginnie Mae Certificates acquired by the Trustee on behalf of the Department shall be held at all times by the Trustee in trust for the benefit of the Bondholders and shall be registered in the name of the Trustee or its nominee or credited to the account of the Trustee at a clearing corporation as defined under and pursuant to the Uniform Commercial Code applicable to such corporation, which corporation shall be registered as a "Clearing Agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. For a Ginnie Mae Certificate that is in the form of a book-entry maintained on the records of the Participants Trust Corporation, or any successor depository institution ("PTC") ("Book Entry Security"), the Trustee shall receive confirmation from PTC that PTC has made an appropriate entry in its records of the transfer of such Book Entry Security to a limited purpose account of the PTC Participant (defined below), and identifying such Book Entry Security as belonging to the Trustee, so that the Trustee at all times has a first priority perfected security interest in such Ginnie Mae Certificates. The "PTC Participant" (if not the Trustee) shall be a "financial intermediary" (as defined in Section 8-313 of the Uniform Commercial Code as in effect in the state in which the Book Entry Security is deposited) which is a participant in PTC and which has a custody agreement with the Trustee with respect to the Ginnie Mae Certificate to be transferred as Book Entry Securities through PTC. In the custody agreement, the PTC Participant must agree (w) to act as agent of the Trustee for purposes of causing, upon instructions of the Trustee, the transfer of Book Entry Securities to the PTC account of the PTC Participant, (x) to issue to the Trustee confirmation of the transfer of each Book Entry Security to the PTC Participant, (y) to identify each such Book Entry Security in its records as belonging to the Trustee, and (z) to accept instructions only from the Trustee with respect to the transfer of such Book Entry Securities. The Ginnie Mae Certificate shall be identified on the records of the PTC Participant as being held by such PTC Participant solely and exclusively for the benefit of the Trustee. The PTC Participant shall send a confirmation to the Trustee of such transfer of the Ginnie Mae Certificate to the PTC Participant. The PTC Participant shall cause each Book Entry Security to be transferred to and held in a Limited Purpose Account (or such other account as may be created or identified in the PTC Rules (the "Rules") in which PTC does not have any lien on any Book Entry Security held therein). The Trustee shall have evidence that (xx) the receiving PTC Participant has delivered to PTC an irrevocable instruction to the effect that all fees arising in connection with the specified Limited Purpose Account are to be charged to another account maintained by PTC for the receiving PTC Participant, and (yy) PTC has delivered a certificate to the receiving PTC Participant to the effect that, based on the instruction regarding payment of PTC fees, PTC will not charge the specified Limited Purpose Account for so long as the instruction remains in effect. If the Trustee does not receive a payment or advice of payment on a Ginnie Mae Certificate when due (if the Ginnie Mae Certificates are held by the Trustee, on the fifteenth day of each month with regard to Ginnie Mae I Certificates, and twentieth day of each month with regard to Ginnie Mae II Certificates and if the Ginnie Mae Certificates are held by PTC, on the seventeenth day of each month with regard to Ginnie Mae I Certificates and twenty-second day of each month with regard to Ginnie Mae II Certificates), the Trustee shall promptly telephonically notify, and demand payment from Ginnie Mae, in the case of Ginnie Mae I Certificates, or Chemical Bank as paying agent for Ginnie Mae in the case of Ginnie Mae II Certificates. To the extent the Ginnie Mae Certificates are subject to book-entry transfer, the Trustee shall

so notify PTC. Notwithstanding the foregoing, the Trustee shall comply with such procedures as are prescribed by Ginnie Mae from time to time.

(ii) Sufficient amounts are available in the appropriate Accounts to pay the applicable Ginnie Mae Certificate Purchase Price.

[End of Article II]

ARTICLE III
TAX COVENANTS

Section 3.1 General Tax Covenant. The Department intends that the interest on the 2018 Series A Bonds be excludable from gross income for purposes of federal income taxation pursuant to Sections 103, 141, 143 and 146 through 150, inclusive, of the Code. The Department covenants and agrees not to take any action, or knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would (i) cause the interest on the 2018 Series A Bonds to be includable in gross income, as defined in Section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or failure to satisfy any provision of Sections 103 and 141, 143 or 146 through 150, inclusive, of the Code. In particular, the Department covenants and agrees to comply with each requirement of this Article III; provided, however, that the Department shall not be required to comply with any particular requirement of this Article III (other than the requirements of Sections 706 and 708 of the Indenture and Section 3.2) if the Department has received a Counsel's Opinion from Bond Counsel that (a) such noncompliance will not adversely affect the excludability of interest on any of the 2018 Series A Bonds from gross income for federal income tax purposes or (b) compliance with some other requirement specified in such Counsel's Opinion in lieu of a requirement set forth in this Article III will satisfy the applicable requirements of the Code, in which case compliance with such other requirement will constitute compliance with the requirement specified in this Article III. The Department and the Trustee may amend this Supplemental Indenture to reflect the deletion or substitution of any such requirement specified in this Article III in the manner provided in Section 1002 of the Indenture.

Section 3.2 Use of Proceeds. The Department covenants and agrees that (a) all of the Proceeds of the 2018 Series A Bonds (other than amounts used to pay Costs of Issuance of the 2018 Series A Bonds) will be used to finance owner-occupied residences; (b) the Proceeds of the 2018 Series A Bonds will not be used in a way that would cause the 2018 Series A Bonds to meet the private business use tests set forth in Section 141(b) of the Code; (c) all Proceeds of the 2018 Series A Bonds that are to be used to finance owner-occupied residences (i) will be used for such purpose within the 42-month period beginning on the Issuance Date of the 2018 Series A Bonds or (ii) to the extent not so used, will be used to redeem 2018 Series A Bonds; and (d) no portion of the proceeds of the 2018 Series A Bonds will be used to finance any 2018 A Mortgage Loan [or DPA Loan] or acquire any Mortgage Certificate after the close of such period.

Section 3.3 Mortgage Eligibility Requirements.

(a) The Department covenants and agrees: (i) to attempt in good faith to meet, with respect to each 2018 A Mortgage Loan, before the execution thereof, the mortgage eligibility requirements of Section 143(c), (d), (e), (f) and (i) of the Code (as more fully described in subsections (b), (c), (d), (e) and (f), respectively, of this Section 3.3), by placing restrictions in the Program Agreement or other similar agreements that permit the origination and purchase of 2018 A Mortgage Loans only in accordance with such requirements and by establishing reasonable procedures to ensure compliance with such requirements, including investigation by the Mortgage Lenders and the Servicer or the Department (or its agent) to determine that each 2018 A Mortgage Loan meets such requirements; (ii) to use all due diligence to assure that all of the Proceeds of the 2018 Series A Bonds that are applied to the financing of 2018 A Mortgage Loans are applied to finance 2018 A Mortgage Loans that, as of the date of execution thereof, meet all such requirements; and (iii) to correct any failure to meet such requirements within a reasonable period after such failure is first discovered by causing the non-qualifying 2018 A Mortgage Loan to be accelerated or to be replaced with a 2018 A Mortgage Loan that meets such requirements if the non-qualifying 2018 A Mortgage Loan defect cannot be cured within such reasonable period.

(b) The Department covenants and agrees to require, and the Program Agreement requires, with respect to each 2018 A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(c) of the Code, the residence being financed with the proceeds of such 2018 A Mortgage Loan is a single-family residence located within the State that the Borrower reasonably expects to occupy as his or her principal residence within a reasonable time (e.g., 60 days) after the financing is provided.

(c) The Department covenants and agrees to require, and the Program Agreement requires, with respect to each 2018 A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(d) of the Code, the Borrower has not had, within the three-year period ending on the date

of execution of the applicable 2018 A Mortgage Loan, a present ownership interest in a principal residence; provided, however, that (i) the Department may purchase 2018 A Mortgage Loans that do not satisfy the foregoing requirement, so long as such purchase does not cause less than 95% of the Net Proceeds of the 2018 Series A Bonds to have been used to finance such non-conforming loans; (ii) financings with respect to targeted area residences will be treated as meeting such requirement; (iii) financings described in the Contract For Deed Exception will be treated as meeting such requirement; and (iv) financings of any residence for any veteran (as defined in Section 101 of Title 38, United States Code), if such veteran has not previously qualified for and received financing pursuant to the exception, will be treated as meeting such requirement.

(d) The Department covenants and agrees to require and the Program Agreement requires, with respect to each 2018 A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(e) of the Code, the acquisition cost of the residence being financed with the proceeds of such 2018 A Mortgage Loan does not exceed 90% of the average area purchase price applicable to such residence (110% in the case of a targeted area residence).

(e) The Department covenants and agrees to require and the Program Agreement requires, with respect to each 2018 A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(f) of the Code, the Borrower's family income does not exceed: (i) for an individual or a family of two persons, 100% of the applicable median family income (120% in the case of a Borrower acquiring a targeted area residence); or (ii) for a family of three or more persons, 115% of the applicable median family income (140% in the case of a Borrower acquiring a targeted area residence).

(f) The Department covenants and agrees to require and the Program Agreement requires, with respect to each 2018 A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(i) of the Code, the 2018 A Mortgage Loan is not made for the purpose of acquiring or replacing an existing mortgage (i.e., that the Borrower does not have an existing mortgage (whether or not paid off) on the residence securing the 2018 A Mortgage Loan at any time prior to the execution of the 2018 A Mortgage Loan), except for a mortgage falling within the Contract for Deed Exception or a mortgage securing a construction period loan, a bridge loan or other similar temporary initial financing having a term of 24 months or less. The Department further covenants and agrees not to permit the assumption of any 2018 A Mortgage Loan unless the requirements described in subsection (b), (c), (d) and (e), respectively, of this Section 3.3 are met with respect to such assumption. Borrowers described in the Contract for Deed Exception shall be treated as meeting the requirements of this paragraph (f).

(g) The Department covenants and agrees to require and the Program Agreement requires, that each 2018 A Mortgage Loan include provisions for acceleration in the event that the Department discovers that any of such mortgage eligibility requirements have not been met with respect to such 2018 A Mortgage Loan.

(h) The following terms used in this Section 3.3 shall have the respective meanings set forth in Section 143 of the Code and applicable regulations thereunder: acquisition cost, applicable median family income, average area purchase price, family income, mortgage, present ownership interest, principal residence, residence, single family residence, and targeted area residence.

Section 3.4 Targeted Area Residences. The Department covenants and agrees that an amount equal to at least 20% of the proceeds of the 2018 Series A Bonds that are made available for the purchase of 2018 A Mortgage Loans have been or will be made available for at least one year after the date on which owner-financing was first made available with respect to targeted area residences (within the meaning of Section 143(j) of the Code). The Department shall attempt with reasonable diligence to use such proceeds to purchase mortgage loans pertaining to such targeted area residences by conducting an advertising campaign reasonably designed to inform the general public of the availability of such proceeds, and shall take such other and further actions to assure that, to the maximum extent practicable, such proceeds are used for such purpose.

Section 3.5 Mortgage Rate. The Department will take all actions necessary to ensure that the blended Yield on the 2018 A Mortgage Loans properly allocable under Sections 1.148-1 through 1.148-10 of the Regulations to the 2018 Series A Bonds will not exceed the Yield on the 2018 Series A Bonds (all as computed by or on behalf of the Department in accordance with Section 143(g) of the Code and Sections 1.148-1 and 1.148-10 of the Regulations)

by more than 1.125%. To the extent that the Yield on the 2018 A Mortgage Loans exceeds the Yield on the 2018 Series A Bonds by more than 1.125%, the Department will make yield reduction payments (“Yield Reduction Payments”) to the federal government as set forth in Section 1.148-5(c) of the Regulations and as set forth below.

Section 3.6 Rebate Requirement. The Department covenants to comply with the requirement that “rebateable arbitrage earnings” on the investment of the Gross Proceeds of the 2018 Series A Bonds, within the meaning of Section 148(f) of the Code, be rebated to the federal government.

(a) Delivery of Documents and Money on Computation Dates. The Department shall deliver to the Trustee, within 55 days after each Computation Date for the 2018 Series A Bonds,

(i) a statement, signed by an Authorized Officer of the Department, stating the Rebate Amount for the 2018 Series A Bonds as of such Computation Date and the amount of any Yield Reduction Payments due;

(ii) (A) if such Computation Date is an Installment Computation Date, an amount which, together with any amount then held in the 2018 A Rebate Account, is equal to at least 90% of the Rebate Amount as of such Installment Computation Date, less any “previous rebate payments” (determined in accordance with Section 1.148-3(f)(1) of the Regulations), made to the United States of America with respect to the 2018 Series A Bonds and Yield Reduction Payments, or (B) if such Computation Date is a Final Computation Date, an amount which, together with any amount then held for the credit of the 2018 A Rebate Account is equal to the Rebate Amount as of such Final Computation Date, less any “previous rebate payments” (determined in accordance with Section 1.148-3(f)(1) of the Regulations), made to the United States of America with respect to the 2018 Series A Bonds and Yield Reduction Payments; and

(iii) an Internal Revenue Service Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate (“Form 8038-T”) properly signed and completed as of such Computation Date.

(b) Correction of Underpayments. If the Department discovers or is notified that any amount due to the United States of America in an amount described in Section 3.6(a)(ii) above has not been paid as required pursuant to Section 2.14 or that any payment paid to the United States of America pursuant hereto has failed to satisfy any requirement of Section 148(f) of the Code or Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Department or the Trustee), the Department will (i) deliver to the Trustee (for deposit to the 2018 A Rebate Account) and cause the Trustee to pay to the United States of America from the 2018 A Rebate Account (A) the Rebate Amount or Yield Reduction Payments that the Department failed to pay, plus any interest specified in Section 1.148-3(h)(2) of the Regulations, if such correction payment is delivered to and received by the Trustee within 175 days after such discovery or notice, or (B) if such correction payment is not delivered to and received by the Trustee within 175 days after such discovery or notice, the amount determined in accordance with clause (A) of this subparagraph plus the 50 percent penalty required by Section 1.148-3(h)(1) of the Regulations, and (ii) deliver to the Trustee and the Department a Form 8038-T completed as of such date. If such Rebate Amount or Yield Reduction Payments, together with any penalty and/or interest due, is not paid to the United States of America in the amount and manner and by the time specified in the Regulations, the Department will take such steps as are necessary to prevent the 2018 Series A Bonds from becoming an “arbitrage bond” within the meaning of Section 148 of the Code. The Trustee shall not be liable for any penalties incurred with respect to the calculation and payment of the Rebate Amount or Yield Reduction Payments.

(c) Records. The Department will retain all of its accounting records relating to the Funds, Accounts and Subaccounts and all calculations made in preparing the statements described in this Section 3.6 for at least three years after the later of (i) the final maturity of the 2018 Series A Bonds or (ii) the first date on which no 2018 Series A Bonds are Outstanding.

(d) Fees and Expenses. The Department agrees to pay all of the fees and expenses of a nationally recognized bond counsel, a certified public accountant and any Arbitrage Analyst or other necessary consultant employed by the Department or the Trustee in connection with computing the Yield Reduction Payments and Rebate Amount.

(e) No Diversion of Rebatale Arbitrage. The Department will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the 2018 Series A Bonds that is not purchased at fair market value (as defined in Section 1.148-5(d)(6)(iii) of the Regulations) or includes terms that the Department would not have included if the 2018 Series A Bonds were not subject to Section 148(f) of the Code.

(f) Amounts Not Required in Certain Circumstances.

(i) Notwithstanding the foregoing, the Department will not be required to perform the obligations set forth in this Section 3.6, except for the obligation to retain accounting records and the payment of expenses as described herein, if (A) the Yield on the Mortgage Loans does not exceed the Yield on the Bonds by more than 1.125% or (B) the Department has not earned any “rebatale arbitrage earnings” and, therefore, is not subject to the rebate obligation set forth in Section 148(f) of the Code. To the extent that the Department will not be required to perform such obligations, the Department will send written notice to the Trustee within 55 after the applicable Computation Date.

(ii) Notwithstanding anything to the contrary in this Supplemental Indenture requiring a payment to be made based on the Rebate Analyst’s calculations showing a rebate being due, no payment will be made by the Trustee to the United States of America if the Department furnishes to the Trustee a Favorable Opinion of Bond Counsel.

Section 3.7 No-Arbitrage Covenant. The Department shall certify, through an Authorized Officer that, based upon all facts and estimates known or reasonably expected to be in existence on the Issuance Date, the Gross Proceeds of the 2018 Series A Bonds will not be used in a manner that would cause the 2018 Series A Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. Furthermore, such Authorized Officer is authorized and directed to provide certifications of facts, estimates, and circumstances that are material to the reasonable expectations of the Department as of the Issuance Date. In particular, such Authorized Officer is authorized to certify the reasonable expectations of the Department on the Issuance Date regarding the amount and use of the Gross Proceeds of the 2018 Series A Bonds and the facts and estimates on which such expectations are based. Moreover, the Department covenants that it will make such use of the Gross Proceeds of the 2018 Series A Bonds and related Revenues, regulate investments of proceeds of the 2018 Series A Bonds and related Revenues, and take such other and further action as may be required so that the 2018 Series A Bonds will not be “arbitrage bonds” within the meaning of Section 148(a) of the Code and applicable Regulations thereunder. The Department hereby expressly reserves the right to direct the Trustee or any Depository to make specific investments to ensure compliance with this Section 3.7 and Section 3.8.

Section 3.8 Limitations on Investment of Reserve Amounts. The Department covenants and agrees that at no time will the aggregate amount of money held in any reasonably required reserve for the 2018 Series A Bonds that is invested in Nonpurpose Investments and at a yield higher than the yield on such 2018 Series A Bonds, exceed the least of (i) 10% of the Sale Proceeds of the 2018 Series A Bonds; (ii) the maximum annual principal and interest requirements on the issue, or (iii) 125 percent of the average annual principal and interest requirements on the issue.

Section 3.9 Limitations on Costs of Issuance. The Department covenants and agrees that the Costs of Issuance financed with the Proceeds of the 2018 Series A Bonds will not exceed two percent of the Sale Proceeds of the 2018 Series A Bonds.

Section 3.10 No Federal Guaranty. The Department covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause any of the 2018 Series A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, except as permitted by Section 149(b) of the Code.

Section 3.11 Information Reporting. The Department covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the 2018 Series A Bonds are issued, an information statement concerning the 2018 Series A

Bonds, all under and in accordance with Section 149(e) of the Code, and that it will file or cause to be filed such additional information reports as may be required by Section 149(e) of the Code.

Section 3.12 Public Approval. The Department represents that the issuance of the 2018 Series A Bonds was approved, for purposes of Section 147(f) of the Code, by the Attorney General of the State, the chief elected legal officer of the executive branch of the State, after a public hearing following reasonable public notice.

Section 3.13 Volume Cap. The Department represents that the initial aggregate principal amount of the 2018 Series A Bonds does not exceed the limitations imposed by applicable laws of the State relating to the volume cap imposed by Section 146 of the Code.

Section 3.14 Changes in Use of Mortgaged Property. The Department acknowledges that the provisions of Section 150(b) of the Code (relating to changes in use of property financed with the proceeds of private activity bonds) apply to the 2018 A Mortgage Loans (including Mortgage Loans represented by Mortgage Certificates), and covenants and agrees to advise each Borrower with respect to a Mortgage Loan of such provisions.

Section 3.15 Use of Repayments to Redeem 2018 Series A Bonds. So long as any of the 2018 Series A Bonds are Outstanding, the Department covenants and agrees that each Mortgage Loan Principal Payment with respect to a 2018 A Mortgage Loan received on or after the ten-year anniversary of the Issuance Date will be used to redeem 2018 Series A Bonds not later than the close of the first semiannual period beginning after the date such Mortgage Loan Principal Payment is received, unless the Department has received a Favorable Opinion of Bond Counsel and the Department has fulfilled the other requirements of Section 2.6 with respect to the use of such payments to redeem other Bonds.

Section 3.16 Recapture. The Department covenants and agrees to comply with the provisions of Section 143(m) of the Code (regarding the recapture of a portion of the federal subsidy from the use of qualified mortgage bonds) with respect to each 2018 A Mortgage Loan.

Section 3.17 Bonds are not Hedge Bonds. The Department covenants and agrees that not more than 50 percent of the Sale Proceeds of the 2018 Series A Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the Department reasonably expects that at least 85 percent of the spendable proceeds of the 2018 Series A Bonds will be used to carry out the governmental purposes of the 2018 Series A Bonds within the three-year period beginning on the Issuance Date.

Section 3.18 Sale of 2018 A Mortgage Certificates. Notwithstanding any other provision of the Indenture, the Department may sell the 2018 A Mortgage Certificates in whole or in part only upon delivery by the Department of (i) a Counsel's Opinion that such sale will not cause all or any portion of the 2018 A Mortgage Certificates, or the 2018 Series A Bonds to be classified as a "taxable mortgage pool" within the meaning of Section 7701(i) of the Code; and (ii) written confirmation from each Rating Agency that such sale will not adversely affect the then current ratings on the Bonds (determined without regard to any bond insurance or similar credit enhancement).

Section 3.19 Record Retention. The Department will retain all pertinent and material records relating to the use and expenditure of the proceeds of the 2018 Series A Bonds until three years after the last 2018 Series A Bonds is redeemed or matures, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the Department to retrieve and reproduce such books and records in the event of an examination of the 2018 Series A Bonds by the Internal Revenue Service.

Section 3.20 Continuing Obligation. Notwithstanding any other provision of this Supplemental Indenture, the Department's obligations under the covenants and provisions of this Article III will survive the defeasance and discharge of the 2018 Series A Bonds for as long as such matters are relevant to the excludability of interest on the 2018 Series A Bonds from gross income for federal income tax purposes.

[End of Article III]

ARTICLE IV
MISCELLANEOUS

Section 4.1 Sale of 2018 Series A Bonds. The 2018 Series A Bonds authorized to be issued herein in the aggregate principal amount of \$ _____ shall be sold to the Underwriters at an aggregate purchase price of \$ _____ (representing the par amount of the 2018 Series A Bonds plus premium in the amount of \$ _____), plus accrued interest, if any, on the 2018 Series A Bonds from their dated date to the Issuance Date, on the terms and conditions set forth in the Purchase Agreement, and upon the basis of the representations therein set forth. An Authorized Officer of the Department is hereby authorized to execute the Purchase Agreement for and on behalf of the Department.

Section 4.2 Official Statement. The final Official Statement of the Department in the form presented at the meeting at which this Supplemental Indenture was approved, with such changes, omissions, insertions, and revisions as an Authorized Officer of the Department shall deem advisable, is hereby authorized and an Authorized Officer of the Department shall sign and deliver such final Official Statement, and deliver the Indenture and this Supplemental Indenture to the Underwriters for distribution to prospective purchasers and other interested Persons.

The form of the Preliminary Official Statement of the Department dated _____, 2018, and the distribution of such Preliminary Official Statement by the Underwriters is hereby ratified, confirmed, and approved.

Section 4.3 Certain Duties of the Department and Agreement Regarding Payment of Agency Expenses. The Department covenants and agrees that, in addition to such other duties as may be required under the Indenture and this Supplemental Indenture the Department will not voluntarily take any action or fail to take any action that will impair the ability of the Department to satisfy the Asset Test set forth in the Indenture during any period in which the 2018 Series A Bonds remain Outstanding.

Section 4.4 No Recourse on 2018 Series A Bonds. No recourse shall be had for payment of the principal or Redemption Price of or interest on the 2018 Series A Bonds or for any claim based thereon or on this Supplemental Indenture against any Board member, officer or employee of the Department or the Trustee or any person executing or authenticating the 2018 Series A Bonds, and neither the Board members, officers or employees of the Department or the Trustee nor any person executing or authenticating the 2018 Series A Bonds shall be liable personally on the 2018 Series A Bonds by reason of the issuance thereof.

Section 4.5 Continuing Disclosure Relating to Other Obligated Persons. The Board hereby determines that an Other Obligated Person would be an "obligated person" (as defined in Rule 15c2-12 (the "Rule")), for whom financial information and operating data would be presented in any final official statement relating to the 2018 Series A Bonds had such Person been known at the time of the offering thereof. Based upon the objective criteria specified in the definition of Other Obligated Person, the Board concludes that no Borrower eligible to participate in the Program would be an Other Obligated Person.

Section 4.6 Agreement Regarding Assumption of Certain Home Loans. The Board agrees not to permit the assumption of any Mortgage Loan that would cause any Person to become an Other Obligated Person.

Section 4.7 Execution in Several Counterparts. This Supplemental Indenture may be simultaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 4.8 Protection of Trust Estate.

(a) At the request of the Trustee, the Department will from time to time execute and deliver all such supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action as may be necessary or advisable to:

(i) grant more effectively all or any portion of the Trust Estate;

- (ii) maintain or preserve the lien of the Indenture and this Supplemental Indenture or carry out more effectively the purposes hereof;
- (iii) perfect, publish notice of or protect the validity of any grant made or to be made by the Indenture or this Supplemental Indenture;
- (iv) enforce any of the documents executed in connection with this Supplemental Indenture;
- (v) preserve and defend title to the Trust Estate and the rights of Trustee and of owners of the 2018 Series A Bonds in the other property held as part of the Trust Estate against the claims of all Persons and parties; or
- (vi) pay all taxes or assessments levied or assessed upon the Trust Estate when due.

(b) The Department hereby designates the Trustee as its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required pursuant to this Section 4.8; provided, however, that such designation shall not be deemed to create a duty on the Trustee to monitor the compliance of the Department with the foregoing covenants and provided further, that the duty of the Trustee to execute any instrument required pursuant to this Section 4.8 shall arise only if the Trustee has actual knowledge by notice in writing of any failure of the Department to comply with the provisions of this Section 4.8. Such power-of-attorney is coupled with an interest and is irrevocable, and the Department hereby ratifies and confirms all that the Trustee may do by virtue thereof.

Section 4.9 Notices to Department, Trustee and Paying Agent. All notices, demands and requests to be given to or made hereunder to the Department, the Trustee or the Paying Agent shall be given or made in writing and shall be deemed to be properly given or made if sent by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

- (a) As to the Department:

Texas Department of Housing and Community Affairs
 221 East 11th Street
 Austin, Texas 78701-2410
 Attention: Executive Director

- (b) As to the Trustee and Paying Agent:

The Bank of New York Mellon Trust Company, N.A.
 10161 Centurion Parkway North
 Jacksonville, Florida 32256
 Attention: Richard Dillard

Section 4.10 Investment Securities. The Investment Agreement by and among _____, the Department, the Texas Treasury Safekeeping Trust Company and the Trustee, dated as of [the Issuance Date] is hereby included as a permitted “Investment Security” with respect to the Bonds.

Section 4.11 Compliance with Texas Government Code. Pursuant to Section 2270.002, Texas Government Code, and subject to or as otherwise required by applicable federal law, the Trustee hereby represents that the Trustee does not boycott Israel and will not boycott Israel through the term of this Supplemental Indenture, the 2018 A Supplement to Depository Agreement dated as of September 1, 2018 among the Department, the Trustee and the Depository (the “Supplement to Depository Agreement”) and the Continuing Disclosure Agreement dated as of September 1, 2018 between the Department and the Trustee (the “Disclosure Agreement”), and such representation is hereby incorporated by reference into each of the documents referenced herein. For purposes of this representation, “boycott Israel” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a

person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Pursuant to Subchapter F, Chapter 2252, Texas Government Code, to the extent applicable to this Supplemental Indenture, the Supplement to Depository Agreement and the Disclosure Agreement, the Trustee represents that neither they nor any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the Trustee, is a company engaged in business with Iran, Sudan, or a foreign terrorist organization or on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Section 806.051, 807.051, or 2252.153, Texas Government Code.

[End of Article IV]

IN WITNESS WHEREOF, the Department and the Trustee have caused this Supplemental Indenture to be signed, sealed and attested on their behalf by their duly authorized representatives, all as of the date first hereinabove written.

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: _____
Chair

Attest:

Secretary

(SEAL)

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF BOND

UNITED STATES OF AMERICA

STATE OF TEXAS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

SINGLE FAMILY MORTGAGE REVENUE BOND

2018 SERIES A

THE ORIGINAL PRINCIPAL AMOUNT OF THIS BOND IS SUBJECT TO REDUCTION UPON PAYMENT OF AMOUNTS CAUSING A PARTIAL REDEMPTION OF THIS BOND AS PROVIDED HEREIN; THE OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND WILL BE AS SHOWN ON THE REGISTRY BOOKS KEPT BY THE WITHIN-NAMED TRUSTEE

[THE STATED PRINCIPAL AMOUNT OF THIS BOND WHILE REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK, OR ITS NOMINEE MAY BE REDUCED BY THE AMOUNT OF REDEMPTIONS OF ANY BONDS OR PORTIONS THEREOF]¹

No. _____ \$ _____

Interest Rate Dated Date: CUSIP: Maturity Date:
_____ % _____ 88275F _____ _____ 1, 20__

Registered Owner: _____

Principal Amount: _____ DOLLARS

The TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (herein called the "Department"), a public and official agency of the State of Texas, organized and existing under and by virtue of the laws of the State of Texas, acknowledges itself indebted to, and FOR VALUE RECEIVED, hereby promises to pay to the registered owner named above or registered assigns, but solely from the sources and in the manner hereinafter provided, on the maturity date specified above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount in like coin or currency from the Dated Date (as defined below) of this Bond or from the most recent date to which interest on this Bond (or any Bond in exchange for, or in lieu of, which this Bond was issued), has been paid at the interest rate per annum set forth above, calculated on the basis of a 360-day year composed of twelve 30-day months, payable March 1, 2019, and on each September 1 and March 1 thereafter, and on any other date on which this Bond is subject to redemption (each, an "Interest Payment Date") to the date of maturity or earlier redemption, until the Department's obligation with respect to the payment of such principal amount shall be discharged. The principal amount or Redemption Price of this Bond shall be payable upon presentation and surrender of this Bond at the applicable office of The Bank of New York Mellon Trust Company, N.A. (such bank and any successor in such capacity being referred to as the "Trustee"). Notwithstanding the foregoing, in no event shall the cumulative amount of interest paid or payable on any

¹ To be included only in bonds registered in the name of DTC or its nominees.

Bond (including interest calculated as provided in the Indentures (as defined below), together with all other amounts that constitute interest on the Bonds under the laws of the State of Texas that are contracted for, charged, reserved, taken or received pursuant to the Indentures) through any Interest Payment Date or through the date of payment of such Bond (whether at maturity, by acceleration or upon earlier redemption) exceed the “net interest cost” that will produce a “net effective interest rate” of greater than 15% per annum or, to the extent allowed by law, such greater “net effective interest rate” as may be allowed from time to time. The terms “net interest cost” and “net effective interest rate,” as used herein, shall have the respective meanings ascribed to them in Chapter 1204, Texas Government Code, as amended. This Bond shall be dated as of the date six months preceding the Interest Payment Date next following the date of authentication hereof by the Trustee, unless such date of authentication shall be an Interest Payment Date, in which case this Bond shall be dated as of such date of authentication, or unless such date of authentication shall be prior to March 1, 2019, in which case this Bond shall be dated as of the Issuance Date; provided that if interest on this Bond shall be in default, Bonds issued in lieu of this Bond upon surrender for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered (herein, the “Dated Date”).

This Bond is a limited obligation of the Department and is one of the Bonds of the Department designated “Single Family Mortgage Revenue Bonds” (herein called the “Bonds”), issued and to be issued in various series under and pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as such may be amended from time to time (together with the laws of the State of Texas applicable to the Department, collectively, the “Act”), Chapter 1207, Texas Government Code, as amended, and Chapter 1371, Texas Government Code, as amended, and under and pursuant to an indenture of the Department entitled “Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture” dated as of June 1, 2017 (as amended and supplemented from time to time, the “Indenture”), and a supplemental indenture of the Department entitled “Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture” dated as of September 1, 2018 authorizing the series of Bonds of which this Bond is a part (herein called the “Supplemental Indenture” and together with the Indenture called the “Indentures”). All defined terms used herein, but not otherwise defined, shall have the same definitions ascribed to them in the Indentures. As provided in the Indenture, Bonds may be issued from time to time pursuant to supplemental indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and subject to the provisions thereof, may otherwise vary. All Bonds issued and to be issued under the Indenture are and will be equally secured by the pledges, assignments in trust and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

THE PRINCIPAL OF AND INTEREST AND PREMIUM, IF ANY, ON THIS BOND ARE LIMITED OBLIGATIONS OF THE DEPARTMENT AND ARE PAYABLE ONLY FROM REVENUES OR FUNDS OF THE DEPARTMENT PLEDGED UNDER THE INDENTURES. THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH OR CREDIT OR TAXING POWER OF THE STATE OF TEXAS. THE DEPARTMENT HAS NO TAXING POWER.

This Bond is one of a series of Bonds designated “Single Family Mortgage Revenue Bonds, 2018 Series A” (herein sometimes called the “2018 Series A Bonds”) issued in the aggregate initial principal amount of \$_____ under the Indentures for the purpose of providing funds to finance the acquisition of mortgage loans through the purchase of Mortgage Certificates backed by qualified mortgage loans[, to fund capitalized interest] and to pay certain costs of issuance. Copies of the Indentures are on file at the office of the Department and at the applicable office of the Trustee and reference to the Indentures and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges, assignments in trust, and covenants securing the Bonds; the nature, extent, and manner of enforcement of such pledges, assignments in trust, and covenants; the rights and remedies of the registered owners of the Bonds with respect thereto; the terms and conditions upon which the Bonds are issued and may be issued thereunder; and other matters, to all of which the owner of this Bond assents by the acceptance of this Bond.

The Department has heretofore issued its Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B; Single Family Variable Rate Mortgage Revenue Bonds, 2004 Series D; Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A; Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A; Single Family Mortgage Revenue Refunding Bonds, 2013 Series A (Taxable); Single Family Mortgage Revenue Refunding Bonds, 2015 Series A (Taxable); Single Family Mortgage Revenue Bonds, 2015 Series B; Single

Family Mortgage Revenue Bonds, 2016 Series A; Single Family Mortgage Revenue Refunding Bonds, 2016 Series B (Taxable); Single Family Mortgage Revenue Bonds, 2017 Series A; Single Family Mortgage Revenue Refunding Bonds, 2017 Series B (Taxable); and Single Family Mortgage Revenue Bonds, 2017 Series C (Taxable). To the extent outstanding, all of the foregoing Bonds are on a parity with and of equal dignity in all respects with the 2018 Series A Bonds. The Department reserves the right in the Indentures to issue other bonds of the Department for other programs similar to the programs funded with the proceeds of the Bonds, and further reserves the right to issue bonds that are payable from the pledges and assignments in trust pursuant to the Indentures on a parity with or subordinate to the pledge under the Indentures all as provided in the Indentures.

The owner of this Bond shall have no right to enforce the provisions of the Indentures, or to institute any action with respect to any Event of Default (as defined in the Indenture), or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Indentures.

This Bond is transferable, as provided in the Indentures, only upon the books of the Department kept for that purpose at the above-mentioned office of the Trustee, by the registered owner hereof in person, or by his duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon, a new Bond or Bonds in the same aggregate principal amount and maturity shall be issued to the transferee in exchange herefor as provided in the Indentures, and upon payment of the charges therein prescribed. The Department and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal, Redemption Price or purchase price hereof and interest due hereon and for all other purposes.

[EXCEPT AS OTHERWISE PROVIDED IN THE INDENTURES, THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF DTC OR TO A SUCCESSOR BOND DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR BOND DEPOSITORY.]²

The 2018 Series A Bonds are issuable only in the form of fully registered Bonds without coupons in the denomination of \$5,000 principal amount or any integral multiple thereof.

To the extent and in the manner permitted by the terms of the Indentures, the provisions of the Indentures, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Department, with the written consent of the holders of at least 2/3 in principal amount of the Bonds of each series so affected then outstanding under the Indentures and, in case such modification or amendment would change the terms of any sinking fund installment, with such consent of the holders of at least 2/3 in principal amount of the Bonds of the particular Series and maturity entitled to such sinking fund installment then outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain outstanding under the Indentures, 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 the calculation of outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any paying agent without its written assent thereto.

Redemption Prices and Terms. The 2018 Series A Bonds are not subject to redemption prior to maturity except as follows:

1. Special Redemption from Unexpended Proceeds. The 2018 Series A Bonds are subject to special redemption, at any time and from time to time, prior to their stated maturities, in whole or in part, [from time to time] at a Redemption Price equal to 100% of the principal amount thereof (provided that any redemption of 2018 Series A Bonds maturing on _____ 1, 20__ (the "Premium PAC Term Bonds") pursuant to this Paragraph 1 shall be at the Redemption Prices set forth below, expressed as a percentage of such Premium PAC Term Bonds to be

² To be deleted from the initially issued Bonds.

redeemed) plus accrued interest thereon to, but not including, the date of redemption, from amounts transferred to the 2018 A Redemption Subaccount in accordance with Section 2.12(e) of the Supplemental Indenture (i) as soon as practicable after receipt of the certification of the Department that such amounts will not be used to purchase 2018 A Mortgage Certificates or (ii) the end of the Certificate Purchase Period, but in no event later than March 1, 2022.

Premium PAC Term Bonds

<u>Unexpended Proceeds</u>	<u>Redemption Date</u>		<u>Redemption Price</u>
_____, 20__	to and including	_____, 20__	
_____, 20__	to and including	_____, 20__	
_____, 20__	to and including	_____, 20__	
_____, 20__	to and including	_____, 20__	
_____, 20__	to and including	_____, 20__	
_____, 20__	to and including	_____, 20__	
_____, 20__	to and including	_____, 20__	

2018 Series A Bonds to be redeemed in accordance with this Paragraph 1 shall be selected by the Trustee on a pro rata basis among all maturities unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues.

2. Special Redemption from [Mortgage Loan Principal Payments]. The 2018 Series A Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time on or after _____ 1, 20__, after giving notice as provided in Article IV of the Indenture, at a Redemption Price equal to 100% of the principal amount of the 2018 Series A Bonds or portions thereof to be redeemed, plus accrued interest to but not including the redemption date, from amounts transferred to the 2018 A Redemption Subaccount in accordance with Section 2.12(d)(ii) of the Supplemental Indenture.

In the event of a redemption pursuant to this Paragraph 2 from [Mortgage Loan Principal Payments] relating to the 2018 A Mortgage Certificates, the Trustee shall select the particular 2018 Series A Bonds to be redeemed as follows:

- (a) the Trustee shall redeem the Premium PAC Term Bonds, but only to the extent that the Outstanding principal amount of such Premium PAC Term Bonds following such redemption is not less than the Premium PAC Term Bonds Outstanding Applicable Amount as of such date;

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

<u>Date</u>	<u>Premium PAC Term Bonds Outstanding Applicable Amount</u>
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- (b) amounts remaining following the redemptions specified in subparagraph (a) above shall be applied, unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues, to the redemption of the 2018 Series A Bonds (other than the Premium PAC Term Bonds), which would produce, as nearly as practicable, a pro rata redemption among the maturities of the 2018 Series A Bonds (other than the Premium PAC Term Bonds) to the extent that the 2018 Series A Cumulative Prepayments as of such date do not exceed the 2018 Series A Cumulative Applicable Amount as of such date;

The 2018 Series A Cumulative Applicable Amount is as follows:

<u>Date</u>	<u>2018 Series A Cumulative Applicable Amount</u>
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(c) amounts remaining following the redemptions specified in subparagraphs (a) and (b) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Statement of Projected Revenues, to the redemption of those maturities of the 2018 Series A Bonds which would produce, as nearly as practicable, a pro rata redemption of all of the maturities of the 2018 Series A Bonds taking into account the amounts applied to redeem the 2018 Series A Bonds pursuant to the above-described redemptions.

Any special redemption of the 2018 Series A Bonds pursuant to Paragraph 1 will reduce the Premium PAC Term Bonds Outstanding Applicable Amount and the 2018 Series A Cumulative Applicable Amount described above for the current and each future semiannual period by an amount equal to the product of the amount of such redemption and a fraction the numerator of which equals the sum of the amount of moneys disbursed from the 2018 A Mortgage Loan Account [including the 2018 A Down Payment Assistance Subaccount] to redeem 2018 Series A Bonds and the denominator of which equals the sum of the amount of moneys initially deposited by the Trustee in the 2018 A Mortgage Loan Account [including the 2018 A Down Payment Assistance Subaccount] for the purchase of 2018 A Mortgage Certificates.

3. Special Redemption from Excess Revenues. The 2018 Series A Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time on or after _____ 1, _____, after giving notice as provided in Article IV of the Indenture, at a Redemption Price equal to 100% of the principal amount of the 2018 Series A Bonds or portions thereof to be redeemed, plus accrued interest to but not including the redemption date, from excess Revenues (including Surplus Revenues whether or not derived in connection with the 2018 Series A Bonds).

In the event of a redemption pursuant to this Paragraph 3 from excess Revenues, the Trustee shall apply amounts transferred in accordance with Section 2.12(d)(iv) to redeem the 2018 Series A Bonds Outstanding in the same manner provided in Section 2.6(b), unless otherwise instructed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues.

4. Scheduled Mandatory Redemption. The 2018 Series A Bonds maturing on the respective dates specified below, are subject to scheduled mandatory redemption prior to maturity and shall be redeemed, after giving notice as provided in Article IV of the Indenture, in the aggregate principal amounts and on the dates set forth in the following tables, at a Redemption Price equal to 100% of the principal amount of the 2018 Series A Bonds or portions thereof to be redeemed, plus accrued interest to but not including the redemption date, from amounts that have been transferred to the 2018 A Principal Subaccount from the 2018 A Revenue Account.

\$ _____ 2018 Series A Term Bonds maturing _____ 1, 20__

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
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*

* Final Maturity

\$ _____ 2018 Series A Term Bonds maturing _____ 1, 20__

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
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*

* Final Maturity

\$ _____ 2018 Series A Term Bonds maturing _____ 1, ____

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
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*

* Final Maturity

\$ _____ 2018 Series A Premium PAC Term Bonds maturing _____ 1, ____

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
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* Final Maturity

The principal amount of the 2018 Series A Bonds to be redeemed on each such redemption date pursuant to mandatory sinking fund redemption shall be reduced by the principal amount of any 2018 Series A Bonds of the same Series and having the same stated maturity and interest rate, which (A) at least 45 days prior to such mandatory sinking fund redemption date, (1) shall have been acquired by the Department and delivered to the Trustee for cancellation,

or (2) shall have been acquired and canceled by the Trustee at the direction of the Department, or (3) shall have been redeemed other than pursuant to mandatory sinking fund redemption, and (B) shall have not been previously credited against a scheduled mandatory sinking fund redemption.

5. Optional Redemption. (a) The 2018 Series A Bonds are subject to redemption prior to maturity, in whole or in part, at any time and from time to time on or after _____ 1, 20__, at the option of the Department, after giving notice as provided in the Supplemental Indenture, at a Redemption Price equal to 100% of the principal amount of the 2018 Series A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date.

(b) At least 45 days prior to, or such later date as the Trustee will accept, any redemption date described in Paragraph 5(a) above the Department shall give a Letter of Instructions to the Trustee specifying the principal amount of 2018 Series A Bonds to be redeemed and the date of such redemption and identifying the source of funds to be utilized to redeem such Bonds. Prior to any redemption in part pursuant to this Paragraph 5, the Department shall provide a Statement of Projected Revenues to the Trustee.

In lieu of redeeming 2018 Series A Bonds, the Department has reserved the right in subsection 5 of Section 506 of the Indenture to purchase such Bonds at a price (excluding accrued interest but including any brokerage or other charges) no greater than the applicable Redemption Price of such Bonds.

The 2018 Series A Bonds are payable upon redemption at the applicable office of the Trustee. Written notice of redemption shall be provided to the registered owner of the Bond to be redeemed as shown on the registry books of the Trustee, in the manner, at the times and upon the terms and conditions set forth in the Indentures. If notice of redemption shall have been given as aforesaid, the 2018 Series A Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, money for the redemption of all the Bonds or portions thereof to be redeemed, together with interest to, but not including, the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

The Department reserves the right to regulate or restrict the yield or return on the investment of the moneys in any fund, account, or subaccount created under the Indentures or any supplemental indenture, if in the opinion of counsel, such regulation or restriction is necessary in order for the interest on the Bonds (other than any series of taxable Bonds issued under the Indenture) of any series issued or to be issued under the Indenture to be exempt from federal income taxation.

The Act provides that neither the officers or directors of the Department nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof.

It is hereby certified and recited that all conditions, acts, and things required by law and the Indentures to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond, exist, have happened, and have been performed and that the issuance of this Bond and the series of Bonds of which it is a part are duly authorized by the laws of the State of Texas.

This Bond shall not be entitled to any benefit under the Indentures or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate or the execution by the Comptroller of Public Accounts of the State of Texas of the Comptroller's Registration Certificate hereon.

IN WITNESS WHEREOF, the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its duly authorized representative, and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved, or otherwise reproduced and attested by the manual or facsimile signature of its Secretary.

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: _____
Chair

Attest:

Secretary

(SEAL)

[FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE
ON EACH INITIALLY ISSUED BOND]

STATE COMPTROLLER'S REGISTRATION CERTIFICATE

OFFICE OF COMPTROLLER

Register No. _____

STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas approving this Bond and certifying that this Bond and the proceedings for the issuance thereof have been examined by him as required by law, and that he finds that this Bond has been issued in accordance with law and that it is a valid and binding limited obligation of the Texas Department of Housing and Community Affairs, payable from the revenues and other funds pledged to its payment by and in the proceedings authorizing the same, and I do further certify that this Bond has this day been registered by me as Comptroller.

WITNESS MY HAND AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts of
the State of Texas

(SEAL)

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
ON EACH BOND OTHER THAN INITIALLY ISSUED BONDS]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is to certify that the initial Bonds of this Series were approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this Bond is one of the Bonds delivered pursuant to the within-mentioned Indenture.

Date of Authentication:

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received, the undersigned sells, assigns, and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

Dated:

NOTICE: The signature(s) on this assignment must correspond in every particular with the name(s) of the registered owner(s) appearing on the face of the within Bond.

Signature guaranteed by:

NOTICE: Signature must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements will include membership or participation in STAMP or such other signature guaranty program as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT B

[List 2018 A Mortgage Certificates to be
purchased on Issuance Date, if any]

Exhibit B

§ _____
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SINGLE FAMILY MORTGAGE REVENUE BONDS
2018 SERIES A

BOND PURCHASE AGREEMENT

August __, 2018

Governing Board
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned, RBC Capital Markets, LLC (“*RBCCM*”), acting on behalf of itself and the other underwriters named on Schedule I hereto (each, an “*Underwriter*” and collectively, the “*Underwriters*”), hereby offers to enter into this Bond Purchase Agreement (this “*Purchase Agreement*”) with the Texas Department of Housing and Community Affairs (the “*Issuer*”). Upon execution of this Purchase Agreement by the Representative (as hereinafter defined) and the Issuer, this Purchase Agreement will be binding upon the Issuer and the Underwriters. This offer is made subject to the execution of this Purchase Agreement by the Issuer and the delivery of three (3) duly executed copies of this Purchase Agreement to RBCCM, at or prior to 5:00 p.m., Austin, Texas time, on the date hereof unless otherwise agreed to by the Issuer and the Representative (as hereinafter defined). Capitalized terms used in this Purchase Agreement and not otherwise defined shall have the meanings given to them in the Official Statement (as hereinafter defined) or the Resolution (as hereinafter defined).

This Purchase Agreement relates to the issuance of the Issuer’s Single Family Mortgage Revenue Bonds, 2018 Series A (the “*Bonds*”).

The Issuer acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the Issuer and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of this transaction, the Underwriters are and have been acting solely as principals and are not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor or fiduciary to the Issuer, (iii) the Underwriters have not assumed (individually or collectively) any advisory or fiduciary responsibility in favor of the Issuer with respect to this Purchase Agreement, the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (regardless of whether any Underwriter or any affiliate of an Underwriter has provided other services or are currently providing other services to the Issuer on other matters) and the Underwriters have no obligation to the Issuer with respect to the offering contemplated hereby except the obligations

expressly set forth in this Purchase Agreement, (iv) the Underwriters have financial and other interests that differ from those of the Issuer and (v) the Issuer has consulted its own legal, accounting, tax, financial and other advisors to the extent it has deemed appropriate.

1. *Purchase Price; Description of the Bonds.* Subject to the terms and conditions and in reliance upon the representations and warranties hereinafter set forth, the Underwriters jointly and severally hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters, all of the Bonds at a purchase price of \$ _____, which price represents the par amount of such Bonds of \$ _____, plus a net premium of \$ _____, and which represents the public offering prices of the Bonds as reflected on the inside cover page of the Official Statement. The Bonds shall accrue interest from the date of delivery and shall mature on the dates and in the amounts and bear interest at the rates as set forth in *Schedule II* hereto.

Upon Closing (as hereinafter defined) the Issuer shall pay underwriting fees and expenses of \$ _____ to the Underwriters with respect to their purchase of the Bonds.

The Bonds shall be as described in, and authorized for issuance pursuant to the provisions of, a resolution adopted by the Governing Board of the Issuer (the "*Governing Board*") on June 28, 2018 (the "*Resolution*"). Pursuant to the Resolution, the Issuer has also authorized the execution and delivery of the Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture, dated as of September 1, 2018 (the "*Supplemental Indenture*"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), further supplementing the Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2017, as amended and supplemented prior to the date hereof (the "*Indenture*"), between the Issuer and the Trustee. The Indenture and the Supplemental Indenture are referred to herein collectively as the "*Trust Indenture.*" The Bonds shall be subject to redemption as provided in the Trust Indenture and as described in the Official Statement.

2. *Authorized Representative of the Underwriters.* The Underwriters have designated RBCCM (sometimes referred to herein as the "*Representative*") to act as their representative, and the Representative hereby represents that it has been duly authorized to execute this Purchase Agreement for and on behalf of the Underwriters and to take such actions it may deem advisable with respect to all matters pertaining to this Purchase Agreement. Each Underwriter is registered as a municipal securities dealer under the Securities Exchange Act of 1934, as amended, and is a member in good standing of the Financial Industry Regulatory Authority and the Municipal Securities Rulemaking Board (the "*MSRB*").

3. *Public Offering.* The Underwriters agree to make a bona fide public offering of all the Bonds at prices no higher than or yields no lower than the initial offering prices to the public or yields as set forth in *Schedule II* hereto. Subsequent to such initial offering to the public, but expressly subject to the provisions of Paragraph 7 hereof relating to the establishment of the issue price of the Bonds, the Underwriters reserve the right to change the initial offering prices to the public or yields as the Underwriters and the Issuer deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering price to the public or prices set forth in *Schedule II* hereto. It shall be a condition

(i) to the obligations of the Issuer to sell and to deliver the Bonds to the Underwriters and (ii) to the obligations of the Underwriters with respect to the Bonds to purchase, to accept delivery of and to pay for the Bonds that the entire aggregate principal amount of the Bonds to be sold pursuant to Paragraph 1 hereof shall be sold and delivered by the Issuer and purchased, accepted and paid for by the Underwriters.

4. *Official Statement; Continuing Disclosure.* The Issuer shall deliver to the Underwriters at the sole expense of the Issuer as many copies of the Official Statement dated the date hereof reflecting certain terms relating to the initial offering of the Bonds by the Underwriters, in substantially the form approved by an Authorized Representative of the Issuer pursuant to the Resolution (the Official Statement, together with all appendices thereto and any supplement or amendment thereto which are approved by the Issuer and the Representative pursuant to Paragraph 11 hereof, is referred to herein as the “*Official Statement*”), as will be required to permit the Underwriters to comply with applicable rules of the MSRB and Rule 15c2-12 of the Securities and Exchange Commission (“*Rule 15c2-12*”) and all other rules applicable to them. The Issuer hereby authorizes the use of the Official Statement and the information therein contained by the Underwriters in connection with the public offering and the sale of the Bonds. The Issuer also approves of and ratifies the use by the Underwriters prior to the date hereof of the Preliminary Official Statement dated July ___, 2018, as supplemented (the “*Preliminary Official Statement*”). The Issuer hereby represents and warrants that the Preliminary Official Statement was deemed final by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12.

The Issuer shall provide, or cause to be provided, to the Underwriters as soon as practicable after the date of the Issuer’s acceptance of this Purchase Agreement (but, in any event, not later than within seven (7) business days after the Issuer’s acceptance of this Purchase Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which are complete as of the date of delivery to the Underwriters in such quantity as the Representative shall request in order for the Underwriters to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Securities and Exchange Commission (the “*SEC*”) and the MSRB.

The Issuer authorizes the Representative to file, to the extent required by applicable SEC or MSRB rule, and the Representative agrees to file or cause to be filed, the Official Statement with (i) the MSRB or its designee (including submission to the MSRB’s Electronic Municipal Market Access system (“*EMMA*”)) or (ii) other repositories approved from time to time by the SEC (either in addition to or in lieu of the filings referred to above). If an amended Official Statement is prepared in accordance with Paragraph 11 during the Amendment Period (as defined in Paragraph 11 hereof) and if required by applicable SEC or MSRB rule, the Representative also shall make the required submission of the amended Official Statement to EMMA.

The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Issuer and the Representative. If the Preliminary Official Statement and/or the Official Statement is prepared for distribution in electronic form, the Issuer hereby confirms that it does not object to its distribution in electronic form.

The Issuer has agreed in the Continuing Disclosure Agreement to provide certain annual financial information and operating data, audited financial statements and timely notices of material events and noncompliance in accordance with Rule 15c2-12 as described in the Official Statement under the caption “CONTINUING DISCLOSURE OF INFORMATION.” The Underwriters’ obligations to accept and pay for their purchases of the Bonds is conditioned upon delivery to the Underwriters or their agent of an original executed copy of the Continuing Disclosure Agreement containing the agreements described under such heading.

5. *Delivery of the Bonds.* At 10:00 a.m., Austin, Texas time, on September ___, 2018 or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Issuer and the Underwriters (the “*Closing Date*”), the Issuer will deliver or cause to be delivered to the Trustee, as agent for The Depository Trust Company, New York, New York (“*DTC*”), for the account of RBCCM, as the Representative of the Underwriters, or at such other place as may be designated by the Representative, the Bonds in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned; and the Underwriters will accept such delivery and pay the purchase price thereof as set forth in Paragraph 1 hereof in federal or other immediately available funds to or upon the order of the Issuer or to the Trustee for the account of the Issuer (the “*Closing*”). The Bonds shall be registered in the name of Cede & Co., as nominee and registered owner for DTC. The Bonds and closing documents will be made available for inspection by the Underwriters at the offices of Bracewell LLP, Austin, Texas, or at such other place as may be designated by an Authorized Representative of the Issuer and the Representative, at least one (1) business day prior to the Closing.

RBCCM, as the Representative, has delivered to the Issuer its corporate good-faith check payable to the order of the Issuer in the amount of \$ _____ (the “*Good-Faith Check*”). In the event the Issuer does not accept this offer, the Good-Faith Check shall be promptly returned to RBCCM. Upon the Issuer’s acceptance and countersignature of this offer, the Good-Faith Check (a) shall not be cashed or negotiated, but shall be held and retained in safekeeping by the Issuer as security for the performance by the Underwriters of their obligations, subject to the terms and conditions herein set forth, to purchase and accept delivery of the Bonds at the Closing and (b) shall be applied and disposed of by the Issuer solely as provided in this Purchase Agreement.

In the event of the Underwriters’ compliance with such obligation to purchase and accept delivery of the Bonds at the Closing, the Good-Faith Check shall be returned to RBCCM at the Closing. In the event of the failure by the Issuer to deliver the Bonds at the Closing, or if the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Agreement, the Good-Faith Check shall be returned promptly to RBCCM. In the event that the Underwriters fail (other than for a reason permitted hereunder), to purchase and accept delivery of the Bonds at the Closing, then the Issuer shall notify RBCCM of such failure by written notice delivered to RBCCM as provided in Paragraph 16 hereof. At any time after noon, Austin, Texas time, on the second business day following the date on which the Issuer shall so notify RBCCM, the Issuer shall become entitled to cash or negotiate the Good-Faith Check, the proceeds thereof shall be retained by the Issuer as and for full liquidated damages for such failure and for any and all defaults on the part of the Underwriters and such proceeds shall constitute a full release and discharge of all claims and damages for such failure and for any and all such defaults. The Underwriters and the Issuer understand that in such event the Issuer’s actual

damages may be greater or may be less than such amount. Accordingly, the Underwriters hereby waive any right to claim that the Issuer's actual damages are less than such amount, and the Issuer's acceptance of this offer shall constitute waiver of any right the Issuer may have to additional damages from the Underwriters.

6. *Issuer's Representations, Warranties and Covenants.* The Issuer hereby represents, warrants and covenants, as applicable, to each of the Underwriters that:

(a) *Existence; Power; Authority.* The Issuer is a duly organized and existing public and official agency of the State of Texas (the "State") organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (together with other laws of the State of Texas applicable to the Issuer, the "Act"), and has full legal right, power and authority to enter into this Purchase Agreement and upon receipt of the approving legal opinion and opinion of the Attorney General of the State of Texas, will have at the Closing full legal right, power and authority to: (i) enter into the Supplemental Indenture, the Depository Agreement and the Continuing Disclosure Agreement; (ii) adopt the Resolution; (iii) issue, sell and deliver the Bonds to the Underwriters pursuant to the Trust Indenture, as provided herein; (iv) purchase, pledge and assign and thereby convey a beneficial interest in the Trust Estate (as defined in the Trust Indenture), all in the manner described in the Resolution, the Trust Indenture and the Official Statement; (v) use the amounts made available by the issuance of the Bonds for the purpose of providing funds to (A) make and acquire qualifying mortgage loans (including reimbursement of a portion of servicing release premiums paid with respect to the related mortgage loans) through the purchase of mortgage-backed securities (the "Mortgage Certificates") issued and guaranteed by the Government National Mortgage Association, (B) provide down payment and closing cost assistance and (C) pay a portion of the costs of issuance of the Bonds; and (vi) carry out, give effect to and consummate all the other transactions on its part contemplated by this Purchase Agreement, the Depository Agreement, the Continuing Disclosure Agreement, the Resolution and the Trust Indenture (collectively hereinafter referred to as the "Issuer Documents") and the Official Statement;

(b) *Compliance With Documents.* The Issuer, at the time of Closing, will be in compliance, in all material respects, with the Issuer Documents and the Act with respect to the Bonds;

(c) *Due Authorization of Documents.* The Issuer has duly and validly adopted the Resolution, has duly authorized and approved the execution and delivery of this Purchase Agreement, the Bonds, the Supplemental Indenture, the Continuing Disclosure Agreement, the Depository Agreement and the Official Statement, and the Issuer has duly authorized and approved the performance by the Issuer of its obligations contained in and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions on its part contemplated by each of such documents and the Trust Indenture;

(d) *All Required Actions of Issuer Authorized.* The Issuer has duly authorized all actions on its part necessary to be taken for: (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Official Statement; (ii) the execution and delivery of

the Supplemental Indenture, the Continuing Disclosure Agreement, the Depository Agreement and this Purchase Agreement; (iii) the appointment of the Trustee, as trustee, paying agent and bond registrar under the Trust Indenture; (iv) the approval and execution of the Official Statement; and (v) the execution, delivery, receipt and due performance of its obligations under the Bonds, the Supplemental Indenture, the Continuing Disclosure Agreement, the Depository Agreement, this Purchase Agreement and any and all other agreements and documents as may be required to be executed, delivered and received by it in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement;

(e) *No Indebtedness of the State.* The issuance of the Bonds and use of the proceeds in the manner described in the Resolution and the Trust Indenture does not constitute an indebtedness or lending of the credit of the State or any governmental agency or political subdivision thereof;

(f) *No Defaults.* The Issuer, to the best of its knowledge after due inquiry, is not in breach of or in default under any applicable law or administrative rule or regulation of the State, the United States of America or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or is otherwise subject or bound which in any way, directly and adversely affects the issuance of the Bonds or the validity thereof, the Trust Indenture, the Continuing Disclosure Agreement and this Purchase Agreement; the adoption of the Resolution and the execution and delivery of the Bonds, the Supplemental Indenture, the Continuing Disclosure Agreement, the Depository Agreement, this Purchase Agreement and other instruments contemplated by any of such documents to which the Issuer is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States of America or of any department, division, agency or instrumentality of either thereof, or any applicable court of administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or is otherwise subject or bound;

(g) *All Approvals.* All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or issuer having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Issuer of its obligations under the Trust Indenture, the Depository Agreement, the Continuing Disclosure Agreement, this Purchase Agreement and the Bonds have been obtained and are in full force and effect or are expected to be obtained prior to the Closing;

(h) *Validity of the Bonds.* The Bonds, when issued, delivered, authenticated, to the extent required, and paid for as herein and in the Trust Indenture provided, will have been duly authorized and issued and will (i) constitute valid and binding limited obligations of the Issuer entitled to the benefits of the security of the Trust Indenture, on an equal and ratable basis, and (ii) be enforceable in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency or

other similar laws or equitable principles affecting the enforcement of creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion;

(i) *Accuracy of Information in Official Statement Supplied by Issuer.* The information supplied by and pertaining to the Issuer and contained in the Official Statement relating to the Bonds under the captions "INTRODUCTION," "PLAN OF FINANCE," "SOURCES AND USES OF FUNDS," "THE SERIES 2018A BONDS," "SECURITY FOR THE BONDS," "THE PROGRAM AND THE MORTGAGE LOANS," "PRIOR SWAP AGREEMENTS," "PRIOR LIQUIDITY FACILITIES," "BONDHOLDER RISKS," "THE DEPARTMENT," "CONTINUING DISCLOSURE OF INFORMATION," "FINANCIAL STATEMENTS," "LITIGATION MATTERS" and APPENDICES D-1, D-2, F-1, F-2 and G does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) *Financial Statements.* Both at the time of execution hereof and at the Closing Date, except as disclosed in the Official Statement, the financial statements attached as *Appendix D-1* to the Official Statement (the "*Financial Statements*") and the unaudited interim financial statements for the 8-month period ended April 30, 2018 attached as *Appendix D-2* to the Official Statement, fairly represent, in conformity with generally accepted accounting principles, the financial condition of the Issuer as of the respective dates of such statements and for the respective periods covered, and since April 30, 2018, except as disclosed in the Official Statement, there has been no material adverse change in the financial condition or general affairs of the Issuer;

(k) *Accuracy of Preliminary Official Statement, Official Statement.* Nothing has come to the attention of the Issuer which would lead it to believe that (i) the Preliminary Official Statement, at the date thereof and at all times subsequent thereto during the Amendment Period (as defined in Paragraph 11 hereof), contained, contains or will contain any untrue statement of a material fact or omitted, omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (ii) that at the time of approval thereof and at all times subsequent thereto during the Amendment Period, the final Official Statement contained, contains or will contain any untrue statement of a material fact or omitted, omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however,* that the Issuer makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the final Official Statement in reliance upon and in conformity with information furnished in writing to the Issuer by or on behalf of the Underwriters through the Representative specifically for inclusion therein;

(l) *No Required Consents.* No consent, approval, authorization or order of or filing, registration or declaration with, any court or governmental agency or body that is not expected to be obtained by the Closing is required for the issuance, delivery or sale of the Bonds or the consummation of the other transactions affected or contemplated therein or hereby, except for such actions as may be necessary to be taken to qualify the Bonds for

offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriters may designate;

(m) *No Litigation.* As of the date hereof, except to the extent, if any, disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or public body pending and of which the Issuer has notice or (to the knowledge of the Issuer) threatened against the Issuer: (i) in any way affecting the existence of the Issuer or in any way challenging the powers of the several offices of the officials of the Issuer or the titles of the officials holding those respective offices; (ii) seeking to restrain or enjoin the issuance or delivery of any of the Bonds, or the collection of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Trust Indenture, the Depository Agreement, the Continuing Disclosure Agreement, this Purchase Agreement and the other Issuer Documents; or (iii) in which a final adverse decision would (A) adversely affect the ability of the Issuer to issue the Bonds or to disburse the proceeds of the Bonds as described in the Official Statement, (B) adversely affect the exclusion from gross income for federal income tax purposes of interest to be paid on the Bonds or (C) declare this Purchase Agreement to be invalid or unenforceable in whole or in material part; nor will there be any basis therefor;

(n) *Notification of Untrue Statements.* If, between the date of this Purchase Agreement and the Closing, the Issuer has knowledge of a fact or event which would cause the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer shall notify the Representative and, if in the opinion of the Representative and the Issuer such event requires an amendment or supplement to the Official Statement, the Issuer will amend or supplement the Official Statement in a form and in a manner approved by an Authorized Representative of the Issuer and the Representative;

(o) *Application of Proceeds.* The Issuer will direct the Trustee to apply the proceeds of the Bonds in accordance with the Resolution and the Trust Indenture;

(p) *Valid Pledge of Revenues and Other Moneys.* Upon execution and delivery of the Supplemental Indenture, the Trust Indenture will create a valid pledge of (i) the Revenues (as defined in the Trust Indenture) and the income therefrom and (ii) all other money, securities and property held under the Trust Indenture, subject in all cases to the provisions of the Trust Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein;

(q) *Authorized Representative of Issuer.* Any certificate signed by an Authorized Representative of the Issuer, and delivered by the Issuer to the Underwriters shall be deemed a representation and warranty by the Issuer to the Underwriters as to the statements made therein;

(r) *Prohibition on Other Obligations.* Between the date of this Purchase Agreement and the Closing, the Issuer will not, without the prior written consent of the Representative, issue any bonds, notes or other obligations for borrowed money secured in whole or in part by all or any portion of the Trust Estate, and, subsequent to the respective dates as of which information is given in the Official Statement up to and including the Closing Date, the Issuer has not incurred and will not incur any material liabilities, direct or contingent, secured in whole or in part by all or any portion of the Trust Estate, except as approved by the Representative;

(s) *Prohibition on Future Action.* The Issuer will not take any action after the date hereof which would cause the Bonds not to conform in all material respects to the description thereof contained in the Official Statement;

(t) *Issuer's Cooperation.* The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; *provided, however,* that nothing herein contained shall require the Issuer to execute a special or general consent to the service of process in any jurisdiction other than Texas;

(u) *Compliance with Rule 15c2-12.* The Issuer has complied with all previous undertakings required pursuant to Rule 15c2-12; and

(v) *Certificates of Interested Parties.* The Issuer acknowledges receipt from each Underwriter of (i) a completed and executed Form 1295 submitted to the Issuer pursuant to the provisions of Section 2252.908, Texas Government Code (collectively, the "*Certificates of Interested Parties*") and has notified the Texas Ethics Commission, in the electronic format prescribed by the Texas Ethics Commission, of the receipt of the Certificates of Interested Parties in accordance with the provisions of Section 2252.908, Texas Government Code or (ii) evidence satisfactory to the Issuer regarding such Underwriter's exemption from the requirements of Section 2252.908, Texas Government Code.

7. *Establishment of Issue Price of the Bonds.* Notwithstanding any provision of this Purchase Agreement to the contrary, the following provisions related to the establishment of the issue price of the Bonds apply:

(a) *Definitions.* For purposes of this Paragraph 7, the following definitions apply:

(i) "*Public*" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a Tax Law Underwriter or a Related Party to a Tax Law Underwriter.

(ii) “*Related Party*” means any two or more persons who are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(iii) “*Sale Date*” means the date of execution of this Purchase Agreement by all parties.

(iv) “*Tax Law Underwriter*” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the Representative to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(b) *Issue Price Certificate.* The Representative, on behalf of the Underwriters, agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate, substantially in the form attached hereto as *Exhibit A*, together with the supporting pricing wires or equivalent communications, with such modifications as may be deemed appropriate or necessary, in the reasonable judgment of the Representative, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds (the “*Issue Price Certificate*”). All actions to be taken by the Issuer under this Paragraph 7 to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer’s municipal advisor identified herein and any notice or report to be provided to the Issuer may be provided to the Issuer’s municipal advisor.

(c) *Public Offering.* The Representative confirms that, on the Sale Date, the Underwriters offered the Bonds to the Public at the offering price or prices (each, an “*Initial Offering Price*”), or at the corresponding yield or yields, set forth in *Schedule II* attached hereto.

(d) *10% Test.* Except as otherwise set forth in the Issue Price Certificate, the Issuer will determine the issue price of the Bonds based on the first price at which 10% of each maturity of the Bonds is sold to the Public (the “*10% Test*”) (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). The Issue Price Certificate will set forth the maturities, if any, of the Bonds for which the issue price will be the applicable Initial Offering Price because the 10% Test was satisfied as of the Sale Date.

(e) *Hold-The-Offering-Price Rule.* The Issue Price Certificate will set forth, the maturities, if any, of the Bonds for which the 10% Test was not satisfied as of the Sale Date and for which the Issuer and the Representative, on behalf of the Underwriters, agree that the

restrictions in the next sentence will apply (each such maturity of the Bonds being referred to as a “*Held Maturity*”), which will allow the Issuer to treat the Initial Offering Price to the Public of each such Held Maturity as the issue price of that Held Maturity (the “*Hold-the-Offering-Price Rule*”). For any maturity identified as a Held Maturity, the Underwriters will neither offer nor sell unsold Bonds of such Held Maturity to any person at a price that is higher than the applicable Initial Offering Price of such Held Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (i) the close of the fifth business day after the Sale Date; or
- (ii) the date on which the Tax Law Underwriters have sold at least 10% of such Held Maturity to the Public at a price that is no higher than the Initial Offering Price of such Held Maturity.

The Representative will promptly advise the Issuer when the Tax Law Underwriters have sold 10% of each such Held Maturity to the Public at a price that is no higher than the applicable Initial Offering Price of such Held Maturity, if that occurs prior to the close of the fifth business day after the Sale Date. On or after the sixth business day after the Sale Date, if requested by the Issuer or Bond Counsel, the Representative also will promptly confirm that the Tax Law Underwriters have complied with the Hold-the-Offering-Price Rule. If at any time the Representative becomes aware of any noncompliance by a Tax Law Underwriter with respect to the Hold-the-Offering Price Rule, the Representative will promptly report such noncompliance to the Issuer.

The Issuer acknowledges that, in making the representation that each Underwriter will comply with the Hold-the-Offering Price Rule with respect to any Held Maturity, the Representative is relying on (A) the agreement of each Underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (B) in the event a selling group has been created in connection with the initial sale of the Bonds to the Public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (C) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the Public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that each Tax Law Underwriter will be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering Price Rule and that no Tax Law Underwriter will be liable for the failure of any other Tax Law Underwriter to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

- (f) The Representative confirms that:
 - (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such

retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter as set forth in the related pricing wires.

(g) *Sale to Related Party not a Sale to the Public.* The Underwriters acknowledge that sales of any Bonds to any person that is a Related Party to a Tax Law Underwriter do not constitute sales to the Public for purposes of this Paragraph 7.

8. *Certain Conditions to the Underwriters' Obligations.* The Underwriters have entered into this Purchase Agreement in reliance upon the representations and warranties of the Issuer contained herein, and the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing Date; *provided, however*, that the Underwriters acknowledge and agree that neither the Issuer nor its consultants have the ability to verify the information included in the Certificates of Interested Parties, if any (other than the contract identification number and description provided by the Issuer) or the basis for an exemption from the requirements of Section 2252.908, Texas Government Code asserted by an Underwriter, and neither the Issuer nor its consultants have an obligation, nor have undertaken any responsibility for advising the Underwriters with respect to the proper completion of the Certificates of Interested Parties (other than the contract identification number and description provided by the Issuer) or the availability of an exemption from the requirements of Section 2252.908, Texas Government Code.

The Underwriters' obligations under this Purchase Agreement are and shall be subject to the following further conditions as of the Closing Date:

(a) *Accuracy of Issuer's Representations and Warranties.* The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on and as of the Closing Date; the statements made in all certificates and other documents delivered to the Underwriters at the Closing pursuant hereto shall be true, complete and correct in all material respects on and as of the Closing Date; and the Issuer shall be in compliance in all material respects with each of the agreements made by it in this Purchase Agreement.

(b) *Performance of Obligations.* At the time of the Closing, (i) the Official Statement, the Trust Indenture, the Depository Agreement, the Continuing Disclosure Agreement, this Purchase Agreement and the other Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to by the Representative; (ii) the proceeds of the sale of the Bonds shall be applied as required by the Trust Indenture and as described in the Official Statement; (iii) all actions which, in the opinion of Bracewell LLP, bond counsel (“*Bond Counsel*”), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iv) the Issuer shall perform or have performed all of its obligations required under or specified in the Trust Indenture, the Depository Agreement, the Continuing Disclosure Agreement, this Purchase Agreement, the other Issuer Documents and the Official Statement to be performed at or prior to the Closing.

(c) *Documents To Be Received by the Underwriters.* At or prior to the Closing, the Issuer shall have performed all of its obligations required under or specified in this Purchase Agreement, the Official Statement and under the Indenture to be performed at or prior to the Closing, and Underwriters shall receive each of the following documents:

(i) *Issuer Documents.* The Indenture, including the Supplemental Indenture, each fully executed, with such modifications or supplements as may have been agreed to by the Representative, the Official Statement approved by the Issuer and fully executed copies of the other Issuer Documents;

(ii) *Bond Counsel’s Opinion.* The unqualified approving opinion of Bond Counsel, dated the Closing Date, substantially in the form included as *Appendix E* to the Official Statement;

(iii) *Supplemental Bond Counsel’s Opinion.* The supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Issuer, the Trustee and the Underwriters, substantially in the form attached hereto as *Exhibit B*;

(iv) *Opinion of Counsel to the Issuer.* An opinion of general counsel to the Issuer, substantially in the form attached hereto as *Exhibit C*;

(v) *Opinions of Co-Disclosure Counsel.* The opinions of the Issuer’s co-disclosure counsel, McCall, Parkhurst & Horton L.L.P. and Mahomes Bolden PC (together, “*Disclosure Counsel*”), substantially in the form attached hereto as *Exhibit D*, together with reliance letters addressed to the Underwriters, to the effect that such opinions addressed to the Issuer may be relied upon by the Underwriters to the same extent as if such opinions were addressed to them.

(vi) *Opinion of Trustee’s Counsel.* An opinion of counsel to the Trustee, dated the Closing Date and addressed to the Issuer, Bond Counsel, and the Underwriters, to the effect that:

A. the Trustee is organized and validly existing in good standing as a national banking association under the laws of the United States of America, with full corporate and other authority to conduct its business and affairs as a trustee;

B. the Trustee has full right, power, and authority to enter into the Indenture, the Supplemental Indenture, the Continuing Disclosure Agreement and the 2018 A Supplement to Depository Agreement and to perform its obligations under, and to carry out and consummate all of the transactions involving the Trustee contemplated by the Trust Indenture, the Continuing Disclosure Agreement and the Depository Agreement; and

C. the Indenture, the Supplemental Indenture, the Continuing Disclosure Agreement and the 2018 A Supplement to Depository Agreement have been duly authorized, executed and delivered by the Trustee and constitute, together with the Depository Agreement, valid and legally enforceable obligations of the Trustee, in accordance with their respective terms;

(vii) *Opinion of Underwriters' Counsel.* The (A) opinion of Chapman and Cutler LLP, counsel to the Underwriters ("*Underwriters' Counsel*"), dated the Closing Date, and addressed to the Underwriters, to the effect that (i) under existing law, the Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, (ii) the Trust Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended and (iii) the agreement of the Issuer contained in the Continuing Disclosure Agreement provides a reasonable basis for the Underwriters to conclude that the Continuing Disclosure Agreement satisfies the requirements of Rule 15c2-12, as amended, and (B) negative assurances letter of Underwriters' Counsel, dated the Closing Date, and addressed to the Underwriters, to the effect that Underwriters' Counsel has no reason to believe that on the Closing Date the Official Statement contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (in each case, except for the financial statements or other financial, forecast, technical, operating, statistical, demographic or accounting statements and data contained therein and the information concerning The Depository Trust Company and its book-entry only system included therein, as to which no view is expressed);

(viii) *Issuer's Closing Certificate.* A certificate, dated the Closing Date, signed by the Chair or Vice Chair of the Governing Board or other Authorized Representative named as such in the Resolution, in form and substance reasonably satisfactory to the Representative, Underwriters' Counsel and Bond Counsel, to the effect that (i) the representations and warranties of the Issuer contained herein are true, complete and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) the Indenture, the Supplemental Indenture, the Continuing Disclosure Agreement, the Depository

Agreement, this Purchase Agreement and the other Issuer Documents have been entered into or properly adopted and are in full force and effect; (iii) no litigation is pending or, to the best of his or her knowledge, threatened (A) to restrain or enjoin the issuance, sale or delivery of any of the Bonds or the payment, collection or application of the proceeds thereof or of the Revenues and other money and securities pledged or to be pledged under the Trust Indenture, (B) in any way contesting or affecting the authority for or the validity of the Bonds or the validity of the Trust Indenture, the Continuing Disclosure Agreement, the Depository Agreement, this Purchase Agreement or the other Issuer Documents, (C) in any way contesting the existence or powers of the Issuer to carry out the transactions contemplated by this Purchase Agreement or (D) contesting in any way the completeness or accuracy of the Official Statement; (iv) the Official Statement (including the financial statements and other financial and statistical data included therein) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading; (v) no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement so that it does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (vi) the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing;

(ix) *Attorney General's Opinion.* The approving opinion (or opinions) of the Attorney General of the State of Texas with an executed registration certificate (or certificates) from the Comptroller of Public Accounts of the State of Texas attached thereto in respect of the Bonds;

(x) *Bond Review Board Approval.* A certificate or other appropriate documentation evidencing approval of the Bonds by the Bond Review Board of the State;

(xi) *Rating Letters.* Proof of receipt of ratings on the Bonds of at least “____” from Standard & Poor’s Ratings Services and at least “____” from Moody’s Investors Service, Inc.;

(xii) *Trustee's Certificate.* A certificate, dated the Closing Date, signed by an authorized officer of the Trustee, in form and substance satisfactory to the Representative, Underwriters’ Counsel and Bond Counsel, to the effect that (i) the Trustee is organized and validly existing in good standing as a national banking association under the laws of the United States of America, (ii) the Trustee has duly authorized, executed and delivered the Supplemental Indenture, the Depository Agreement and the Continuing Disclosure Agreement (together with the Indenture, the “*Trustee Documents*”) in multiple counterparts and, if required by a particular document, attested and affixed the corporate seal of the Trustee thereto, (iii) the Trustee Documents have been entered into or properly adopted and are in full force and effect, (iv) the officer who executed the Trustee Documents on behalf of the

Trustee was at the time of such execution, and as of the Closing Date is, the duly elected, qualified and acting incumbent of the office set forth by his or her signature, and the signature appearing after his or her name in the Certificate of Incumbency attached thereto, is his or her genuine signature, and (v) attached to such certificate is an extract of the Trustee's Bylaws, which evidences the authority of the officers referred to above to act on behalf of the Trustee; said Bylaws were in effect on the date or dates said officers acted and remain in full force and effect on the Closing Date;

(xiii) *Accountants' Letter.* Prior to or at the Closing, the Underwriters shall have received from the Texas State Auditor's Office, independent auditors to the Issuer, a letter containing its consent to the reference to it and the use of its report in the Official Statement with regard to the audited financial statements of the Issuer for its fiscal year ended August 31, 2017;

(xiv) *Verification of Mathematical Computations.* A letter from Causey Demgen & Moore, Inc., the verification agent, concerning the verification of the mathematical accuracy of the computations relating to the yield on the Bonds and the yield on the Mortgage Certificates contained in the schedules provided to and used by Bond Counsel in their determination that interest on the Bonds is excludable from the gross income for federal income taxation purposes of the owners thereof;

(xv) *Issuer Certification.* A certificate of the Issuer in form and substance reasonably satisfactory to Bond Counsel and Underwriters' Counsel (1) setting forth the facts, estimates and circumstances in existence on the Closing Date, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed) issued pursuant to the Code, and (2) certifying that to the best of the knowledge and belief of the Issuer there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(xvi) *Internal Revenue Service Form 8038.* A completed Internal Revenue Service Form 8038, Information Return for Private Activity Bond Issues with respect to the Bonds;

(xvii) *Program Documents.* Forms of the Program documents, including the Servicing Agreement, the Compliance Agreement and the Program Guidelines, in form and substance reasonably acceptable to the Representative;

(xviii) *DTC Blanket Letter of Representation.* A copy of the Blanket Letter of Representations to DTC relating to the Bonds signed by the Issuer;

(xix) *Additional Certificates, Instruments and Opinions.* Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative, Bond Counsel, Disclosure Counsel or Underwriters' Counsel may reasonably request to evidence compliance by the Issuer with the legal requirements relating to the issuance of the Bonds, the truth and accuracy, as of the time of Closing, of the representations of the Issuer herein contained and of the Official Statement and the due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer; and

(xx) *Additional Information.* Such additional certificates, instruments, or opinions as Underwriters' Counsel may deem necessary or desirable to evidence the due authorization, execution, and delivery of the Bonds and the conformity of the Bonds, the Trust Indenture, the Continuing Disclosure Agreement, the Depository Agreement, the Resolution and this Purchase Agreement, with the terms thereof as outlined in the Official Statement.

(d) *Compliance of Documents.* To the extent not otherwise provided herein, (i) the Official Statement, the Indenture, the Supplemental Indenture, the Continuing Disclosure Agreement, the Depository Agreement and the Resolution and all the opinions, letters, certificates, instruments and all other documents mentioned in this Paragraph 8 or elsewhere herein shall be deemed to be in compliance with the provisions hereof if, but only if, in final form as hereinafter agreed upon, they are in form and substance satisfactory to the Representative on behalf of the Underwriters and Underwriters' Counsel, each of which shall have the right to waive any condition set forth in this Paragraph 8 relating to the Bonds, and (ii) the Representative, the Underwriters and Underwriters' Counsel may rely on all the opinions, letters, certificates, instruments and other documents mentioned in this Paragraph 8 or elsewhere herein and not addressed to the Representative or to the Underwriters and Underwriters' Counsel as fully and to the same extent as if said documents were addressed to them.

(e) *Compliance With Trust Indenture.* At or prior to the Closing, all of the requirements for the issuance of the Bonds set forth in the Trust Indenture will have been met.

(f) *Investments.* Evidence in a form satisfactory to the Underwriters of an agreement to invest the proceeds of the Bonds (including transferred proceeds, if any) held in the Mortgage Loan Fund and the Revenue Fund in a manner permitted under the Trust Indenture, the Depository Agreement and the Act.

9. *Termination of Purchase Agreement by the Underwriters.* The Underwriters may terminate at their absolute discretion (except for Paragraph 9(f) below which termination shall be at their reasonable discretion) their obligations under this Purchase Agreement by notification to the Issuer in writing of their election to do so between the date hereof and the Closing Date, inclusive, if at any time hereafter and prior to and including the Closing Date:

(a) *Future Federal Legislation.* A tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States of America, or legislation shall be favorably reported by such a committee or be introduced by amendment or otherwise, in, or be passed by, the House of Representatives or the Senate, or recommended to the Congress of the United States of America, or be enacted by the Congress of the United States of America, or a decision by a court established under Article III of the Constitution of the United States of America, or the Tax Court of the United States of America, shall be rendered, or a ruling, regulation or order of the Treasury Department of the United States of America or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon revenue or other income of the general character to be derived by the owners of the Bonds or upon interest received on obligations of the general character of the Bonds, which, in the Underwriters' opinion, materially adversely affects the market price of or market for the Bonds;

(b) *Future State Legislation.* Any legislation, ordinance, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State of Texas, or any interpretation by the Attorney General of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the Underwriters' opinion, materially affects the market price of or prevents the structure of the Bonds as set forth in the Official Statement;

(c) *Actions by the Securities and Exchange Commission.* A stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission (the "SEC") or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of the obligations of the general character of the Bonds or the other outstanding single family mortgage revenue bond obligations of the Issuer, or the issuance, offering or sale of the Bonds or the other outstanding single family mortgage revenue bond obligations of the Issuer, including any of the underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of any provision of the federal securities laws, including the registration provisions of the Securities Act of 1933, as amended, and as then in effect, or the registration provisions of the Securities Exchange Act of 1934, as amended and as then in effect, including Rule 15c2-12 adopted by the SEC pursuant thereto, or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect, or any other proceedings shall be pending or threatened by the SEC against the Issuer;

(d) *Legislation Regarding Registration.* Legislation shall be enacted by the Congress of the United States of America or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States of America shall be rendered to the effect that obligations of the general character of the Bonds, including any of the underlying obligations, are not exempt from registration under or from other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act

of 1934, as amended and as then in effect, or the qualifications provisions of the Trust Indenture Act of 1939, as amended and as then in effect, or would violate any provision of the federal securities laws;

(e) *Adverse Effect on Tax Status of Issuer, Its Property, Income, Securities, Etc.* Any amendment to the Constitution of the United States of America or of the State or action by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Issuer, its property, income, securities (or interest thereon), the validity or enforceability of the Bonds, the Trust Indenture, the Continuing Disclosure Agreement, the Depository Agreement, this Purchase Agreement or the Program documents;

(f) *Events Affecting Information in the Official Statement.* Any event shall have occurred, or information shall have become known, which makes untrue in any materially adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement as originally circulated contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; *provided however*, that the Underwriters shall not terminate this Purchase Agreement pursuant to this Paragraph 9(f) for the predominant reason of adverse market conditions generally in effect;

(g) *Additional Restrictions on Trading in Securities.* A suspension of trading or additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(h) *Additional Restrictions on Extension of Credit.* Any national securities exchange or any governmental authority shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters;

(i) *General Banking Moratorium.* A general banking moratorium shall have been established by federal authorities, or by authorities of the State of Texas or the State of New York;

(j) *Downgrade of Bond Rating.* Any rating on the Bonds or any other bonds or obligations secured on a parity basis by a pledge or application of the Trust Estate shall have been downgraded or withdrawn or placed on credit watch with negative outlook by a national credit rating service which, in the Underwriters' opinion, materially adversely affects the market price of the Bonds;

(k) *Declaration of War.* The United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak of hostilities or a State, national or international calamity or crisis in the financial markets of the United States being such as, in the opinion of the

Representative, would affect materially and adversely the ability of the Underwriters to market the Bonds;

(l) *Failure To Timely Provide the Official Statement.* Failure of the Issuer to provide, within seven (7) business days of the date hereof, an Official Statement in form and substance satisfactory to the Underwriters; or

(m) *Certain Disruptions.* A material disruption in commercial banking or securities settlement, payment or clearance services shall have occurred.

10. *Termination of Obligations Under the Purchase Agreement.* If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Agreement (and such conditions are not waived by the Underwriters) or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and the Underwriters and the Issuer shall have no further obligations hereunder, except for the obligations regarding the Good-Faith Check described in Paragraph 5 hereof.

11. *Amendment of the Official Statement.* After the Closing Date and during the shorter period (the “*Amendment Period*”) ending on (a) 90 days from the “end of the underwriting period” (as defined in Rule 15c2-12) for the Bonds or (b) the time when the Official Statement is available to any person from the MSRB or a “nationally recognized municipal securities repository” (as defined in Rule 15c2-12), but in no event less than 25 days after the “end of the underwriting period” for the Bonds, (i) the Issuer will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Representative shall object in writing or which shall be disapproved by Underwriters’ Counsel and (ii) if any event relating to or affecting the Issuer shall occur as a result of which it is necessary, in the opinion of the Representative, to amend or supplement the Official Statement so that it does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer shall forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Issuer and the Representative) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. The Issuer and the Representative will promptly notify each other of the occurrence of any event which, in their respective opinions, is an event described in clause (ii) of the immediately preceding sentence.

12. *Payment of Expenses.*

(a) *Expenses Paid by Issuer.* In addition to the underwriting fees set forth in Paragraph 1 above, the Issuer shall pay, or cause to be paid, and the Underwriters shall be under no obligation to pay, the following expenses in connection with the issuance of the Bonds: (i) the cost of the preparation and reproduction of the Indenture, the Supplemental Indenture and any and all other documents relating to the issuance of the Bonds; (ii) the cost of the preparation, printing and shipping of the Bonds; (iii) the fees and disbursements of Bond Counsel, counsel to the Trustee and Disclosure Counsel; (iv) the initial fees of the

Trustee; (v) the fees for bond ratings for the Bonds; (vi) the cost of preparation, production, printing and distributing the Preliminary Official Statement and any amendment of or thereto; (vii) the cost of preparation, production, printing and distributing the Official Statement and any amendment of or thereto; (viii) all fees and expenses of the issuance of the Bonds incurred in connection with the Closing; (ix) the cost of the preparation and publication of a supplement or amendment to the Official Statement referenced in Paragraph 11 hereof which, in the opinion of the Representative, is required to be prepared; (x) the fees to the Texas State Auditor's Office related to the reference and use of their opinion in the Official Statement with regard to the audited financial statements of the Issuer for the fiscal year ended August 31, 2017; (xi) the fees and expenses of Causey Demgen & Moore, Inc. related to the verification of the mathematical accuracy of the computations described in Paragraph 8(c)(xiv) hereof; (xii) the financial advisory fees and expenses incurred in connection with the issuance of the Bonds; and (xiii) any other expenses mutually agreed to by the Issuer and the Underwriters to be reasonably considered expenses of the Issuer, including, but not limited to, meals, transportation, lodging, and entertainment of Issuer's employees which are incident to the transactions contemplated hereby and ordinary and reasonable meals hosted by the Underwriters that are directly related to the offering contemplated by this Purchase Agreement.

(b) *Expenses Paid by Underwriters.* The Underwriters shall pay, and the Issuer shall not be under any obligation to pay: (i) fees and expenses relating to the public offering and distribution of the Bonds, including commissions, risk and management fees; (ii) fees and disbursements of Underwriters' Counsel, expenses of advertising, costs of preparation and reproduction of any Blue Sky survey, fees in connection with the qualification of the Bonds under the Blue Sky laws of any jurisdiction which the Underwriters elect to qualify the Bonds, and all other expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds; (iii) all expenses in relation to the printing of CUSIP numbers on the Bonds and the CUSIP Service Bureau charge for the assignment of such numbers; (iv) the fees of DTC if the Bonds are not in certificated form; and (v) the fees due to the Municipal Advisory Council of Texas.

13. *Representative Not Engaged with Foreign Terrorist Organizations.* Pursuant to Subchapter F, Chapter 2252, Texas Government Code, to the extent applicable to this Purchase Agreement, the Representative represents that neither it nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Representative, is a company engaged in business with Iran, Sudan or a foreign terrorist organization or on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Section 806.051, Section 807.051 or Section 2252.153, Texas Government Code.

14. *Anti-Boycott Verification.* To the extent this Purchase Agreement is a contract for goods or services, the Representative hereby verifies that it does not boycott Israel and will not boycott Israel through the term of this Purchase Agreement. For purposes of this verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

15. *Survival of Representations and Warranties.* All representations, warranties and agreements herein shall remain operative and in full force and effect, regardless of any investigations made by or the Underwriters on their behalf, and shall survive delivery of the Bonds to the Underwriters.

16. *Notices.* Any notice or other communication to be given pursuant to this Purchase Agreement to the Issuer may be given by mailing or delivering the same in writing to the Texas Department of Housing and Community Affairs, 221 East 11th Street, Austin, Texas 78701, Attention: Executive Director, with a copy to the Issuer's Director of Bond Finance at the same address. Any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to RBC Capital Markets, LLC, 100 2nd Avenue South, Suite 800, St. Petersburg, Florida 33701, Attention: Deborah N. Berner.

17. *Benefits of Representations and Warranties.* This Purchase Agreement is made solely for the benefit of the signatories hereto (including their successors and assigns), and no other person shall acquire or have any rights hereunder or by virtue hereof. By acceptance hereof, each of the signatories hereto agrees to the terms of the Bonds as set forth herein and agrees to be bound by this Purchase Agreement and by the terms of any agreements herein to which such signatory is a party. The Issuer may not assign this Purchase Agreement.

18. *Governing Law.* This Purchase Agreement shall be governed by and construed in accordance with the law of the State of Texas.

19. *Counterparts.* This Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same documents.

20. *No Personal Liability.* None of the members of the Governing Board or any officer, agent or employee of the Issuer shall be charged personally by the Underwriters with any liability, or be held liable to the Underwriters under any term or provision of this Purchase Agreement, or because of its execution or attempted execution, or because of any breach, or attempted or alleged breach, of this Purchase Agreement.

21. *Severability.* If any provision of this Purchase Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable, and this Purchase Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Purchase Agreement a provision as similar in its terms and effect to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

22. *Entire Agreement.* This Purchase Agreement constitutes the entire agreement, understanding, representations, warranties and obligations of the parties hereto with respect to the transactions contemplated hereby and shall become effective upon the acceptance of this offer by the execution and the counter execution hereof as provided, and shall be valid and enforceable as of the time of such acceptance.

23. *Headings.* The headings of the paragraphs of this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

24. *Effective Date.* This Purchase Agreement is to be effective on the day and year first written above.

[Remainder of Page Intentionally Left Blank]

If you agree with the foregoing, please sign the enclosed counterpart of this Purchase Agreement and return it to the Representative. This Purchase Agreement shall become a binding agreement between you and the Underwriter when at least the counterpart of this Purchase Agreement shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC CAPITAL MARKETS, LLC as Representative
of the Underwriters

By _____
Deborah N. Berner
Director

ACCEPTED:

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By _____
Monica Galuski
Director of Bond Finance

SCHEDULE I

LIST OF UNDERWRITERS

Book-Running Senior Manager: RBC Capital Markets, LLC

Co-Managers: Jefferies LLC
J.P. Morgan Securities LLC
Fidelity Capital Markets

SCHEDULE II

**SCHEDULE OF MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES AND PRICES**

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

I, the undersigned officer of RBC Capital Markets, LLC (the “Representative”), acting on behalf of itself and Jeffries LLC, J.P. Morgan Securities LLC, and Fidelity Capital Markets (collectively, the “Underwriting Group”), make this certification in connection with the \$[] Single Family Mortgage Revenue Bonds 2018 Series A (the “Bonds”) issued by the Texas Department of Housing and Community Affairs (the “Issuer”).

1. I hereby certify as follows in good faith as of the Issue Date of the Bonds:

(a) I am the duly chosen, qualified and acting officer of the Representative for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Underwriting Group. I am the officer of the Representative charged, along with other officers of the Underwriting Group, with responsibility for the Bonds.

(b) [IF 10% OF MATURITY SOLD ON SALE DATE] For the Bonds maturing in [], the first price at which at least 10% of each maturity was sold to the Public is the price for each such maturity set forth on the inside cover of the Official Statement prepared in connection with the Bonds (each, an “Actual Sales Price”).

(c) [IF FEWER THAN 10% OF MATURITY SOLD ON SALE DATE] For the Bonds maturing in [] (each, a “Held Maturity”), the Underwriting Group on or before the Sale Date offered for purchase each such maturity to the Public at the applicable initial offering price set forth on the inside cover of the Official Statement prepared in connection with the Bonds (each, an “Initial Offering Price”). A copy of the pricing wire evidencing the Initial Offering Prices is attached hereto as Attachment I. In connection with the offering of the Bonds, each member of the Underwriting Group agreed in writing that (i) during the Hold Period, it would neither offer nor sell any Held Maturity to any person at a price higher than the applicable Initial Offering Price (the “Hold-the-Offering-Price Rule”) and (ii) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement would contain the agreement of each broker-dealer who is a party to the retail distribution agreement, that, during the Hold Period, such party would comply with the Hold-the-Offering-Price Rule. In accordance with such agreements, no Underwriter offered or sold any of the Held Maturities at a price higher than the applicable Initial Offering Price for such Held Maturity during the Hold Period.]

(d) The aggregate of the Actual Sales Prices and the Initial Offering Prices is \$[].

2. For purposes of this Issue Price Certificate, the following definitions apply:

(a) “Hold Period” means, with respect to a Held Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the Underwriters have sold at least 10% of such Held Maturity to the Public at a price no higher than the applicable Initial Offering Price.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(c) “Related Party” means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(d) “Sale Date” means the first day on which there is a binding contract in writing for the sale or exchange of the Bonds. The Sale Date of the Bonds is August [___], 2018.

(e) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the Representative to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative’s interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bracewell LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds. Notwithstanding the foregoing, we remind you that we are not accountants or actuaries, nor are we engaged in the practice of law. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned in relying on representations made by the other members of the Underwriting Group. Except as expressly set forth above, the certifications set forth herein may not be relied or used by any third party or for any other purpose.

[EXECUTION PAGE FOLLOWS]

EXECUTED as of this _____ day of September [____], 2018.

RBC CAPITAL MARKETS, LLC

By _____
Deborah N. Berner
Director

ATTACHMENT 1 TO ISSUE PRICE CERTIFICATE

FINAL PRICING WIRE

[See Attached]

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Texas Department of Housing and
Community Affairs
221 East 11th Street
Austin, Texas 78701

The Bank of New York Mellon Trust
Company, N.A., as Trustee
10161 Centurion Parkway North
Jacksonville, Florida 32256

RBC Capital Markets, LLC,
as Representative of the Underwriters
100 2nd Avenue South, Suite 800
St. Petersburg, Florida 33701

Re: Texas Department of Housing and Community Affairs
Single Family Mortgage Revenue Bonds, 2018 Series A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Texas Department of Housing and Community Affairs (the “Department”) in connection with the issuance, sale and delivery by the Department of its Single Family Mortgage Revenue Bonds, 2018 Series A (the “Bonds”). RBC Capital Markets, LLC, as representative of a group of underwriters named in the hereinafter described Purchase Agreement (the “Underwriters”), has agreed to purchase the Bonds from the Department pursuant to the Bond Purchase Agreement dated August __, 2018 (the “Purchase Agreement”) between the Department and the Underwriters. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in the Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2017 (as amended and supplemented from time to time, the “Indenture”), between the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of September 1, 2018, between the Department and the Trustee (the “Sixty-Sixth Supplemental Indenture” and collectively with the Indenture, the “Trust Indenture”).

This opinion is rendered pursuant to Paragraph 8(c)(iii) of the Purchase Agreement. In connection therewith, we have examined and are familiar with (i) certified or original executed counterparts of the documents referred to in our opinion of even date herewith relating to the Bonds, and the Official Statement dated August __, 2018 (the “Official Statement”) and (ii) such other documents, instruments, certificates and opinions as we have deemed necessary to enable us to render this opinion.

You have authorized us to assume without independent verification (i) the genuineness of certificates, records and other documents (collectively, “Documents”) and the accuracy and completeness of the statements of fact contained therein; (ii) the due authorization, execution and delivery of the Documents described above by the other parties thereto; (iii) that all Documents submitted to us as originals are accurate and complete; and (iv) that all Documents submitted to us as copies are true and correct copies of the originals thereof.

Based on said examination, it is our opinion that under existing laws, the Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and neither the Indenture nor the Sixty-Sixth Supplemental Indenture is required to be qualified under the Trust Indenture Act of 1939, as amended.

We have reviewed the statements contained in the Official Statement under the captions “THE SERIES 2018A BONDS” (but excluding the information contained therein under the subheadings “Average Life and Prepayment Speeds” and “DTC and Book-Entry”), “SECURITY FOR THE BONDS” (but excluding the information contained therein under the subheadings “—The Prior Bonds,” and “—Prior Mortgage Certificates”), “THE PROGRAM AND THE MORTGAGE LOANS” (but excluding the information contained therein under the subheadings “—Servicing,” and “—The Master Servicers”), “THE TRUST INDENTURE,” “TEXAS TREASURY SAFEKEEPING TRUST COMPANY,” “TAX MATTERS,” “LEGALITY FOR INVESTMENT” and “APPROVAL OF LEGALITY” and in Appendix A and Appendix E to the Official Statement. Such statements, insofar as they purport to summarize certain provisions of the Act, the laws of the State of Texas, the Indenture, the Sixty-Sixth Supplemental Indenture, the Depository Agreement, the Bonds and the federal tax implications with respect to the Bonds, present a fair and accurate summary of such matters. Other than as set forth above, we were not requested to participate in and did not take part in the preparation of any information in the Official Statement and do not assume responsibility with respect thereto.

The opinions expressed above are expressed only insofar as the laws of the State of Texas and the United States of America may be applicable. This opinion speaks only as of its date and only in connection with the Bonds and may not be applied to any other transaction. The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Further, this opinion is furnished by us solely to the addressees, and is solely for your benefit, and no one else is entitled to rely upon this opinion.

Very truly yours,

EXHIBIT C

FORM OF OPINION OF ISSUER'S COUNSEL

[Closing Date]

Bracewell LLP
111 Congress Avenue
Austin, Texas 78701

The Bank of New York Mellon Trust
Company, N.A., as Trustee
10161 Centurion Parkway North
Jacksonville, Florida 32256

RBC Capital Markets, LLC
as Representative of the Underwriters
100 2nd Avenue South, Suite 800
St. Petersburg, Florida 33701

Re: Texas Department of Housing and Community Affairs
Single Family Mortgage Revenue Bonds, 2018 Series A

Ladies and Gentlemen:

I am the General Counsel of the Texas Department of Housing and Community Affairs (the "Department") and have acted as such during certain proceedings relating to the issuance, sale and delivery by the Department of its Single Family Mortgage Revenue Bonds, 2018 Series A (the "Bonds"). RBC Capital Markets, LLC, as representative of a group of underwriters named in the hereinafter described Purchase Agreement (the "Underwriters"), has agreed to purchase the Bonds from the Department pursuant to a Bond Purchase Agreement dated August __, 2018 (the "Purchase Agreement") between the Department and the Underwriters. The Bonds are being issued pursuant to an Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2017 (as amended and supplemented from time to time, the "Indenture"), between the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and a Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of September 1, 2018, between the Department and the Trustee (the "Sixty-Sixth Supplemental Indenture" and together with the Indenture, the "Trust Indenture"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in such Purchase Agreement or in the Trust Indenture.

In my capacity as the General Counsel of the Department, I have examined and am familiar with the enabling legislation of the Department which has been codified as Chapter 2306, Texas Government Code, as amended (the "Act"), and certain copies or original counterparts of the Resolution of the Governing Board of the Department, which was adopted on June 28, 2018, Resolution No. 18-024 (the "Approving Resolution"), authorizing the issuance, sale and delivery

of the Bonds and approving the form and substance of and authorizing the execution and delivery of documents and instruments relating thereto.

You have authorized me to assume without independent verification (i) the genuineness of certificates, records and other documents (collectively, "Documents") and the accuracy and completeness of the statements of fact contained therein; (ii) the due authorization, execution and delivery of the Documents described above by the other parties thereto; (iii) that all Documents submitted to me as originals are accurate and complete; and (iv) that all Documents submitted to me as copies are true and correct copies of the originals thereof.

In addition, I examined such other materials (including the Department Documents as hereinafter defined) as was necessary to enable me to express the opinions set forth below.

Based upon the foregoing, and subject to the qualifications set forth below, I am of the opinion that:

1. The Department is a public and official agency of the State of Texas duly organized, validly existing and in good standing under the laws of the State of Texas and as such, has full legal right, power and authority to carry out and effectuate the transactions contemplated by the Bonds, the Indenture, the Sixty-Sixth Supplemental Indenture, the Depository Agreement, the Continuing Disclosure Agreement dated as of September 1, 2018, between the Department and the Trustee, the Purchase Agreement and the Approving Resolution (collectively, the "Department Documents").

2. The terms and provisions of the Department Documents comply in all material respects with the requirements of the Act.

3. The Department Documents have each been duly authorized, executed and delivered by the Department, and assuming due authorization, execution and delivery by the other parties thereto, constitute valid and legally binding agreements of the Department enforceable in accordance with their respective terms, subject to any applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights generally and further subject to the availability of equitable remedies, including specific performance, under the Department Documents potentially being limited by general principles of equity that permit the exercise of judicial discretion, and by principles of sovereign immunity. Furthermore, the enforceability of the indemnification provisions contained in any of the Department Documents may be limited by applicable securities law and public policy and the Texas Constitution.

4. The Department has duly approved and authorized the distribution of the Preliminary Official Statement and approved and authorized the execution and distribution of the Official Statement.

5. Without having undertaken any additional review of information other than that information contained in the Department's records, there is no action, suit, proceeding, investigation at law or in equity before or by any court, public board or public body pending or, to the best of my knowledge, threatened, against or affecting the Department wherein an unfavorable

decision, ruling or finding would materially adversely affect the transactions contemplated by the Official Statement or the validity of the Department Documents.

6. The execution and delivery of the Department Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, to the best of my knowledge, do not and will not in any material respect conflict with or constitute on the part of the Department a breach or default under any agreement or other instrument to which the Department is a party or existing law, ordinance, administrative regulation, court order or consent decree to which the Department is subject.

7. The Department is empowered to use the proceeds of the Bonds as provided in the Department Documents and to secure the Bonds as provided in the Approving Resolution and the Trust Indenture.

8. The issuance of the Bonds has been approved by the Department pursuant to the Approving Resolution, which Approving Resolution is in full force and effect in the form adopted; and no further action is required to be taken by the Department to authorize the issuance and delivery of the Bonds and the performance by the Department of its obligations thereunder; provided, however, that there is delivered at Closing an opinion or opinions of the Attorney General of the State of Texas with an executed registration certificate or certificates from the Comptroller of Public Accounts of the State of Texas attached.

9. The statements contained in the Official Statement under the captions “THE DEPARTMENT” and “LITIGATION MATTERS” present a fair and accurate description of such matters; such statements under such captions are true and accurate in all material respects and do not omit any matter which, in my opinion, should be included or referred to therein and which is not included elsewhere in the Official Statement; and based upon the information contained in the files maintained by me in the Department’s office, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to my attention which would lead me to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion I am not expressing an opinion with respect to the Financial Statements and other financial and statistical data included in the Official Statement.

10. The Department will be entitled under the Act to invest funds held under the Trust Indenture in investments authorized in the Trust Indenture, subject to the limitations on investments permitted by the Depository Agreement.

11. To the best of my knowledge, and except with respect to recent Securities and Exchange Commission pronouncements and rules regarding the registration of municipal advisors, all approvals, consents, authorizations and registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Department of its obligations under the Department Documents, have been obtained and are in full force and effect.

No opinion is expressed herein with respect to compliance with the securities laws of any jurisdiction, whether federal or state.

No opinion is expressed and no comment is made with respect to the sufficiency of the security for or the marketability of the Bonds.

This letter is delivered in connection with the issuance, sale and delivery of the Bonds. It is furnished to you solely for your benefit, and no other party is entitled to rely hereon without written permission from the Department's General Counsel.

Respectfully,

James "Beau" Eccles
General Counsel

EXHIBIT D

FORM OF OPINIONS OF CO-DISCLOSURE COUNSEL

[Closing Date]

Texas Department of Housing and
Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Texas Department of Housing and Community Affairs
Single Family Mortgage Revenue Bonds, 2018 Series A

Ladies and Gentlemen:

We have acted as Co-Disclosure Counsel for the Texas Department of Housing and Community Affairs (the “Department”) in connection with the issuance, sale and delivery of its Single Family Mortgage Revenue Bonds, 2018 Series A (the “Bonds”). The Bonds were issued pursuant to an Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2017 (the “Indenture”), between the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of September 1, 2018, between the Department and the Trustee (the “Sixty-Sixth Supplemental Indenture” and together with the Indenture, the “Trust Indenture”). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in the Trust Indenture and the Bond Purchase Agreement dated August __, 2018, between RBC Capital Markets, LLC, as representative of a group of underwriters named therein and the Department.

We have examined such documents and satisfied ourselves as to such matters as we have deemed necessary in order to enable us to express the opinions set forth herein.

The primary purpose of our professional engagement as your counsel was not to establish factual matters. Many of the determinations involved in the preparation of the Official Statement, dated August __, 2018 (the “Official Statement”), are wholly or partially nonlegal in character. Therefore, we have not verified and are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement. We have, however, participated in the preparation of the Official Statement. Such participation included, among other things, general discussions and inquiries concerning various legal and related subjects, and the review of certain records, documents and proceedings. We also participated in conferences, or had conversations, with (i) representatives of the Department and its financial advisor and (ii) Bracewell LLP, Bond Counsel, regarding the contents of the Official Statement.

Based upon the foregoing, it is our opinion that the information contained in the Official Statement under the captions "THE DEPARTMENT" and "CONTINUING DISCLOSURE OF INFORMATION" presents a fair and accurate summary of the matters referred to therein, and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading. Further, based upon the information made available to us during the course of our participation of the Official Statement, no facts came to our attention which would lead us to believe that the Official Statement (except for the financial statements and other financial and statistical data contained therein, including particularly, without limitation, that contained under the caption "SECURITY FOR THE BONDS" and in "APPENDIX D-1-1," "APPENDIX D-1-2," "APPENDIX D-2," "APPENDIX F-1," "APPENDIX F-2," "APPENDIX G-1," "APPENDIX G-2" and "APPENDIX H" and the information contained under the caption "TAX MATTERS," as to which no view is expressed), as of its date, contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We express no opinion and make no comment with respect to the sufficiency of the security for the Bonds.

This letter is furnished to you solely for your benefit and no other party is entitled to rely hereon without our written permission.

Respectfully,

Exhibit C

RATINGS:
S & P: "AA+"
Moody's: "Aa1"
(See "RATINGS" herein)

Bracewell LLP, Bond Counsel, is of the opinion that, subject to certain conditions described herein and under existing law, (i) interest on the Series 2018A Bonds is excludable from gross income for federal income tax purposes and (ii) interest on the Series 2018A Bonds is not a specific preference item subject to the alternative minimum tax.

NEW ISSUE - BOOK-ENTRY ONLY

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

\$ _____*
Single Family Mortgage Revenue Bonds
2018 Series A

Dated Date: Date of Delivery

Due: As shown on inside cover page

The Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Bonds, 2018 Series A (the "Series 2018A Bonds") are issuable by the Texas Department of Housing and Community Affairs (the "Department") only as fully registered bonds, without coupons, and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds will be available to purchasers only in book-entry form in denominations of \$5,000 or any integral multiple thereof. For as long as Cede & Co. is the exclusive registered owner of the Series 2018A Bonds, the principal or redemption price of, and interest on, the Series 2018A Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., as Trustee, to DTC, which will be responsible for making such payments to DTC Participants (as defined herein), for subsequent remittance to the owners of beneficial interests in the Series 2018A Bonds. The purchasers of the Series 2018A Bonds will not receive certificates representing their beneficial ownership interest. See "THE SERIES 2018A BONDS - DTC and Book-Entry."

The Series 2018A Bonds will accrue interest from the date of delivery until their maturity or prior redemption at the per annum rate of interest set forth on the inside cover page hereof. Interest on the Series 2018A Bonds will be payable to DTC commencing on March 1, 2019, and semi-annually thereafter on each September 1 and March 1 until maturity or prior redemption thereof, all as more fully described on the inside cover page hereof.

THE SERIES 2018A BONDS ARE SUBJECT TO REDEMPTION ON THE DATES AND AT THE REDEMPTION PRICES WHICH ARE MORE FULLY DESCRIBED HEREIN. See "THE SERIES 2018A BONDS - Redemption Provisions."

The Series 2018A Bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed, pass-through certificates (the "Mortgage Certificates"). The Mortgage Certificates purchased with the proceeds of the Series 2018A Bonds will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("Ginnie Mae") ("Ginnie Mae Certificates" or "GNMA Certificates"). See APPENDIX B-1. The Series 2018A Bonds, the Prior Bonds (as defined herein), and, unless subordinated, all Bonds subsequently issued under the Trust Indenture are equally and ratably secured by the Trust Estate (as defined herein) held by the Trustee under the Trust Indenture. See "SECURITY FOR THE BONDS" and "THE TRUST INDENTURE."

THE SERIES 2018A BONDS ARE LIMITED OBLIGATIONS OF THE DEPARTMENT AND ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THE PAYMENT THEREOF AS MORE FULLY DESCRIBED HEREIN. NEITHER THE STATE OF TEXAS (THE "STATE") NOR ANY AGENCY OF THE STATE, OTHER THAN THE DEPARTMENT, NOR THE UNITED STATES OF AMERICA OR ANY AGENCY, DEPARTMENT OR OTHER INSTRUMENTALITY THEREOF, INCLUDING GINNIE MAE, FREDDIE MAC, AND FANNIE MAE, IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2018A BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR THE UNITED STATES OF AMERICA IS PLEDGED, GIVEN OR LOANED TO SUCH PAYMENT. THE DEPARTMENT HAS NO TAXING POWER. GINNIE MAE, FREDDIE MAC, AND FANNIE MAE GUARANTEE ONLY THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE GINNIE MAE CERTIFICATES, FREDDIE MAC CERTIFICATES, AND FANNIE MAE CERTIFICATES, RESPECTIVELY, WHEN DUE AND DO NOT GUARANTEE THE PAYMENT OF THE SERIES 2018A BONDS OR ANY OTHER OBLIGATIONS ISSUED BY THE DEPARTMENT.

The Series 2018A Bonds are offered when, as, and if issued by the Department. Delivery of the Series 2018A Bonds is subject to approval of the legality thereof by Bracewell LLP, Bond Counsel, and certain other conditions. Delivery of the Series 2018A Bonds is also subject to the approval of the legality thereof by the Attorney General of the State. Certain legal matters will be passed upon for the Department by its General Counsel, James "Beau" Eccles, Esq. and by its Co-Disclosure Counsel, McCall, Parkhurst & Horton L.L.P. and Mahomes Bolden PC. Certain legal matters will be passed upon for the Underwriters by their Counsel, Chapman and Cutler LLP. Certain financial advisory services have been provided to the Department by George K. Baum & Company and Kipling Jones & Co. It is expected that the Series 2018A Bonds will be available for delivery to DTC in book-entry only form on or about _____, 2018.

_____, 2018

RBC Capital Markets

Jefferies LLC

Fidelity Capital Markets

J.P.Morgan

*Preliminary, subject to change.

MATURITY SCHEDULE*

\$ _____ * Series 2018A Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>CUSIP</u>
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\$ _____ % Term Bonds due _____ Price ___ % CUSIP _____
\$ _____ % Term Bonds due _____ Price ___ % CUSIP _____
\$ _____ % Term Bonds due _____ Price ___ % CUSIP _____
\$ _____ % Term Bonds due _____ Price ___ % CUSIP _____

\$ _____ % Premium PAC Term Bonds due _____ Price ___ % CUSIP _____

(Interest Accrues from Date of Delivery)

*Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a Preliminary Official Statement of the Department with respect to the Series 2018A Bonds that has been "deemed final" by the Department as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement does not constitute, and is not to be used in connection with, an offer to sell or the solicitation of an offer to buy the Series 2018A Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth in this Official Statement has been obtained from the Department and other sources which are believed to be reliable. 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. This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under such document shall, under any circumstances, create any implications that there has been no change in the affairs of the Department or other matters described herein since the date hereof.

Neither the Department nor the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

Many statements contained in this Official Statement, including the appendices and the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on the Department's beliefs, as well as assumptions made by, and information currently available to, the management and staff of the Department. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this Official Statement.

The Department's projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Department's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Department. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Department's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018A BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2018A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED HEREIN, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The Series 2018A Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Trust Indenture or any other document been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Any registration or qualification of the Series 2018A Bonds in accordance with applicable provisions of the securities laws or the states in which the Series 2018A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2018A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

Relating to

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

\$ _____ *

**Single Family Mortgage Revenue Bonds
2018 Series A**

INTRODUCTION

This Official Statement provides certain information concerning the Texas Department of Housing and Community Affairs (the "Department") in connection with the issuance of its Single Family Mortgage Revenue Bonds, 2018 Series A (the "Series 2018A Bonds"). Capitalized terms used but not otherwise defined herein shall have the respective meanings for such terms as set forth in "APPENDIX A -- GLOSSARY."

The Department, a public and official agency of the State of Texas (the "State"), was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the "Act") for the purpose of, among other things, financing sanitary, decent and safe housing for individuals and families of low and very low income and families of moderate income. The Department is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and all functions and obligations of which were transferred to the Department pursuant to the Act. Under the Act, the Department may issue bonds, notes and other obligations to finance or refinance residential housing and multi-family developments located in the State of Texas and to refund bonds previously issued by the Agency, the Department or certain other quasi-governmental issuers. See "THE DEPARTMENT."

The Series 2018A Bonds are authorized to be issued pursuant to the Act, a resolution adopted by the Governing Board of the Department on June 28, 2018, an Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture, dated as of June 1, 2017 (the "Master Indenture" and, as amended and supplemented from time to time, collectively, the "Trust Indenture") between the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and a Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the "Sixty-Sixth Supplemental Indenture" or "2018A Supplemental Indenture"). The Trust Indenture authorizes the Department to issue bonds to provide funds (i) to acquire or refinance single family mortgage loans or participations therein ("Mortgage Loans") which are made to eligible borrowers, as determined from time to time by the Department, (ii) to purchase mortgage-backed securities, (the "Mortgage Certificates") that are backed by Mortgage Loans and guaranteed by the Government National Mortgage Association ("Ginnie Mac"), the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), (iii) to refund Outstanding Bonds issued under the Trust Indenture, (iv) and to pay costs associated therewith. The Department has previously issued multiple series of single family mortgage revenue bonds (the "Prior Bonds") under the Trust Indenture, of which \$332,385,498 in aggregate principal amount was Outstanding as of April 30, 2018. The Series 2018A Bonds, the Prior Bonds and, unless subordinated, all bonds subsequently issued pursuant to the Trust Indenture (collectively, the "Bonds" or the "Single Family Mortgage Revenue Bonds") will be equally and ratably secured by the Trust Estate held by the Trustee pursuant to the Trust Indenture. See "THE TRUST INDENTURE" and "SECURITY FOR THE BONDS – Additional Bonds."

*Preliminary, subject to change.

In addition to the Single Family Mortgage Revenue Bonds, the Department has previously issued four (4) series of Junior Lien Bonds (the "Prior Junior Lien Bonds"), of which \$3,855,000 in aggregate principal amount was outstanding as of April 30, 2018. The Junior Lien Bonds are limited obligations of the Department and are payable solely from revenues (as defined in the Junior Lien Trust Indenture) and funds pledged for the payment thereof on a basis which is junior and subordinate to the Bonds. See "THE TRUST INDENTURE".

The Series 2018A Bonds are being issued for the primary purpose of providing funds for the purchase of the 2018 A Mortgage Certificates guaranteed as to timely payment of principal and interest by Ginnie Mae which represent beneficial ownership of pools of Mortgage Loans. See "PLAN OF FINANCE."

The Bonds are payable solely from and are secured by a pledge of and lien on the Revenues, Mortgages, Mortgage Loans (including Mortgage Certificates), Investment Securities, moneys held in the Funds (excluding the Rebate Account, the Swap Agreement Termination Payment Subaccount and the Swap Agreement Termination Receipt Subaccount of the Surplus Revenues Account of the Revenue Fund and the Policy Payments Account) and other property pledged under the Trust Indenture (collectively, the "Trust Estate"). All payments with respect to principal of and interest on Mortgage Loans (net of servicing fees) and on Mortgage Certificates (net of servicing and guaranty fees) received by the Department and the earnings on investments of Funds and Accounts held pursuant to the Trust Indenture other than the excluded Funds and Accounts constitute Revenues. Bondholders have no rights to or lien on the Swap Agreements. The pledge of and lien on the Trust Estate is subject to discharge if moneys or qualified securities sufficient to provide for the payment of all Outstanding Bonds are deposited and held in trust for such payment. See "SECURITY FOR THE BONDS – The Prior Bonds" and "THE PROGRAM AND THE MORTGAGE LOANS," "PRIOR SWAP AGREEMENTS," and "PRIOR LIQUIDITY FACILITIES."

The Series 2018A Bonds are on a parity in all respects with all outstanding Prior Bonds, and, unless subordinated, any bonds subsequently issued under the Trust Indenture. Mortgage Loans securing the Bonds must meet certain requirements. For information regarding the Mortgage Loans. See "THE PROGRAM AND THE MORTGAGE LOANS." Mortgage Loans not pooled into Mortgage Certificates are a small percentage of the assets under the Trust Indenture, as most of the assets comprising the Trust Estate are Mortgage Certificates.

THE SERIES 2018A BONDS ARE LIMITED OBLIGATIONS OF THE DEPARTMENT AND ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THE PAYMENT THEREOF AS MORE FULLY DESCRIBED HEREIN. NEITHER THE STATE NOR ANY AGENCY OF THE STATE, OTHER THAN THE DEPARTMENT, NOR THE UNITED STATES OF AMERICA OR ANY AGENCY, DEPARTMENT OR OTHER INSTRUMENTALITY THEREOF, INCLUDING GINNIE MAE, FREDDIE MAC AND FANNIE MAE, IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2018A BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR THE UNITED STATES OF AMERICA IS PLEDGED, GIVEN OR LOANED TO SUCH PAYMENT. THE DEPARTMENT HAS NO TAXING POWER. GINNIE MAE, FREDDIE MAC AND FANNIE MAE GUARANTEE ONLY THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE GINNIE MAE CERTIFICATES, FREDDIE MAC CERTIFICATES AND FANNIE MAE CERTIFICATES, RESPECTIVELY, WHEN DUE AND DO NOT GUARANTEE THE PAYMENT OF THE SERIES 2018A BONDS OR ANY OTHER OBLIGATIONS ISSUED BY THE DEPARTMENT.

There follows in this Official Statement a brief description of the plan of finance, the Department and its bond programs, together with summaries of certain terms of the Series 2018A Bonds, the Trust Indenture, and certain provisions of the Act, as well as other matters. All references herein to the Act, the Trust Indenture, and other agreements are qualified in their entirety by reference to each such document, copies of which are available from the Department, and all references to the Series 2018A Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Trust Indenture.

For information concerning the Prior Bonds and the Mortgage Loans and Mortgage Certificates acquired with proceeds of the Prior Bonds, see "SECURITY FOR THE BONDS – The Prior Bonds" and "APPENDIX E-1 -- ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES." For information concerning other single family and multi-family programs of the Department, see "APPENDIX E-2 -- BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS."

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PLAN OF FINANCE

Proceeds of the Series 2018A Bonds will be (a) deposited to the 2018 A Mortgage Loan Account of the Mortgage Loan Fund and used to purchase 2018 A Mortgage Certificates and (b) used to pay a portion of the costs of issuance of the Series 2018A Bonds.

SOURCES AND USES OF FUNDS

The sources of funds and the uses thereof in connection with the Series 2018A Bonds are expected to be approximately as set forth below.

SOURCES OF FUNDS	
Series 2018 A Bond Proceeds	\$
Issuer Contribution	\$
TOTAL	\$
USES OF FUNDS	
2018 A Mortgage Loan Account*	\$
Underwriter Compensation	\$
Costs of Issuance	\$
TOTAL	\$

* Includes the purchase of 2018 A Mortgage Certificates, estimated accrued interest on the mortgage-backed securities, down payment assistance funds, and lender servicing release premiums.

THE SERIES 2018A BONDS

General

The Series 2018A Bonds will be dated the date of delivery. The Series 2018A Bonds are issuable only as fully registered bonds, without coupons, and 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 the Bond Depository for the Series 2018A Bonds. The Series 2018A Bonds will be available to purchasers in book-entry form only in denominations of \$5,000 or any integral multiple thereof, as more fully described herein. The principal or Redemption Price of, and interest on, the Series 2018A Bonds will be payable by the Trustee to DTC, which will be responsible for making such payments to DTC Participants (hereinafter defined) for subsequent remittance to the owners of beneficial interests in the Series 2018A Bonds or their nominees. See "THE SERIES 2018A BONDS – DTC and Book-Entry."

The Series 2018A Bonds mature on the dates and in the amounts set forth on the inside cover hereof.

Interest Rate

The Series 2018A Bonds will accrue interest from the date of delivery, until maturity or prior redemption at the respective per annum rates of interest set forth on the inside cover page hereof. Interest accrued on the Series 2018A Bonds will be payable on March 1, 2019 and semiannually on each September 1 and March 1 thereafter until maturity or prior redemption. Interest on the Series 2018A Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months.

Redemption Provisions*

The Series 2018A Bonds are subject to optional redemption, special redemption, and mandatory sinking fund redemption at various times prior their scheduled maturities at various Redemption Prices as described below. The Department anticipates that substantially all of the Series 2018A Bonds will be redeemed prior to their scheduled maturities as the result of the receipt by the Department of amounts representing Mortgage Loan Principal Payments, from certain excess Revenues from the Revenue Fund, and, in certain circumstances, from Surplus Indenture Revenues.

Special Redemption from Unexpended Proceeds of Series 2018 Bonds

The Series 2018A Bonds are subject to special redemption from unexpended proceeds, at any time and from time to time, prior to their stated maturities, in whole or in part, at a Redemption Price equal to 100% of the principal amount thereof, provided that, except for a one-time redemption of unexpended proceeds of the Series 2018A Bonds in an amount less than \$500,000 at par, any redemption of the Premium PAC Term Bonds [and Premium Term Bonds] shall be at the applicable Redemption Price that maintains the original yield to average life of such Premium PAC Term Bonds, plus, in each case, accrued interest to the date of redemption.

Such redemption shall occur on July 1, 2019, or as soon as practicable after receipt of a certification of the Department that such amounts will not be used to purchase 2018 A Mortgage Certificates, unless the Certificate Purchase Period is extended in accordance with the Indenture. In no event will the redemption occur later than March 1, 2022.

The Series 2018A Bonds to be redeemed as described in this subcaption shall be selected by the Trustee on a pro rata basis among all maturities unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues.

Special Redemption From Mortgage Loan Principal Payments

The Series 2018A Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time on or after March 1, 2019, after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the Principal Amount of the Series 2018A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date, from amounts transferred to the 2018 A Redemption Account in accordance with the Trust Indenture.

Mortgage Loan Principal Payments. In the event of a redemption from Mortgage Loan Principal Prepayments, the Trustee shall select the particular Series 2018A Bonds to be redeemed as follows:

- (a) the Trustee shall redeem the Premium PAC Term Bonds, but only to the extent that the Outstanding Principal Amount of such Premium PAC Term Bonds following such redemption is not less than the Premium PAC Term Bonds Outstanding Applicable Amount as of such date;

* Preliminary, subject to change

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

<u>Date</u>	<u>Premium PAC Term Bonds Outstanding Applicable Amount</u>
-------------	---

(b) amounts remaining following the redemptions described in clause (a) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Statement of Projected Revenues, to the redemption of the Series 2018A Bonds (other than the Premium PAC Term Bonds) which would produce, as nearly as practicable, a pro rata redemption of the Series 2018A Bonds (other than the Premium PAC Term Bonds) to the extent that the Series 2018A Cumulative Prepayments as of such date do not exceed the the Series 2018A Cumulative Applicable Amount as of such date; and

The Series 2018A Cumulative Applicable Amount is as follows:

<u>Date</u>	<u>Series 2018A Cumulative Applicable Amount</u>
-------------	--

(c) amounts remaining following the redemptions described in clauses (a) and (b) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Statement of Projected Revenues, to the redemption of those maturities of the Series 2018A Bonds which would produce, as nearly as practicable, a pro rata redemption of all of the Series 2018A Bonds taking into account the amounts applied to redeem the Series 2018A Bonds pursuant to the above-described redemptions.

If the Premium PAC Term Bonds are redeemed from pursuant to “Special Redemption from Unexpended Proceeds,” the Premium PAC Term Bonds Outstanding Applicable Amount and the Series 2018A Cumulative Applicable Amount described for each semiannual period will be reduced on a proportionate basis.

Special Redemption From Excess Revenues

The Series 2018A Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time on or after March 1, 2019, after giving notice as provided in the Trust Indenture, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2018A Bonds or portions thereof to be redeemed, plus accrued interest to but not including the redemption date, from excess Revenues (including Surplus Indenture Revenues whether or not derived in connection with the Series 2018A Bonds).

In general, excess Revenues (including Surplus Indenture Revenues) will consist of funds remaining on each Interest Payment Date, in the case of the Series 2018A Bonds, in the 2018 A Revenue Account of the Revenue Fund after taking into account (1) the provision for payment of Debt Service on the Series 2018A Bonds on such Interest Payment Date, (2) the required transfers of amounts to the 2018 A Redemption Subaccount and the 2018 A Principal Subaccount, and (3) the payment of Department Expenses in accordance with the Trust Indenture; and such excess Revenues will be transferred to the 2018 A Redemption Subaccount and used to redeem Series 2018A Bonds unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues.

In the event of a redemption from excess Revenues, the Trustee shall apply amounts transferred to the 2018A Redemption Subaccount in accordance with the Trust Indenture to redeem the 2018 Series A Bonds Outstanding in the same manner described in “Special Redemption from Mortgage Loan Principal Payments” above, unless otherwise instructed by the Department pursuant to a Letter of Instructions accompanied by a Statement of Projected Revenues.

Optional Redemption

The Series 2018A Bonds are subject to redemption prior to maturity, in whole or in part, at any time and from time to time, on and after _____, at the option of the Department after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of such Series 2018A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date.

Mandatory Sinking Fund Redemption

The Series 2018A Bonds maturing on the respective dates specified below are subject to scheduled mandatory redemption prior to maturity and shall be redeemed after giving notice as provided in the Trust Indenture, in the aggregate principal amounts and on the dates set forth in the following tables, at a redemption price equal to 100% of the principal amount of Series 2018A Bonds or portions thereof to be redeemed, plus accrued interest if any, to, but not including, the redemption date:

Term Bonds Maturing _____

<u>Date</u>	<u>Principal Amount (\$)</u>	<u>Date</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------	-------------	----------------------------------

*Final Maturity

Term Bonds Maturing _____

<u>Date</u>	<u>Principal Amount (\$)</u>	<u>Date</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------	-------------	----------------------------------

*Final Maturity

Term Bonds Maturing _____

<u>Date</u>	<u>Principal Amount (\$)</u>	<u>Date</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------	-------------	----------------------------------

*Final Maturity

Term Bonds Maturing _____

<u>Date</u>	<u>Principal Amount (\$)</u>	<u>Date</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------	-------------	----------------------------------

*Final Maturity

Premium PAC Term Bonds Maturing _____

<u>Date</u>	<u>Principal Amount (\$)</u>	<u>Date</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------	-------------	----------------------------------

*Final Maturity

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Selection of Series 2018A Bonds to be Redeemed

Except as described under “Special Redemption from Mortgage Loan Principal Payments” and “Special Redemption from Excess Revenues,” the particular Series 2018A Bonds to be redeemed in part shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. A portion of any Series 2018A Bond may be redeemed, but only in an Authorized Denomination.

Notice of Redemption

The Trustee shall give notice, in the name of the Department, of the redemption of Series 2018A Bonds to the holders thereof, which notice shall specify that the Series 2018A Bonds are to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2018A Bonds are to be redeemed, the letters and numbers or other distinguishing marks, principal amounts, maturity dates and interest rates of such Series 2018A Bonds to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2018A Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal amount thereof, in the case of Series 2018A Bonds to be redeemed in part only, together with interest accrued to but not including the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. If applicable, such notice shall provide that redemption of the Series 2018A Bonds is conditioned upon moneys being available for such purpose on the redemption date.

The Trustee shall mail a copy of such notice by first class mail, postage prepaid, not less than 30 days prior to the redemption date, nor more than 60 days to the holders of any Series 2018A Bonds or portions thereof which are to be redeemed, at the address shown on the registration books maintained by the Trustee.

Payment of Redeemed Bonds

Notice having been given as provided in the Trust Indenture, the Series 2018A Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and upon the occurrence of any subsequent events or satisfaction of any conditions specified in such notice. If there shall be called for redemption less than all of a Series 2018A Bond, the Department shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Series 2018A Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Series 2018A Bond so surrendered, registered Series 2018A Bonds of the same maturity in any Authorized Denomination. If, on the redemption date, moneys for the redemption of all the Series 2018A Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as specified in the Trust Indenture, then from and after the redemption date interest on the Series 2018A Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If such moneys shall not be available on the redemption date, such Series 2018A Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Purchase in Lieu of Redemption

The Trust Indenture permits the purchase of Bonds, including the Series 2018A Bonds, in the open market in lieu of redemption of Bonds. Any such purchase may be at a price no greater than the applicable Redemption Price for such Series 2018A Bonds.

Average Life and Prepayment Speeds

The amounts shown in the tables under "THE SERIES 2018A BONDS—Redemption Provisions" above for Premium PAC Term Bonds Outstanding Applicable Amount and for Series 2018A Cumulative Applicable Amount are based on many assumptions, including (i) receipt of prepayments on the 2018A Mortgage Loans equal to 100 percent of SIFMA's standard prepayment model (as further described below) (the "SIFMA Prepayment Model") in the case of Premium PAC Term Bonds Outstanding Applicable Amount and 400 percent of the SIFMA Prepayment Model in the case of the Series 2018A Cumulative Outstanding Applicable Amount; and (ii) 100 percent of the moneys on deposit in the 2018 A Mortgage Loan Account attributable to the proceeds of the Series 2018A Bonds will be used to purchase 2018 A Mortgage Certificates. Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The SIFMA Prepayment Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. The SIFMA Prepayment Model does not purport to be either an historical description of the prepayment of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the 2018 A Mortgage Certificates. One hundred percent (100%) of the SIFMA Prepayment Model assumes prepayment rates of 0.2 percent per year of the then unpaid principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100 percent of the SIFMA Prepayment Model assumes a constant prepayment rate of six percent per year. Multiples will be calculated from this prepayment rate speed e.g., 200 percent of the SIFMA Prepayment Model assumes prepayment rates will be 0.4 percent per year on month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter.

The following table assumes, among other things, that (i) all amounts in the 2018 A Mortgage Loan Account will be used to purchase 2018 A Mortgage Loans; (ii) 2018 A Mortgage Loans will be purchased on average on _____; (iii) 2018 A Mortgage Loans will have an original term of 30 years, (iv) the 2018 A Mortgage Loans are assumed to have an average interest rate of ___% per annum and an average pass through rate of __%, (v) Trustee's fees will be [____%] per annum of Series 2018A Bonds outstanding, (vi) the Department Expenses will equal ___% per annum of Mortgage Loans outstanding, (vii) the 2018 A Mortgage Loans prepay at the indicated percentage of the SIFMA Prepayment Model, (viii) all 2018 A Mortgage Loans are pooled and assigned to GNMA upon the issuance to the Trustee of GNMA Securities and payments on such Mortgage Certificates are timely made and used on a timely basis to redeem the Series 2018A Bonds, (ix) the Series 2018A Bonds are not redeemed pursuant to optional redemption, (x) no amounts allocable to any other series of Bonds are used to cross-call the Series 2018A Bonds and no amounts allocable to the Series 2018A Bonds are used to cross-call any other series of Bonds, (xi) the Investment Securities held in the 2018 A Mortgage Loan Account will pay interest at the rate of ___% per annum and the Investment Securities held in the Revenue Fund will pay interest at the rate of ___% per annum, and (xii) Series 2018A Bonds will be redeemed as described under "Special Redemption From Mortgage Loan Principal Payments" above.

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Based on the foregoing and other assumptions, some or all of which may not reflect actual experience, the table below indicates the projected weighted average lives of the Term Bonds.

The holder of less than all of the Outstanding principal amount of a Term Bond may not achieve the results indicated above. The Department does not undertake to update this table or any other projections contained in this Official Statement based on the Department's actual experience with respect to repayment and prepayment of the Series 2018A Bonds.

The SIFMA Prepayment Model does not purport to be a prediction of the anticipated rate of prepayments of Mortgage Loans and there is no assurance that the prepayments of the Mortgage Loans will conform to any of the assumed prepayment rates. The Department makes no representation as to the percentage of the principal balance of the Mortgage Loans that will be paid as of any date, as to the overall rate of prepayment or as to the projections or methodology set forth under this caption

Projected Weighted Average Life (in Years) ⁽¹⁾

Prepayment Speed of Mortgage Loans (SIFMA)	Term Bonds Due _/_/20__	Term Bonds Due _/_/20__	Term Bonds Due _/_/20__	Term Bonds Due _/_/20__	Premium PAC Term Bonds Due _/_/20__
0%					
50%					
75%					
100%					
200%					
300%					
400%					
500%					

⁽¹⁾The weighted average life of a bond is determined by (i) multiplying the amount of each principal payment by the number of years from the date of issuance of the bonds to be related principal a date, (ii) adding the results and (iii) dividing the sum by the total principal paid on the bond.

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DTC and Book-Entry

DTC will act as securities depository for the Series 2018A Bonds. The Series 2018A 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 certificate will be issued for each maturity of the Series 2018A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating 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 and www.dtc.org.

Purchases of Series 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018A 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 Series 2018A 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 Series 2018A Bonds, except in the event that use of the book-entry system for the Series 2018A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018A 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 Series 2018A 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 Series 2018A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018A 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 Series 2018A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2018A Bonds may wish to ascertain that the nominee holding the Series 2018A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2018A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018A Bonds at any time by giving reasonable notice to the Department or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Department may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Department, or the Trustee.

The Department, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2018A Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii)

certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series 2018A Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2018A Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

NEITHER THE DEPARTMENT, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE SERIES 2018A BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2018A BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE TRUST INDENTURE TO BE GIVEN TO OWNERS OF SERIES 2018A BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF SERIES 2018A BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A BONDOWNER.

Discontinuation of Book-Entry Only System

In the event that the book-entry-only system is discontinued by DTC or the Department, the following provisions will be applicable to the Series 2018A Bonds. Series 2018A Bonds may be exchanged for an equal aggregate principal amount of Series 2018A Bonds in other Authorized Denominations of the same Series and maturity upon surrender thereof at the applicable corporate trust office of the Trustee with a duly executed assignment in form satisfactory to the Trustee. The transfer of any Series 2018A Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender of such Series 2018A Bond to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or transfer of registration of Series 2018A Bonds, the Department or the Trustee may make a charge sufficient to reimburse it or them for any tax, fee, or other governmental charge required to be paid with respect to such exchange or registration of transfer, as well as the administrative expenses, if any, charged by the Trustee for the transfer or exchange. The Trustee will not be required to transfer or exchange any Series 2018A Bond for a period of 20 days next preceding an interest payment date on such Series 2018A Bonds or next preceding any selection of Series 2018A Bonds to be redeemed or thereafter until after mailing of any notice of redemption on any Series 2018A Bonds called for redemption, or transfer or exchange any Series 2018A Bonds called for redemption. The Department and the Trustee may treat the Person in whose name a Series 2018A Bond is registered as the absolute owner thereof for all purposes, whether such Series 2018A Bond is overdue or not, for the purpose of receiving payment of, or on account of the principal of, interest on, such Series 2018A Bond. If any Series 2018A Bond is not presented for payment when the principal or the Redemption Price therefor becomes due, and if moneys sufficient to pay such Series 2018A Bond (or the portion thereof called for redemption) or such interest, as is applicable, have been deposited under the Trust Indenture, all liability of the Department to the owner thereof for the payment of such Series 2018A Bonds (or portion thereof) or such interest, as applicable, will be discharged, and thereupon it shall be the duty of the Trustee to hold such money for the benefit of the

owner of the applicable Series 2018A Bond, who will thereafter be restricted exclusively to such money, for any claim on his part under the Trust Indenture or on or with respect to, such principal, Redemption Price and/or interest. Money not claimed within three years will be turned over to the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), in accordance with Title 6, Texas Property Code.

SECURITY FOR THE BONDS

Pledge of Trust Indenture

The Bonds, including the Series 2018A Bonds, are equally and ratably secured by the Trust Indenture for the equal benefit, protection and security of the owners of the Bonds, each of which, regardless of time of issuance or maturity, is to be of equal rank without preference, priority or distinction, except as otherwise provided in the Trust Indenture.

Principal or Redemption Price of and interest on all Bonds are payable solely from and are secured by a pledge of and lien on the Trust Estate, which consists generally of the Revenues, Mortgages, Mortgage Loans (including Mortgage Certificates), money and Investment Securities held in the Funds (excluding the Rebate Account, the Swap Agreement Termination Payment Subaccount and the Swap Agreement Termination Receipt Subaccount of the Surplus Revenues Account of the Revenue Fund and the Policy Payments Account), and other property pledged under the Trust Indenture and any Supplemental Indenture. Revenues include all payments with respect to the Mortgage Loans (net of servicing, accounting and collection fees) which include Mortgage Certificates (net of servicing and guaranty fees) and the earnings on investments of amounts held under the Trust Indenture and any supplemental indenture. Revenues do not include Swap Agreement Periodic Receipts or Swap Agreement Termination Receipts, payments made in order to obtain or maintain mortgage insurance and fire and other hazard insurance with respect to Mortgage Loans (including Mortgage Certificates), and any payments required to be made with respect to Mortgage Loans (including Mortgage Certificates) for taxes, other governmental charges, and other similar charges customarily required to be escrowed on mortgage loans or commitment fees or other financing charges paid by a Mortgage Lender or the Master Servicer to the Department in connection with a commitment to sell and deliver Mortgage Loans (including Mortgage Certificates) to the Department. Swap Agreement Periodic Receipts will be available to pay Debt Service on the Bonds. Bondholders have no rights to or lien on the Swap Agreements.

The Series 2018A Bonds are limited obligations of the Department and are payable solely from the Revenues and funds pledged for the payment thereof as more fully described herein. Neither the State nor any agency of the State, other than the Department, nor the United States of America nor any agency, department or other instrumentality thereof, including Ginnie Mae, Freddie Mac, and Fannie Mae, is obligated to pay the principal or Redemption Price of, or interest on, the Series 2018A Bonds. Neither the faith and credit nor the taxing power of the State or the United States of America is pledged, given or loaned to such payment. The Department has no taxing power. Ginnie Mae, Freddie Mac and Fannie Mae guarantee only the payment of the principal of and interest on the Ginnie Mae Certificates, Freddie Mac Certificates and Fannie Mae Certificates, respectively, when due and do not guarantee the payment of the Series 2018A Bonds or any other obligations issued by the Department.

Certain Information as to Revenues, Investments, Debt Service and Department Expenses

On the basis of the Statement of Projected Revenues prepared in connection with the issuance of the Series 2018A Bonds, as discussed below, the Department expects that the scheduled payments, together with prepayments received, if any, of the principal of and interest on the Mortgage Loans and the

Mortgage Certificates and amounts held under the Trust Indenture and the earnings thereon, will be sufficient to pay the principal or Redemption Price of and interest on the Series 2018A Bonds and all other Outstanding Bonds when due. In arriving at the foregoing conclusions, the Department has taken into account all Prior Bonds but has not considered the issuance of other additional Bonds or the application or investment of the proceeds thereof. Since obligations issued under the Trust Indenture will rank equally and ratably with the Series 2018A Bonds with respect to the security afforded by the Trust Indenture, the availability of money for repayment thereof could be significantly affected by the issuance, application and investment of proceeds of additional Bonds. See "Additional Bonds."

Statement of Projected Revenues

The Department is required to prepare periodically a statement comparing estimates of Revenues with the Debt Service requirements and estimated Department Expenses with respect to outstanding Bonds (the "Statement of Projected Revenues"). The Statement of Projected Revenues is required to be prepared as a condition to the issuance of Bonds and annually within 180 days after each August 31. A Statement of Projected Revenues is also required to be prepared semiannually at any time that unexpended Bond proceeds remain on deposit in the Mortgage Loan Fund to the extent reasonably necessary to reflect the actual application of amounts therein, the expiration or other termination or alteration of any commitment for the acquisition or refinancing of Mortgage Loans or any revised estimates with respect thereto.

The Department has covenanted that during such time as it is not meeting the Asset Test (as described herein under "THE TRUST INDENTURE – Revenue Fund"), the Department may only direct the Trustee (i) to transfer Surplus Indenture Revenues to the Mortgage Loan Fund or the Redemption Account of the Debt Service Fund; (ii) to invest the Surplus Indenture Revenues in Investment Securities; or (iii) if the Department shall have on file with the Trustee a Statement of Projected Revenues, projecting that Revenues to the extent deemed available or to be available to pay Department Expenses and aggregate Debt Service, including Swap Agreement Periodic Payments, will be sufficient to pay Department Expenses and aggregate Debt Service, including Swap Agreement Periodic Payments, when due in the then current and each succeeding Bond Year, and as of the date of such Statement of Projected Revenues the Department Assets are at least equal to one hundred percent (100%) of the aggregate principal amount of Bonds then Outstanding, to use Surplus Indenture Revenues to pay principal, interest and redemption price on Junior Lien Bonds or to establish and maintain reserves or other funds and accounts as provided in the indenture or indentures authorizing such Junior Lien Bonds.

At the end of any Bond Year, if the Department meets the Asset Test, the Department may apply any Surplus Indenture Revenues (in excess of those required to be maintained under the Trust Indenture in order to permit the Department to continue to meet the Asset Test):

(i) to the trustee under the Junior Lien Trust Indenture to be used to originate mortgage loans as described in the Trust Indenture, to reimburse a bond insurer or credit provider for amounts provided under a bond insurance policy or other credit support or to originate junior lien mortgage loans;

(ii) to pay principal, interest and redemption premium on Junior Lien Bonds or to establish and maintain reserves or other funds and accounts as provided in the indenture authorizing Junior Lien Bonds;

(iii) (a) subject to the provisions of the Trust Indenture or any Supplemental Indenture to the redemption of Bonds and in the case of the Series 2018A Bonds only on and after the optional redemption date; (b) to the payment of any Department Expenses; (c) to the establishment of reserves therefor, free and clear of the pledge and lien of the Trust Indenture; or (d) to the purchase of Bonds; and

(iv) any other purpose or payment authorized or required by the Act free and clear of the pledge and lien of the Trust Indenture; provided, however, that no such amounts may be applied in any way which would result in less than ninety percent (90%) of all amounts received by the Department with respect to the Mortgage Loans being used for the following purposes: (v) to pay the principal or Redemption Price of or interest on or purchase or otherwise to service the Bonds; (w) to reimburse the Department for Department Expenses, or to pay, for costs of issuance; (x) to reimburse the Department, or to pay for administrative or other costs or anticipated future losses directly related to the Program; (y) to acquire Mortgage Loans or other loans or mortgages financing residential real property in the State; and (z) to redeem or retire obligations of the Department.

Additional Bonds

Various series of Bonds, including refunding Bonds, may be issued as provided in the Trust Indenture on a parity with the Bonds of all other series, secured by a pledge of and lien on the Trust Estate. As a condition to the issuance of additional Bonds, including refunding Bonds, the Department must deliver various items to the Trustee including an opinion of Bond Counsel to the effect that, among other things, the series of Bonds is legally issued in accordance with the Trust Indenture and the Act. The Department must also deliver a Statement of Projected Revenues which gives effect to the issuance of such additional Bonds, including refunding Bonds, and demonstrates that (i) the estimated Revenues and any other revenues, investment income or moneys reasonably estimated by the Department to be available for the payment of aggregate Debt Service, including Swap Agreement Periodic Payments, for all Outstanding Bonds when due will be sufficient to pay the aggregate Debt Service for all Outstanding Bonds, including Swap Agreement Periodic Payments, and (ii) the remaining balance of the scheduled and estimated Revenues and other revenues, investment income or moneys reasonably estimated by the Department to be available to pay budgeted or estimated Department Expenses allocable by the Department to the Outstanding Bonds, the Trust Indenture and the Department's programs under the Trust Indenture will be sufficient to pay such budgeted or estimated Department Expenses. No additional parity Bonds may be issued unless, upon the issuance of such Bonds, the amounts credited to the Debt Service Reserve Account will be sufficient to maintain its requirements. The Department has reserved the right to adopt one or more additional general bond indentures and to issue other obligations, such as the Junior Lien Bonds, payable from sources other than the Trust Estate and has also reserved the right to issue obligations other than the Bonds, payable from the Trust Estate, including the Revenues, if the pledge of and lien on the Trust Estate and the Revenues securing such obligations is junior to or subordinate to the pledge of and lien on the Trust Estate and the Revenues securing the Bonds.

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The Prior Bonds

In addition to the Series 2018A Bonds to be issued, multiple series of Prior Bonds have been issued pursuant to the Trust Indenture. As of April 30, 2018, \$332,385,498 in aggregate principal amount of such Prior Bonds were Outstanding in the following principal amounts:

<u>Series</u>	<u>Original Issue Amount</u>	<u>Bonds Outstanding</u>
2004 Series A/B	\$ 176,610,000	\$ 23,035,000
2004 Series C/D/E/F	\$ 175,070,000	\$ 15,765,000
2005 Series A	\$ 100,000,000	\$ 22,060,000
2007 Series A	\$ 143,005,000	\$ 24,750,000
2013 Series A	\$ 42,500,000	\$ 17,075,000
2015 Series A/B	\$ 53,695,000	\$ 38,035,000
2016 Series A/B	\$ 91,245,000	\$ 64,840,000
2017 Series A/B/C	\$ 133,700,952	\$ 126,825,498
TOTAL	\$ 915,825,952	\$ 332,385,498

For a more detailed description of the Prior Bonds, please refer to "APPENDIX E-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS."

Prior Mortgage Certificates

Mortgage Certificates currently held under the Single Family Mortgage Revenue Bond Program are as follows:

Mortgage Certificates	
Ginnie Mae Certificates	\$ 301,065,503.83
Fannie Mae Certificates	\$ 37,422,093.10
Freddie Mac Certificates	\$ 3,017,926.67
Total	\$ 341,505,523.60

For additional information regarding the Mortgage Certificates acquired with proceeds of the Prior Bonds, please refer to "APPENDIX E-1 -- ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES." Unless otherwise specified, all information is as of April 30, 2018.

Junior Lien Bonds

In addition to the Prior Bonds, the Department has issued \$105,135,932 in original principal amount of its Junior Lien Bonds. As of April 30, 2018, \$3,855,000 of such bonds remain outstanding. For additional information on the Junior Lien Bonds, see "APPENDIX E-2 BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS." Revenues under the Trust Indenture only become Surplus Indenture Revenues available to be released to pay debt service on the Junior Lien Bonds to the extent such revenues are, on any March 1 or September 1 or other date on which such debt service is payable, in excess of one hundred percent (100%) of (i) all Debt Service on the Bonds, including Swap Agreement Periodic Payments, (ii) amounts required to fund reserves for the Bonds, and (iii) all expenses of the Department in administering the programs related to the Bonds. See "THE TRUST INDENTURE Revenue Fund."

THE PROGRAM AND THE MORTGAGE LOANS

The Department has established a Single Family Mortgage Revenue Bond Program ("Program") pursuant to the Act for the purpose of assisting in financing the costs of acquisition of residences within the State of Texas by Eligible Borrowers (as described below). In connection with the issuance of the Series 2018A Bonds and the Prior Bonds and any additional Bonds, the Department purchased or shall purchase certain qualified Mortgage Loans (or participations therein) originated by commercial banks, savings and loan associations, mortgage companies, non-profit corporations, and other qualified financial institutions (the "Mortgage Lenders"). As a result of the issuance of the Series 2018A Bonds, the Trustee on behalf of the Department has agreed to purchase 2018 A Mortgage Certificates.

General

The guidelines adopted by the Department from time to time in connection with the Program establish the eligibility of lenders to participate in the Program, time limitations with respect to commitments for and originations of Mortgage Loans, the types of Mortgage Loans eligible for purchase by the Servicer, the eligibility of mortgagors, the requirements for dwellings which secure Mortgage Loans, the fees which a Mortgage Lender may charge to originate a Mortgage Loan, the fees which a lending institution may charge for servicing a Mortgage Loan, as well as other aspects of the Program. In connection with each phase of the Program, the Department and the respective Mortgage Lenders executed origination, sale and servicing agreements or mortgage origination agreements and program supplements or program guidelines (collectively, the "Agreement"). The Agreement obligated or will obligate the Mortgage Lenders to use their best efforts to originate and sell to the Department Mortgage Loans in conformity with the guidelines. Each Mortgage Loan was reviewed prior to acquisition by the Compliance Agent designated by the Department for compliance with applicable provisions of the Program as set forth in the guidelines and with applicable provisions of federal income tax laws. The procedures set forth in the Agreement are established by the Department after consideration of standards and requirements customary in the secondary mortgage market. The Department anticipates that it may revise its procedures from time to time to conform with changes in the procedures followed by Fannie Mae, RHS, Ginnie Mae, VA or other major secondary mortgage market institutions.

Mortgage Lender Reservations – First Come, First-Served

No funds made available through Program 89 will be allocated to any specific Mortgage Lenders. Rather, all of such funds will be made available to Mortgage Lenders on a controlled first-come, first-served basis.

Low Income Reservation

For the first one year period of Program 89 (or such longer period as determined by the Department), the Department is requiring that thirty percent (30%) of the funds made available through the issuance of the 2018A Bonds will be set aside for Mortgage Loans for individuals and families of very low income (not exceeding eighty percent (80%) of applicable median family income). See "APPENDIX F - APPLICABLE MEDIAN FAMILY INCOMES AND MAXIMUM ACQUISITION COST LIMITATIONS."

Since October 1, 2016, over 63% of the Mortgage Loans originated by the Department that were eligible for inclusion in a tax-exempt bond issue and were securitized into Ginnie Mae Certificates were made to borrowers at or below 80% of AMFI.

Low and Moderate Income Reservation

The remaining lendable funds will be made available for Mortgage Loans to Eligible Borrowers of low and moderate incomes whose family income does not exceed, for families of three persons or more, one hundred fifteen percent (115%) (one hundred forty percent (140%) in targeted areas) of applicable median family income, and, for individuals and families of two persons, one hundred percent (100%) (one hundred twenty percent (120%) in targeted areas) of applicable median family income.

Eligible Borrowers

Each Mortgage Loan is required to be made to a person whose family income does not exceed certain income limits. In addition, to be eligible for a Mortgage Loan an applicant must be a person: (i) who intends to occupy the residence to be financed with such Mortgage Loan as his or her principal residence within a reasonable period; (ii) who, except in the case of certain targeted area loans, certain exception loans hereinafter described, and certain homes falling into the Contract for Deed Exception, has not had a present ownership interest in a principal residence at any time during the three-year period preceding the date of execution of the Mortgage; and (iii) who has not had an existing mortgage on the residence (other than a mortgage falling into the Contract for Deed Exception) to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than certain permitted temporary financing mortgages. The Department, subject to the requirements of applicable provisions of federal income tax law and applicable Regulations, may approve a limited number of exception loans that do not satisfy the requirement described in clause (ii) in the immediately preceding sentence. The maximum income for Eligible Borrowers varies according to family size and location.

Eligible Property

Each residence financed with a Mortgage Loan must consist of real property and improvements permanently affixed thereon which is located within the State of Texas. Each residence must be a single-family, owner-occupied attached or detached structure, a single-family condominium unit or a single unit in a planned unit development ("PUD") or a single unit in a qualifying duplex, triplex or four-plex. Each residence financed with a Mortgage Loan must have an acquisition cost (the "Maximum Acquisition Cost") not exceeding certain acquisition cost limits established by the Department from time to time. The Maximum Acquisition Cost varies according to location.

Mortgage Loans

The Department is not permitted under the Trust Indenture to sell, assign, transfer or otherwise dispose of any Mortgage Loan or any of the rights of the Department with respect to any Mortgage Loan unless the Department determines that such action is in the best interests of the Department and the Bondholders and will not adversely affect the ability of the Department to pay when due the principal or Redemption Price of and interest on the Bonds, in which case such Mortgage Loan may be so disposed of by the Department free and clear of the lien of the Trust Indenture. See "SECURITY FOR THE BONDS – Sale of Mortgage Loans or Mortgage Certificates."

The Department shall not consent or agree to or permit any amendment or modification of any Mortgage Loan which will in any manner materially impair or materially adversely affect the rights or security of the Bondholders under the Trust Indenture in such Mortgage Loan except for amendments and modifications made in connection with settling any default on any Mortgage Loan which settlement the Department determines to be in the best interests of the Department and the Bondholders or with a refinancing of a Mortgage Loan.

Compliance with Tax Law and Program Guidelines

Each Mortgage Lender was required or will be required to follow certain procedures in the origination of Mortgage Loans to insure compliance with the mortgage eligibility requirements of applicable federal income tax laws and other requirements applicable to the Mortgage Loans. These procedures will include, but may not be limited to, the following: (i) obtaining affidavits of the borrower and seller and certificates of lender, providing and certifying certain information regarding borrower income, home acquisition cost, and other loan information; (ii) reviewing the contents of the affidavits and certificates with the persons executing them prior to the execution thereof; (iii) except in the case of certain targeted area loans or certain other exception loans, obtaining signed or certified copies of the borrower's federal income tax returns or federal tax transcripts for the preceding three years to verify that the borrower did not claim deductions for taxes or interest on indebtedness with respect to real property constituting his or her principal residence or a borrower's affidavit that he or she was not required to file such a return during one or more of the preceding three years; (iv) performing such additional investigations as may be appropriate under the circumstances to verify that the requirements of applicable federal income tax laws are satisfied as of the date of the execution of the Mortgage; (v) reviewing the draft settlement statement to assure that all fees and charges and settlement and financing costs comply with the applicable requirements; (vi) carrying out such additional verification procedures as may be reasonably requested by the Department, its designated compliance agent, or the Trustee. If any Mortgage Loan fails to meet the guidelines established by the Department, the originating Mortgage Lender will be required to correct such failure within a reasonable time after such failure is discovered by either repurchasing the non-qualifying Mortgage Loan in full or by replacing the non-qualifying Mortgage Loan with a Mortgage Loan which meets the applicable requirements.

Servicing

The Master Servicer may deduct its servicing fees directly from amounts received on such Mortgage Loans. As compensation for its duties as servicer of Mortgage Loans, the Master Servicer will be entitled to receive a monthly servicing fee. The Master Servicer may deduct its servicing fee directly from amounts received on such Mortgage Loans.

Servicing of the Mortgage Loans is required to be carried out in accordance with generally accepted practices in the mortgage lending industry and in accordance with the servicing standards set

forth in the GNMA Guide, Freddie Mac Guide or the Fannie Mae Guides, as applicable. In particular, the Master Servicer will be required to pursue collection on the applicable Mortgage Loans with prudence and diligence, manage foreclosure or assignment procedures, and file, process and receive the proceeds from FHA mortgage insurance, VA or RHS guaranty claims, or private mortgage insurance. All proceeds received by the Master Servicer with respect to a Mortgage Loan included in a GNMA Certificate must be deposited into the GNMA Issuer's Primary Custodial Account and administered by the Master Servicer and the GNMA Paying Agent as more fully described herein in "APPENDIX B-1 - GNMA AND THE GNMA CERTIFICATES."

The Master Servicer, as servicer of the Mortgage Loans, must provide to the Department and such other person specified in a Supplemental Indenture, audited financial statements on an annual basis and monthly reports relating to Mortgage Loan originations and purchases. The Master Servicer may not resign from its servicing duties unless it is determined that its duties are no longer permissible under applicable laws and then only upon the assumption of the servicing duties by a successor servicer acceptable to FHA, VA, Ginnie Mae, Freddie Mac, Fannie Mae and the Department. In the event the Master Servicer is in material breach of its servicing obligations imposed by Ginnie Mae, Freddie Mac, Fannie Mae or the Department or a material adverse change has occurred in the financial condition of the Master Servicer, the Department, with the approval of Ginnie Mae, Freddie Mac, and Fannie Mae, may terminate the Master Servicer's servicing rights and transfer and assign those rights to another Fannie Mae, Freddie Mac, and Ginnie Mae-approved servicer.

The Master Servicers

Idaho Housing and Finance Association ("Idaho HFA") will serve as Master Servicer of Mortgage Loans related to the Series 2018A Bonds. As of April 30, 2018, Idaho HFA participates as Master Servicer for the Department for approximately 661 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$101,884,006.

Under the terms of the servicing agreement relating to the Series 2018A Bonds (the "Servicing Agreement"), the Department may terminate the Servicing Agreement without cause upon 120 days advance written notice to the Idaho HFA. The Department may terminate the Servicing Agreement (subject to any applicable cure period) upon the occurrence of certain events. The Servicing Agreement has an approximately one year initial term with up to three one-year extensions as mutually agreed. If the Department terminates the Servicing Agreement for cause, then all power of the Idaho HFA under the Servicing Agreement shall be vested in the substitute Master Servicer.

If the Department terminates the Servicing Agreement for cause pursuant to its terms, the Idaho HFA shall, consistent with GNMA and Fannie Mae or Freddie Mac standards, make a full accounting and transfer and deliver to the Department, or its designee, all documents and moneys relating to the eligible mortgage loans which are then in the Idaho HFA's possession or under its custody or control, and thereupon all rights and duties of the Idaho HFA and its rights to further compensation shall cease.

The Texas State Affordable Housing Corporation ("TSAHC") is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. Texas Star Mortgage ("TSM") is the registered business name of TSAHC and is a non-profit mortgage banking company engaging in single and multi-family lending to targeted rural and under-served areas in Texas. As of April 30, 2018, TSM participates as Master Servicer for the Department for approximately 117 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance in the amount of \$4,795,309.

As of April 30, 2018, CitiMortgage, Inc. participates as Master Servicer for the Department for approximately 185 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$7,063,927.

Bank of America, N.A. (“Bank of America”) is the Master Servicer for various Mortgage Loans, including the Mortgage Loans underlying the Refunded Bonds, financed pursuant to the Trust Indenture. As of April 30, 2018, Bank of America participates as Master Servicer for the Department for approximately 2,717 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$187,596,475.

US Bank National Association (“US Bank”) is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of April 30, 2018, US Bank participates as Master Servicer for the Department of approximately 309 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$40,165,806.

Sale of Mortgage Certificates

The Department may sell Mortgage Certificates in whole or part only upon delivery by the Department of (i) a statement of Projected Revenues establishing that such sale will not adversely affect the ability of the Department to pay when due the principal or the Redemption Price of and interest on the Bonds and (ii) written confirmation from each Rating Agency that such sale will not adversely affect the then current ratings on the Bonds (determined without regard to any bond insurance or similar credit enhancement). If proceeds from the sale of the Mortgage Certificates are to be applied to the redemption of Series 2018A Bonds, such Series 2018A Bonds must be redeemed under the applicable optional redemption provision.

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Investment of Funds

Moneys in all Funds will be invested pursuant to the Depository Agreement with the Texas Treasury Safekeeping Trust Company in Investment Securities. See "TEXAS TREASURY SAFEKEEPING TRUST COMPANY." Moneys held or invested in all Funds and Accounts under the Trust Indenture (other than the Rebate Account, the Swap Agreement Termination Payment Subaccount and the Swap Agreement Termination Receipt Subaccount of the Surplus Revenues Account of the Revenue Fund and the Policy Payments Account) are for the equal and ratable benefit of all owners of the Bonds.

The following table summarizes certain information as of April 30, 2018, regarding yields (calculated on the basis of stated maturity) on existing investments (valued at par) within the Float Fund in connection with outstanding Prior Bonds.

<u>Fund or Account</u>	<u>Approximate Amount Invested (Par Value)</u>	<u>Average Investment Rate</u>	<u>Investment Maturity Date</u>	<u>Investment Security/ Investment Agreement Provider</u>
1980 Single Family Surplus Rev	\$17,974,587.46	6.08%	9/30/2029	FGIC
1980 Single Family Surplus Rev	2,787,542.24	1.63%	Short term	Greenwich
1991 A Single Family	2,720,774.40	6.08%	9/30/2029	FGIC
1991 A Single Family	753,211.44	1.63%	Short term	Greenwich
1994 A/B Single Family (JR Lien)	1,991.98	6.08%	9/30/2029	FGIC
1994 A/B Single Family (JR Lien)	5,245.57	1.63%	Short term	Greenwich
1995 A/B Single Family	0.46	6.08%	9/30/2029	FGIC
1995 A/B Single Family	0.04	1.63%	Short term	Greenwich
1996 D/E Single Family	3,938.97	1.63%	Short term	Greenwich
1997 D/E/F Single Family	52,351.20	1.63%	Short term	Greenwich
2002 A/B/C/D Single Family	2,814.81	1.63%	Short term	Greenwich
2002 A Single Family (JR Lien)	350,407.01	1.63%	Short term	Greenwich
2004 A/B Single Family	2,993,921.31	3.96%	3/1/2036	Transamerica Life
2004 A/B Single Family	2,021,831.74	1.63%	Short term	Greenwich
2004 C/D/E/F Single Family	1,618,430.73	3.80%	3/1/2036	Transamerica Life
2004 C/D/E/F Single Family	365,645.56	1.63%	Short term	Greenwich
2004 A Single Family	115,893.17	1.63%	Short term	Greenwich
2005 B/C/D Single Family	2,762.43	1.63%	Short term	Greenwich
2005 A Single Family	630,952.43	3.37%	9/1/2036	Transamerica Life
2005 A Single Family	310,293.36	1.63%	Short term	Greenwich
2007 A Single Family	978,810.09	4.32%	9/1/2038	Transamerica Life
2007 A Single Family	508,858.03	1.63%	Short term	Greenwich
2013 A Single Family	530,061.85	1.63%	Short term	Greenwich
2015 A/B Single Family	1,383,495.85	1.63%	Short term	Greenwich
2016 A/B Single Family	1,958,880.75	1.63%	Short term	Greenwich
2017 A/B/C Single Family	964,811.70	1.63%	Short term	Greenwich

The ability of the Department to make timely payments of principal of and interest on the Series 2018A Bonds and the Prior Bonds, could be affected if the parties to the various investment agreements for the Prior Bonds do not honor their obligations thereunder to repay such moneys and the interest thereon at the times and rates set forth in the respective investment agreements.

The Department has adopted an investment policy (the "Investment Policy") which applies to all financial assets of the Department. The Investment Policy's objectives, in the order of priority, are as follows: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) achievement of a market rate of return on investments, and (4) conformance with all applicable State statutes, particularly the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. With respect to bond proceeds, the Investment Policy provides that such proceeds should be invested in accordance with the applicable law, in particular the Public Funds Investment Act and as permitted by the applicable trust indenture.

PRIOR SWAP AGREEMENTS

In connection with the issuance of the certain Prior Bonds, the Department has entered into the following interest rate swap agreements with the respective swap providers described below (the "Prior Swap Providers"), as shown in the table below. Under each of the Prior Swap Agreements, the Department is obligated to make payments to the related Swap Provider at a fixed rate and is to receive from such Swap Provider a floating rate payment based upon the variable rate index shown in the table.

Related Series	Swap Provider	Initial Notional Amount	Fixed Rate	Variable Rate Index
2004 Series B	Bank of New York Mellon	\$ 53,000,000	3.671%	65.5% of LIBOR + 0.20%
2004 Series D	Goldman Sachs Capital Markets, L.P.	\$ 35,000,000	3.084%	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR
2005 Series A	JPMorgan Chase Bank, N.A.	\$100,000,000	4.01%	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR
2007 Series A	JPMorgan Chase Bank, N.A.	\$143,005,000	4.013%	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR

Scheduled payments under the Prior Swap Agreements are subordinate to payments of principal and interest on the Bonds. The Department's scheduled fixed payments associated with the Series 2004B Bonds are insured by Assured Guaranty Municipal Corp. (formerly Financial Security Assurance).

The Prior Swap Agreements present certain financial risks to the Department under the Indenture. See “BONDHOLDER RISKS – Swap Basis Risk” and “– Swap Termination Risk” herein, and Note 5 of “APPENDIX C-1 – AUDITED FINANCIAL STATEMENTS OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS REVENUE BOND PROGRAM FOR THE FISCAL YEAR ENDED AUGUST 31, 2017.”

PRIOR LIQUIDITY FACILITIES

General

In connection with certain variable rate Prior Bonds, the Department entered into liquidity agreements (the “Prior Liquidity Facilities”) with the Texas Comptroller of Public Accounts (the “Comptroller”), which succeeded the original liquidity facilities provided at issuance of certain Prior Bonds by the original liquidity facility providers. The Bondholders of such Prior Bonds have the right, and in certain circumstances may be required, to tender such Prior Bonds at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the date of purchase. The purchase price of any such Prior Bonds tendered or deemed tendered for purchase and not remarketed by the purchase date will (subject to certain conditions) be payable from amounts made available under the respective Prior Liquidity Facilities.

Bond Series	Outstanding Bond Amount as of 4/30/2018	Bank Bonds as of 4/30/2018	Liquidity Provider	Liquidity Facility Expiration Date
2004B	\$23,035,000	\$ -	Texas Comptroller	8/31/2019
2004D	\$15,765,000	\$ -	Texas Comptroller	8/31/2019
2005A	\$22,060,000	\$ -	Texas Comptroller	8/31/2019
2007A	\$24,750,000	\$ -	Texas Comptroller	8/31/2019
2004A JL	\$3,855,000	\$ -	Texas Comptroller	8/31/2019

Variable Rate Bondholders and Liquidity Facilities

The Prior Liquidity Facilities are scheduled to expire prior to the scheduled final maturity of the related Prior Bonds. In connection with any such scheduled expiration, the Department may take various actions, including, but not limited to, extending, with the consent of the Comptroller, the scheduled expiration of a Prior Liquidity Facility, obtaining a substitute liquidity facility to replace the existing Prior Liquidity Facility, or causing the related Prior Bonds to be converted to a fixed rate or to bear interest at an interest rate mode that does not require a liquidity facility. Under certain circumstances, the Comptroller may terminate a Prior Liquidity Facility without affording the applicable Bondholders a right to optionally tender their Prior Bonds. No assurance is given that the Department will be able or will choose to extend the scheduled expiration on any particular Prior Liquidity Facility or obtain a substitute liquidity facility to replace a Prior Liquidity Facility upon terms substantially similar to the terms of the existing Prior Liquidity Facility.

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BONDHOLDER RISKS

Non-Origination of Mortgage Loans

One of the principal factors in originating Mortgage Loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford. The Department has determined that there is a shortage of funds in the State to make such loans at interest rates and on terms that a substantial number of potential borrowers within the State can afford. Should mortgage interest rate levels decline, or should one or more alternative governmental programs become available at below market rates, mortgage loans could become available at rates competitive with or lower than the rate specified for the Mortgage Loans, and the total amount of Mortgage Loans anticipated to be originated under the Program may not be so originated.

The failure to originate Mortgage Loans, or the inability to deliver Mortgage Certificates to the Trustee, in the amounts contemplated by this financing will result in redemption of the Series 2018A Bonds prior to their maturity. See "THE SERIES 2018A BONDS - Redemption Provisions."

Mortgage Loan Principal Prepayments

The Department anticipates that the Trustee will receive Mortgage Loan Principal Prepayments on the Mortgage Certificates. Mortgage Loan Principal Prepayments are usually the result of the resale of the premises securing a Mortgage Loan or the refinancing of a Mortgage Loan due to changes in mortgage interest rates. Therefore, economic and financial market conditions may have a significant short-term effect on the rate of prepayments. The Department is not aware of any means which would allow it to accurately predict the actual level of prepayments it will receive from the Mortgage Certificates. Mortgage Loan Principal Prepayments on the Mortgage Certificates will be applied to the prepayment of the Series 2018A Bonds at 100% of the principal amount thereof, but without any redemption premium. See "THE SERIES 2018A BONDS—Redemption Provisions—Special Redemption from Mortgage Loan Principal Payments."

Risk of Non-Payment Due to Bank Bond Acceleration

The Department's ability to pay the debt service on Bonds may be negatively impacted by the inability to remarket variable rate Prior Bonds. As of April 30, 2018, variable rate Prior Bonds comprise approximately 26% of the Department's bonded debt under the Trust Indenture. As of April 30, 2018, the Department has no unremarketed outstanding Bank Bonds. For purposes of this section, the term "Bank Bonds" means Prior Bonds purchased by the Texas Comptroller of Public Accounts (the "Comptroller") as provider of the Prior Liquidity Facilities (as hereinafter defined). As Bank Bonds, the terms of such Bank Bonds have more onerous interest rates and/or principal repayment schedules.

In connection with all of the Department's variable rate Prior Bonds, the Department has replaced the original liquidity facilities with liquidity facilities provided by the Comptroller (each, a "Prior Liquidity Facility"). The Prior Liquidity Facilities expire on August 31, 2019. There is no assurance that the Department will be able to secure substitute liquidity or extend the Prior Liquidity Facilities. Failure to do either may have an adverse effect on the ability of the Trust Indenture to generate revenues sufficient to pay principal of and interest on the Series 2018A Bonds.

Swap Basis Risk

In connection with the issuance of certain Prior Bonds, the Department entered into the Prior Swap Agreements. Pursuant to the Prior Swap Agreements, the Department will pay the Prior Swap Providers payments computed at a fixed rate based on notional amounts which correspond to the outstanding principal balances of the Prior Bonds associated with the respective Prior Swap Agreements, and the Prior Swap Providers will pay the Department payments computed based on variable rate indices on the same notional amounts. The variable rate used under each of the Prior Swap Agreements is based on specified percentages of LIBOR, which is intended to approximate the variable interest rate on the Prior Bonds associated with the Prior Swap Agreements. Unlike LIBOR, however, the interest on the Prior Bonds associated with the Prior Swap Agreements, is excludable from gross income for federal income tax purposes; therefore, one of the primary determinants of any changes to the relationship between the variable rate index used under the Prior Swap Agreements and the interest rates on the Bonds associated with the Prior Swap Agreements is expected to include, among other factors, any changes to the top marginal rate of federal income taxation. Payments to the Department under the Prior Swap Agreements may exceed, equal or be less than the Department's interest obligation on the Bonds associated with the Prior Swap Agreements. Regardless of the amount of moneys received under the Prior Swap Agreements, the Department is obligated to make interest payments on variable rate Prior Bonds at rates that are determined by the respective Remarketing Agents. Any mismatch between Prior Bond interest payments associated with the Prior Swap Agreements and the payments due under the Prior Swap Agreements could cause financial losses under the Trust Indenture. See "PRIOR SWAP AGREEMENTS" and Note 5 of "APPENDIX C-1 – AUDITED FINANCIAL STATEMENTS OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS REVENUE BOND PROGRAM FOR THE FISCAL YEAR ENDED AUGUST 31, 2017."

Swap Termination Risk

Under certain circumstances, including certain events of default with respect to the Department or the Prior Swap Providers, the Prior Swap Agreements may be terminated in whole or in part prior to maturity. Following termination, if any, of the Prior Swap Agreements, under certain market conditions, the Department could owe a termination payment to the respective Prior Swap Providers which could be substantial. Such termination payment will be payable from amounts pledged under the Trust Indenture, subject and subordinate to (i) the payment or provision of arbitrage rebate; (ii) expenses and compensation of the Trustee; (iii) the payment of principal and interest on all Bonds and Junior Lien Bonds, if any, the payment of regularly scheduled payments under the Prior Swap Agreements, and (v) required replenishment of the Debt Service Reserve Fund, if any. A bond insurer has issued a swap insurance policy insuring the scheduled fixed payments from the Department for the Prior Swap Agreement pertaining to the Department's Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B. The Department's obligation to reimburse the bond insurer, if any, and to pay any Prior Swap Provider that is owed a termination payment is subordinate to scheduled payment of principal of and interest on all Bonds and Junior Lien Bonds, if any, the payment of regularly scheduled payments under the Prior Swap Agreements, and any required replenishment of the Debt Service Reserve Fund.

As of April 30, 2018, the Department estimates that the aggregate termination payments that would have been owed by the Department to the Prior Swap Providers were the Prior Swap Agreements terminated as of such date was approximately \$8 million; however such estimation is by no means incontrovertible as the actual termination payment, were the Prior Swap Agreements to be terminated, would likely be subject to different valuations from the Prior Swap Providers. For more

detailed information concerning “fair value” estimations for each Prior Swap Agreement see “PRIOR SWAP AGREEMENTS” and Note 5 of “APPENDIX C-1 – AUDITED FINANCIAL STATEMENTS OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS REVENUE BOND PROGRAM FOR THE FISCAL YEAR ENDED AUGUST 31, 2017.”

Availability of Remedies

The remedies available to the owners of the Series 2018A Bonds upon an Event of Default under the Trust Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy laws, the Trust Indenture and the various Program documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2018A Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity which permit the exercise of judicial discretion, and by principles of sovereign immunity.

THE DEPARTMENT

General

The Department, a public and official agency of the State of Texas (the “State”) was created pursuant to and in accordance with Chapter 2306, Texas Government Code, as amended from time to time (together with other laws of the State applicable to the Department, the “Act”). The Department is the successor agency to the Texas Housing Agency (the “Agency”) and the Texas Department of Community Affairs (the “TDCA”), both of which were abolished by the Act and their functions and obligations transferred to the Department. One of the purposes of the Department is to provide for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income in the State. Pursuant to the Act, the Department may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Department or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Department.

The Department is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the “Sunset Act”) and its continued existence is subject to a review process that resulted in passage of legislation in the Seventy-Eighth Legislative Session in 2003 which continued the Department in existence until September 1, 2011. House Bill 3361 extended the existence of the Department until September 2025, at which time it will be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State shall designate an appropriate State agency to continue to carry out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

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

Governing Board

The Department is governed by a governing board (the "Board") consisting of seven public members, appointed by the Governor, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities, and women.

The Governor of the State designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office-holder must be a Board member) to perform the duties prescribed by the Board.

The current members of the Board, their occupations and their terms of office are as follows:

J.B. GOODWIN, Chair and Board Member. CEO of JB Goodwin Realtors, Austin, Texas. His term expires on January 31, 2021.

LESLIE BINGHAM ESCAREÑO, Vice Chair and Board Member. Chief Executive Officer of Valley Baptist Medical Center-Brownsville, Brownsville, Texas. Her term expires January 31, 2019.

PAUL A. BRADEN, Board Member. Head of Public Finance and Partner with Norton Rose Fulbright, Dallas, Texas. His term expires January 31, 2023.

ASUSENA RESÉNDIZ of Dallas/Fort Worth, Texas. Member of U.S. Global Leadership Coalition Texas Advisory Council. Her term expires January 31, 2019.

SHARON THOMASON, Board Member. President of Lubbock Land Company, Lubbock, Texas. Her term expires January 31, 2021.

LEO VASQUEZ, Board Member. Executive Vice President of Cadeco Industries and related companies, Houston, Texas. His term expires January 31, 2023.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate. Any Board member whose term has expired or tender resignation continues to serve until his or her successor has been appointed.

Administrative Personnel

The Act provides that the Department is to be administered by an Executive Director to be employed by the Board with the approval of the Governor. The Executive Director serves at the pleasure of the Board, but may also be removed by a newly elected Governor who did not approve the Executive Director's appointment by action taken within 90 days after such Governor takes office. The Executive Director is responsible for administering the Department and its personnel. The Executive Director may employ other employees necessary for the discharge of the duties of the Department, subject to the annual budget and the provisions of any resolution authorizing the issuance of the Department's bonds.

Currently, the Department has 283 employees. The following is a biographical summary of certain of the Department's senior staff members who have responsibility with respect to single-family housing matters.

TIMOTHY K. IRVINE, Executive Director since September 16, 2011. Mr. Irvine has been a licensed attorney in Texas since 1976. He has been with the Department since January 2009 and was appointed General Counsel in March 2010 and Acting Director in June 18, 2011. His prior experience includes serving as an attorney for the Federal Reserve Bank of Dallas, heading the legal division and serving as secretary of Texas Commerce Bancshares and as General Counsel of its lead bank, heading the legal division and serving as secretary for Franklin Federal Bancorp as well as overseeing its mortgage banking, human resources, and other support functions, serving as a partner in the Austin office Locke Liddell & Sapp (now Locke Lord LLP), serving as General Counsel of the Texas Savings and Loan Department (now the Savings and Mortgage Lending), as Executive Director of the Department's Manufactured Housing Division, as Administrator of the Texas Real Estate Commission and Commissioner of the Texas Appraiser Licensing and Certification Board. He has a B.A. (1971) from Claremont McKenna College, an M.A. (1973) from Claremont Graduate University, and a J.D. (1975) from Willamette University.

MONICA GALUSKI, Director of Bond Finance and Chief Investment Officer. Ms. Galuski has over 20 years of experience in municipal finance, including 14 years as a single-family housing banker. She oversees the Department's Single Family and Multifamily Mortgage Revenue Bond Programs, including bond issuance, debt and portfolio management, and bond compliance and disclosure. Ms. Galuski received a Bachelor of Science in Financial Management from Arizona State University.

CATHY GUTIERREZ, Director of the Texas Homeownership Division. Cathy began her career at the Texas Department of Housing and Community Affairs in 1992. Her first position was with the Finance and Accounting Division in Loan Administration and progressed through several positions in the Community Affairs, Housing Finance, and HOME Divisions. In 2003 she joined the Texas Homeownership Division. During her 12 year tenure in the Division, Cathy served as the Business Development Officer and Program Manager, assisting in new program structure, marketing, lender and Realtor trainings, business development, lender participation process, and consumer related inquires. In April 2015, Cathy became the Director of the Texas Homeownership Division. She is responsible for the development and administration of the Single Family Homeownership and Mortgage Credit Certificate programs.

JAMES "BEAU" ECCLES, General Counsel. J. Beau Eccles joined the Issuer in June 2015 as its General Counsel and is responsible for coordination of all internal and external legal counsel for the Issuer. Before joining the Issuer, Mr. Eccles served as an Assistant Texas Attorney General for thirteen years, including five years as Deputy Chief, then two years as Chief, of the General Litigation Division. Mr. Eccles is a graduate of the Texas Tech School of Law, and received his B.A. from the University of Texas at Austin.

THE TRUST INDENTURE

General

The Trust Indenture, which includes the Master Indenture and each of the supplements and amendments thereto relating to the Bonds, contains various covenants and security provisions, certain of which are summarized below. Reference should be made to the Trust Indenture, a copy of which may be obtained from the Department, for a full and complete statement of its provisions.

Funds and Accounts

The following Funds are established under the Trust Indenture: Mortgage Loan Fund; Revenue Fund; Debt Service Fund (and a Principal Account, an Interest Account, a Debt Service Reserve Account, a Swap Agreement Periodic Payment Account, and a Redemption Account therein); Expense Fund (and a Rebate Account therein); and Special Mortgage Loan Fund. The Funds and Accounts (except for the Principal Account, Interest Account, Swap Agreement Periodic Payment Account and Redemption Account of the Debt Service Fund which are held and invested by the Trustee and the Expense Fund which is held by the Department) are held by the Trustee and maintained and invested by the Texas Treasury Safekeeping Trust Company, a special purpose trust company organized under the laws of the State of Texas, as depository (the "Depository") under the Trust Indenture.

The 2018A Supplemental Indenture creates an account for the Series 2018A Bonds, within each listed Fund, and a Subaccount for the Series 2018A Bonds, within each listed Account except for the Special Mortgage Loan Fund, the Debt Service Reserve Account and the Swap Agreement Periodic Payment Account. Moreover, in connection with the Swap Agreements, the corresponding Supplemental Indentures each created a corresponding Swap Agreement Termination Payment Subaccount, Swap Agreement Periodic Receipt Subaccount and Swap Agreement Termination Receipt Subaccount within the Surplus Revenues Account of the Revenue Fund. The Swap Agreement Termination Payment Subaccount and the Swap Agreement Termination Receipt Subaccount are not pledged as security for the payment of principal of or interest on any Bonds. The Accounts and Subaccounts so created do not grant a priority of the Series 2018A Bonds over that of any other series of Bonds.

Mortgage Loan Fund

Amounts in the Mortgage Loan Fund will be used to pay: (i) the costs of acquiring the Mortgage Certificates, (ii) costs of issuance of the Bonds, and (iii) any other fees and expenses incurred in connection with the acquisition of the Mortgage Certificates which are payable by the Trustee on behalf of the Department pursuant to any agreement with Mortgage Lenders, and the fees and expenses of the Trustee, the Department and any consultants to the Department. The 2018 A Mortgage Certificates will be deposited to the 2018 A Mortgage Loan Account.

Under certain circumstances, as required by the Trust Indenture, the Trustee, at the direction of the Department, is required to transfer amounts in the Mortgage Loan Fund to the Redemption Account to pay the principal of Bonds to be redeemed or to be purchased. To the extent other moneys are not available in any other fund or account, amounts in the Mortgage Loan Fund may be applied to the payment of principal or Redemption Price of and interest on the Bonds.

The Department has covenanted in the Trust Indenture that it will acquire, refinance or sell Mortgage Loans or Mortgage Certificates only if it has determined, on the basis of its most recent Statement of Projected Revenues, and other information available to it, that such action will not adversely affect the Department's ability to pay, when due, the principal or Redemption Price of and interest on the Bonds. See "SECURITY FOR THE BONDS – Certain Information as to Revenues, Investments, Debt Service and Department Expenses" and "– Statement of Projected Revenues" and "THE PROGRAM AND THE MORTGAGE LOANS– Sale of Mortgage Loans or Mortgage Certificates."

Expense Fund

Amounts in the Expense Fund (except for amounts in the Rebate Account therein) may be paid out from time to time by the Department for Department Expenses, taxes, insurance, foreclosure fees, including appraisal and legal fees, security, repairs and other expenses incurred by the Department in connection with the protection and enforcement of its rights in any Mortgage Loan and the preservation of the mortgaged property securing such Mortgage Loans. Excess amounts in the Expense Fund may be transferred to the Revenue Fund.

Funds on deposit in the Rebate Account are required to be periodically set aside to pay any amounts required to be rebated to the United States under applicable provisions of federal income tax law (the "Rebate Amount").

Revenue Fund

All Revenues are required to be deposited in the Revenue Fund promptly upon receipt by the Department. On the first day of each month, or as soon thereafter as possible, the Trustee is required to transfer from the Revenue Fund to the Expense Fund the amount, estimated by the Department, to be required to pay the Department Expenses during the next month together with the amount, if any, necessary to maintain or restore an operating reserve in the Expense Fund to the sum estimated in the Department's current annual budget to be required to pay two months' Department Expenses. The Trust Indenture requires the Department to estimate periodically the amounts necessary to pay the Rebate Amount and thus include such amounts in its monthly estimate of Department Expenses.

On or before each Interest Payment Date on the Bonds, the Trustee is required to transfer Mortgage Loan Principal Payments at the Department's direction to either the Principal Account, the Mortgage Loan Fund, or to the Redemption Account; provided, however, that all amounts representing Mortgage Loan Principal Payments shall be transferred to a Redemption Account and applied to the redemption of the respective Series of Bonds. The Trustee also must transfer from the Revenue Fund the other amounts on deposit therein representing investment earnings on Funds and Accounts and Mortgage Loan Interest Payments to the Debt Service Fund as follows: (i) to the Interest Account, to the extent required so that the balance in said account equals the amount of the interest which will be due and unpaid on such Interest Payment Date, (ii) to the Principal Account, to the extent required so that the balance in said account equals the amount of principal which will be due and unpaid on such Interest Payment Date, (iii) to the Debt Service Reserve Account, to the extent required so that the balance in such account equals the Debt Service Reserve Account Requirement, and (iv) to the Swap Agreement Periodic Payment Account to the extent required so that the balance in said account equals the Swap Agreement Periodic Payment which will be due and unpaid on such Interest Payment Date. Any amounts remaining in the Revenue Fund after such payments described above are made are deemed Surplus Indenture Revenues.

Surplus Indenture Revenues (with certain exceptions) are transferred to the Surplus Revenues Account of the Revenue Fund. If the Department has satisfied the requirements in the Trust Indenture, amounts in the Surplus Revenues Account are transferred on or before each Interest Payment Date or redemption date for the Junior Lien Bonds to the trustee under the Junior Lien Trust Indenture to the extent such amounts are needed to pay amounts due on the Junior Lien Bonds, to pay fees and expenses associated with the Junior Lien Bonds and to restore reserves and other accounts for such Junior Lien Bonds.

During such time as the Department is not meeting the Asset Test described in the next succeeding paragraph, the Department may only direct the Trustee to use Surplus Indenture Revenues as described under "SECURITY FOR THE BONDS – Statement of Projected Revenues."

The Department will be deemed to have met the Asset Test if (i) the Department shall have on file with the Trustee a Statement of Projected Revenues giving effect to a transfer and release proposed as described in the next succeeding paragraph projecting that available Revenues will be sufficient to pay Department Expenses and aggregate Debt Service on the Bonds, including Swap Agreement Periodic Payments, and debt service on any outstanding Junior Lien Bonds when due in the then-current and each succeeding Bond Year; (ii) as of the date of such Statement of Projected Revenues the Department Assets (including that portion of junior lien mortgage loans that are permitted to be included as Department Assets by each Rating Agency) are at least equal to one hundred two percent (102%) of the aggregate principal amount of Outstanding Bonds and any Junior Lien Bonds then outstanding; and (iii) amounts then on deposit in the Debt Service Reserve Account are at least equal to the Debt Service Reserve Account Requirement and amounts in the reserve fund for the Junior Lien Bonds are equal to the reserve fund requirement therefor.

At the end of any Bond Year, if the Department meets the Asset Test, the Department may direct the Trustee to transfer the Surplus Indenture Revenues (in excess of those required to be maintained under the Trust Indenture in order to permit the Department to continue to meet the Asset Test) to the trustee under the Junior Lien Trust Indenture to be used to originate mortgage loans as described in the Trust Indenture, to reimburse a bond insurer or credit provider for amounts provided under a bond insurance policy or other credit support or to originate junior lien mortgage loans, or the Department may apply such Surplus Indenture Revenues: (1) in any manner permitted during periods when the Department is not meeting the Asset Test, as described under "SECURITY FOR THE BONDS – Statement of Projected Revenues"; (2) (A) to the redemption of Bonds (and in the case of the Series 2018A Bonds, only on and after the optional redemption date); (B) to the payment of any Department Expenses; (C) to the establishment of reserves therefor, free and clear of the pledge and lien of the Trust Indenture; or (D) to the purchase of Bonds; and (3) any other purpose or payment authorized by the Act, free and clear of the pledge and lien of the Trust Indenture.

No Surplus Indenture Revenues may be applied in any way which would result in less than ninety percent (90%) of all amounts received by the Department with respect to the Mortgage Loans being used for the following purposes: (i) to pay the principal or Redemption Price of or interest on or purchase or otherwise to service the Bonds; (ii) to reimburse the Department for Department Expenses, or to pay for costs of issuance of the Bonds; (iii) to reimburse the Department, or to pay for administrative or other costs or anticipated future losses directly related to the Program; (iv) to acquire Mortgage Loans or other loans or mortgages financing residential real property in the State; and (v) to redeem or retire obligations of the Department

Debt Service Fund – Interest Account; Principal Account; Swap Agreement Periodic Payment Account; Redemption Account

The Trustee is required to pay out of the Interest Account by each Interest Payment Date the amount required for the interest payment on such date. The Trustee is required to pay out of the Principal Account by each principal installment due date, the amount required for the principal installment payable on such due date. By the redemption date for any Bonds, the Trustee is required to pay out of the Interest Account the amount required for the payment of interest on the Bonds to be redeemed. The Trustee is required to pay the Swap Agreement Periodic Payment out of the Swap Agreement Periodic Payment Account on each Interest Payment Date.

Amounts in the Principal Account with respect to any sinking fund redemption (together with amounts in the Interest Account with respect to accrued interest on the Bonds to be so redeemed) are required to be applied by the Trustee to pay the Redemption Price of the Bonds to be so redeemed. Amounts in the Redemption Account (together with amounts in the Interest Account with respect to accrued interest on the Bonds to be redeemed from the Redemption Account) shall be applied by the Trustee to pay the Redemption Price of the Bonds to be redeemed or may (subject to the provisions of any supplemental indenture), at the direction of the Department, be transferred to the Revenue Fund if notice of redemption has not been published or mailed or such amounts have not been committed to the purchase of Bonds. As soon as practicable after the 40th day preceding the redemption date, the Trustee shall proceed to call for redemption, by giving notice as provided in the Trust Indenture, Bonds in such amount as shall be necessary to exhaust as nearly as possible the amounts in the Redemption Account. In the event that any supplemental indenture establishes a "special sinking fund bond payment," amounts in the Redemption Account representing any such special sinking fund bond payment shall be used only for the purpose of redeeming or purchasing the special sinking fund Bonds for which such payments were established.

Upon any purchase or redemption, other than a sinking fund redemption, of Bonds of any series and maturity for which sinking fund installments have been established, there shall be credited toward each such sinking fund installment thereafter to become due a proportional amount of the total principal amount of such Bonds so purchased or redeemed, or may be credited otherwise at the direction of the Department upon satisfaction of certain conditions set out in the Trust Indenture. The Trustee, at any time at the direction of the Department, is required to apply amounts available in the Principal Account or the Redemption Account to pay the principal portion of Bonds which the Department may purchase at a price (excluding accrued interest to the purchase date but including any brokerage or other charges), no greater than the applicable Redemption Price of such Bonds.

The Department has covenanted that it will only purchase Bonds or redeem Bonds pursuant to an optional or special redemption, out of amounts in the Redemption Account, if it has determined, on the basis of its most recent Statement of Projected Revenues, and other information available to the Department, that such action will not adversely affect the ability of the Department to pay, when due, the principal or Redemption Price of and interest on the Bonds.

Debt Service Reserve Account

If on any Interest Payment Date for the Bonds, the amount in the Principal Account is less than the amount required to pay the principal and Redemption Price of Bonds then payable, or the amount in the Interest Account shall be less than the amount required to pay interest then due on the Bonds, the Trustee is required to apply amounts from the Debt Service Reserve Account to the extent necessary to

eliminate the deficiency first in the Interest Account and second in the Principal Account. Any amount on deposit in the Debt Service Reserve Account prior to the monthly allocation from the Revenue Fund that is in excess of the Debt Service Reserve Requirement will, upon the request of the Department, be transferred to the Revenue Fund.

Whenever the amount in the Debt Service Reserve Account, together with the amounts in the Debt Service Fund is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account may be transferred to the Debt Service Fund for credit to the Redemption Account and the Interest Account, as appropriate.

The Debt Service Reserve Account Requirement is three percent (3%) of the current balance of Mortgage Loans outstanding (for Mortgage Loans represented by Mortgage Certificates the requirement is zero percent (0%)).

Special Mortgage Loan Fund

As a result of the issuance of certain Series of Bonds, the Trust Indenture established the Special Mortgage Loan Fund as a separate fund pledged (unless withdrawn as described in the next paragraph) to and available for payment of Debt Service on the Bonds. In the event of any shortfall in funds available to pay any Debt Service on the Bonds, the Depository shall, upon the request of the Trustee, transfer to the Trustee from the Special Mortgage Loan Fund any amount necessary to provide sufficient funds to pay the amount then due and owing.

Moneys on deposit in the Special Mortgage Loan Fund may be withdrawn by the Department for the purpose of acquiring from mortgage lenders Special Mortgage Loans (including participations therein). Special Mortgage Loans are mortgage loans which otherwise meet the requirements of the Code, applicable to mortgage loans financed with the proceeds of qualified mortgage bonds, which bear interest at a rate of zero percent (0%) per annum, and for which principal amortizes over the term of the loan. Special Mortgage Loans may not satisfy all Mortgage Loan requirements for a Program under the Trust Indenture.

Withdrawals from Funds to Pay Debt Service

If on any Interest Payment Date on the Bonds, the amount in the Interest Account or the Principal Account shall be less than the amount required to be in such Account in order to make payments then due, the Trustee shall transfer from the following Funds and Accounts in the following order of priority the amount of such deficit and apply such amount to pay aggregate Debt Service as necessary: (i) Redemption Account, (ii) Mortgage Loan Fund, and (iii) Debt Service Reserve Account.

None of the following are deemed available under the Trust Indenture for the payment of Debt Service on Bonds: (i) moneys in the Redemption Account which are to be used to redeem Bonds as to which notice of redemption has been given or committed to the purchase of Bonds, (ii) moneys in the Mortgage Loan Fund which are to be used to acquire or refinance Mortgage Loans (or Mortgage Certificates) with respect to which the Department has entered into commitments with borrowers or Mortgage Lenders, or (iii) Mortgage Loans credited to the Mortgage Loan Fund. Prior to withdrawing any amounts from the Mortgage Loan Fund, the Department shall file with the Trustee a Statement of

Projected Revenues giving effect to such withdrawal, which shall project Revenues sufficient to pay Department Expenses and Debt Service when due in the then-current and each succeeding Bond Year. If there is not sufficient amount in all Funds and Accounts to pay all required principal, interest and Redemption Price on all Bonds, the available amounts will be applied in accordance with the provisions of the Trust Indenture.

Investments

Moneys held in the Mortgage Loan Fund, the Revenue Fund and the Debt Service Fund are required to be invested and reinvested by the Trustee or by any Depository holding all or a portion of the moneys in such Funds, in accordance with instructions from the Department and moneys held in the Expense Fund are required to be invested and reinvested by the Department or by any Depository holding all or a portion of the moneys in such Fund, in accordance with instructions from the Department, to the fullest extent practicable and if permitted by the Act, in Investment Securities (or certificates of deposit or time deposits) the principal of which the Department estimates will be received not later than such times as will be necessary to provide moneys when needed for payments to be made from each such Fund. See "TEXAS TREASURY SAFEKEEPING TRUST COMPANY".

Interest earned from investing any moneys in any Fund or profits realized from any investments in such Fund are required to be retained in such Fund until it contains the amount required by the Trust Indenture to be deposited therein; thereafter such earnings and profits, net of any losses (except that which represents a return of accrued interest paid in connection with the purchase by the Department, the Trustee or any Depository of any investment or as otherwise provided in a Supplemental Indenture), are required to be transferred to the Revenue Fund. In computing the amount in any Fund or Account created under the provisions of the Trust Indenture for any purpose provided in the Trust Indenture, obligations purchased as an investment of moneys therein must be valued at their amortized value, computed as prescribed in the Trust Indenture.

Other Department Covenants

Prior to the beginning of each Bond Year the Department shall prepare and file with the Trustee an annual budget for the ensuing Bond Year. The Department may not expend any amount from the Expense Fund for Department Expenses for such year in excess of the amounts provided therefor in the annual budget as originally adopted or as amended. The Department shall keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions in accordance with generally accepted accounting principles. The Department shall annually, within 150 days after the close of each Bond Year, file with the Trustee, and otherwise as provided by law, a copy of an annual report for such year, accompanied by an accountant's certificate, including the following statements in reasonable detail: a statement of financial position as of the end of such year; a statement of Revenues and Department Expenses; and a summary, with respect to each Fund and Account established under the Trust Indenture of the receipts therein and disbursements therefrom during such year and the amounts held therein at the end of such year. The Department shall at all times appoint, retain and employ competent personnel for the purpose of carrying out the Program and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges, and all persons employed by the Department shall be qualified for their respective positions.

Events of Default

Each of the following events is an "Event of Default" under the Trust Indenture: (i) default in the due and punctual payment of the principal or Redemption Price of any Bond when due; (ii) default in the due and punctual payment of any installment of interest on any Bond or any sinking fund installment when due and the continuance of such default for a period of 30 days; (iii) default by the Department in the performance or observance of any other of its covenants, agreements, or conditions in the Trust Indenture or in the Bonds, and the continuance of such default for a period of 60 days after written notice thereof to the Department by the Trustee or to the Department and to the Trustee by the owners of not less than ten percent (10%) in principal amount of the Bonds Outstanding; or (iv) the commencement of various proceedings involving the Department in bankruptcy or seeking reorganization, arrangement, readjustment or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, state or federal, now or hereafter existing, or seeking the involuntary appointment of a receiver or trustee of the Department or for all or a substantial part of its property, and unless commenced by or consented to by the Department, their continuation for 90 days undismissed or undischarged.

Bondholders' Rights in the Event of Default

Acceleration. If an Event of Default occurs and is continuing, then the Trustee may and, upon the written request of the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, must, by written notice delivered to the Department, declare the principal of the Bonds then Outstanding and the interest accrued thereon immediately due and payable; subject, however, to the right of the owners of more than fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding, by written notice to the Department and to the Trustee, to annul such declaration and destroy its effect at any time if all Events of Default, other than those arising from nonpayment of principal or interest due solely as a result of such acceleration, have been cured. Such annulment will not extend to nor affect any subsequent Event of Default nor impair or exhaust any right or power consequent thereon.

Other Actions by Trustee. If any Event of Default occurs and is continuing, then the Trustee may and, upon the written request of the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction, must: (i) by mandamus or other suit, action or proceeding at law or in equity require the Department to perform its covenants, representations and duties under the Trust Indenture; (ii) bring suit upon the Bonds; (iii) by action or suit in equity require the Department to account as if it were the trustee of an express trust for the owners of the Bonds; (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; or (v) take such other steps to protect and enforce its rights and the rights of the owners of the Bonds, whether by action, suit or proceeding in aid of the execution of any power granted in the Trust Indenture or for the enforcement of any other appropriate legal or equitable remedy.

Judicial Proceedings. If any Event of Default occurs and is continuing, then the Trustee may, and upon written request by the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, must, proceed by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal of and interest on the Bonds under a judgment or decree of a court or courts of competent jurisdiction or by the enforcement of any other appropriate legal or equitable remedy, as the Trustee deems most effectual to protect and enforce any of its rights or the rights of the owners of the Bonds under the Trust Indenture.

Application of Proceeds

The proceeds received by the Trustee in case of an Event of Default, together with all securities and other moneys which may then be held by the Trustee as a part of the Trust Estate, are required to be applied in order, as follows:

(a) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee;

(b) to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

(i) unless the principal of all the Bonds shall have become or have been declared due and payable, to the payment to the persons entitled thereto of: first, all installments of interest then due, including Swap Agreement Periodic Payments then due, in order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installments maturing on the same date or Swap Agreement Periodic Payments then due, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference; and second, the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, without any discrimination or preference;

(ii) if the principal of all the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, including Swap Agreement Periodic Payments then due and unpaid, without preference or priority of principal over interest or of interest over principal, including, in each case, Swap Agreement Periodic Payments, or of any installment of interest over any other installment of interest, including Swap Agreement Periodic Payments or of any Bond over any other Bond ratably, according to the amounts due respectively for principal and interest, including Swap Agreement Periodic Payments, to the persons entitled thereto without any discrimination or preference;

(c) to the payment of Swap Agreement Termination Payments but only to the extent that the amount available shall be sufficient to pay the principal or Redemption Price of and interest on any Junior Lien Bonds then due and payable prior to the payment of any amount in satisfaction of Swap Agreement Termination Payments; and

(d) to the payment of the amounts required for reasonable and necessary Department Expenses allocable to the Bonds, the Trust Indenture or the Program.

The Bank of New York Mellon Trust Company, N.A., a national banking association having a corporate trust office located in Jacksonville, Florida, serves as the Trustee for the Bonds issued under the Trust Indenture, including the Series 2018A Bonds. The Trustee is required to be removed if so requested by the owners of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Department. The Trustee may also resign. In either event, a successor is required to be appointed.

Supplemental Indentures without Consent of Bondholders

For any one or more of the following purposes and at any time or from time to time, a supplemental indenture of the Department may be adopted, which, upon filing with the Trustee a copy thereof, certified by an authorized officer of the Department, shall be fully effective in accordance with its terms: (i) to authorize Bonds of a Series and to specify the matters relative to such Bonds which are not contrary to or inconsistent with the Trust Indenture; (ii) to close the Trust Indenture against, or provide limitations on, the delivery of Bonds; (iii) to add to the covenants of the Department in the Trust Indenture; (iv) to add to the restrictions in the Trust Indenture other restrictions to be observed by the Department which are not inconsistent with the Trust Indenture; (v) to confirm the subjection to any lien or pledge created by the Trust Indenture of the Trust Estate or any other moneys; (vi) to modify any of the provisions of the Trust Indenture in any other respect, effective only after all Bonds of any Series Outstanding at the date of the adoption of such supplemental indenture shall cease to be Outstanding; (vii) to amend the Trust Indenture to permit its qualification under the Trust Indenture Act of 1939 or any state blue sky law; or (viii) to surrender any right conferred upon the Department by the terms of the Trust Indenture, provided that the surrender of such right is not inconsistent with the covenants of the Department contained in the Trust Indenture.

For any one or more of the following purposes and at any time or from time to time, a supplemental indenture may be adopted with the consent of the Trustee: (i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision of the Trust Indenture; (ii) to insert such provisions clarifying matters or questions arising under the Trust Indenture as are necessary or desirable and are not contrary to or inconsistent with the Trust Indenture as theretofore in effect; or (iii) to provide for additional duties of the Trustee in connection with the Trust Estate, the Mortgage Loans or the Program.

Amendment of Indenture with Consent of Bondholders

Any modification or amendment of the Trust Indenture and of the rights and obligations of the Department and of the owners of the Bonds and coupons thereunder, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Trust Indenture (i) of the owners of at least $\frac{2}{3}$ in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the owners of at least $\frac{2}{3}$ in aggregate principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any sinking fund installment, of the owners of at least $\frac{2}{3}$ in aggregate principal amount of the Bonds of the particular Series and maturity entitled to such sinking fund installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under these provisions.

No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds of which the consent of the owners is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any fiduciary without its written assent thereto. For the purposes of the Trust Indenture, a Series is deemed to be affected by a modification or amendment of the Trust Indenture if the same adversely affects or diminishes the rights of the owners of the Bonds of such

Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Trust Indenture and any such determination shall be binding and conclusive on the Department and all owners of Bonds.

Defeasance

If the Department shall pay or cause to be paid, or there shall otherwise be paid, to the owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Trust Indenture, then the pledge of the Trust Estate under the Trust Indenture and all covenants, agreements and other obligations of the Department to the Bondholders, shall thereupon terminate.

Bonds or interest installments for the payment or redemption of which moneys shall be held in trust by the Trustee or the Paying Agents at the maturity or redemption date thereof shall be deemed to have been paid within the meaning of the Trust Indenture. In addition, all Outstanding Bonds of any Series shall be deemed to have been paid within the meaning of the Trust Indenture if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Department shall have given to the Trustee irrevocable instructions to give notice of redemption of such Bonds on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or Paying Agents at the same time shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not be redeemed within the next succeeding 60 days, the Department shall have given the Trustee irrevocable instructions to give a notice to the owners of such Bonds that the deposit required by (ii) above has been made with the Trustee or the Paying Agents and that said Bonds are deemed to have been paid in accordance with the Trust Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

If there are Junior Lien Bonds outstanding at the time all Bonds are defeased, all moneys or securities held by the Trustee and not required for the payment of principal or Redemption Price and interest on the Bonds shall be transferred to the trustee under the Junior Lien Trust Indenture.

Depositories

The Department may appoint one or more depositories to hold all or a designated portion of the moneys and investments subject to the lien and pledge of the Trust Indenture. Any depository appointed by the Department must be: (i) the Texas Treasury Safekeeping Trust Company; or (ii) a bank, trust company, a national banking association, a savings and loan association, savings bank, or other banking institution or association selected by the Department. See "TEXAS TREASURY SAFEKEEPING TRUST COMPANY."

All moneys and securities deposited with any Depository under the provisions of the Trust Indenture are required to be held in trust for the Trustee or the Department, as applicable, and the owners of the Bonds, and may not be applied in any manner that is inconsistent with the provisions of the Trust Indenture. Each Fund or Account held by the Depository shall be a trust fund for purposes of the Trust Indenture.

TEXAS TREASURY SAFEKEEPING TRUST COMPANY

The Department has entered into a Depository Agreement relating to the Bonds (as amended and supplemented, the “Depository Agreement”), by and among the Department, the Trustee, and the Texas Treasury Safekeeping Trust Company, a special-purpose trust company organized under the laws of the State of Texas (the “Trust Company”). Pursuant to the Depository Agreement, the Trust Company will hold all moneys and securities required to be credited to all Funds (other than the Principal Account, Interest Account, Swap Agreement Periodic Payment Account and Redemption Account of the Debt Service Fund, and the Expense Fund). All money and securities required by the Trust Indenture to be credited to such Funds and Accounts are required to be remitted to the Trust Company from time to time by the Department and the Trustee. The Trust Company is required to remit amounts from the appropriate accounts held by it to the Trustee at such times as are necessary to pay the principal or Redemption Price of and interest on the Bonds when due. Moneys held in the accounts held by the Trust Company are required to be invested by the Trust Company pursuant to instruction from the Department as described herein under “THE TRUST INDENTURE – Investments.” The Trust Company is required to hold all moneys and securities delivered to it under the Depository Agreement in trust for the benefit of the Department, the Trustee and the owners of the Bonds.

The Department has agreed to pay the Trust Company a fee for performing its duties under the Depository Agreement. The Department has the right to remove the Trust Company as Depository under the Depository Agreement at any time by filing a written notice with the Trustee and the Trust Company to that effect. The Trust Company may resign as Depository under the Depository Agreement by giving at least 60 days’ written notice to the Department and the Trustee of its determination to resign. Upon any such removal or resignation, the Trust Company is required to deliver all moneys and securities held by it under the Depository Agreement to its successor thereunder, or, if there is no successor, to the Trustee.

TAX MATTERS

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, subject to certain conditions set forth in the opinion and under existing law, (i) interest on the Series 2018A Bonds is excludable from gross income for federal income tax purposes and (ii) interest on the Series 2018A Bonds is not a specific preference item subject to the alternative minimum. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Series 2018A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include the various mortgage eligibility, arbitrage, targeted area, recapture, use of proceeds and information reporting requirements discussed more fully below under the caption “Federal Income Tax Requirements.” The Department has covenanted in the Trust Indenture that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the procedures, safeguards and covenants of the Master Servicer and the covenants of the Department in the Trust Indenture and the Program Agreements pertaining to those sections of the Code that affect the excludability of the interest on the Series 2018A Bonds from gross income for federal income tax purposes, and in addition, will rely on representations by the Department, the Department’s Financial Advisor, the

Master Servicer, the Mortgage Lenders and the Underwriters with respect to matters solely within the knowledge of the Department, the Department's Financial Advisor, the Master Servicer, the Mortgage Lenders and the Underwriters, respectively, which representations Bond Counsel has not independently verified. If the Department, a Mortgage Lender, or the Master Servicer fails to comply with such procedures, safeguards and covenants or if such representations should be determined to be inaccurate or incomplete, interest on the Series 2018A Bonds could become includable in gross income from the date of original delivery thereof, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, acquisition, ownership or disposition of, the Series 2018A Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series 2018A Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Department as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Series 2018A Bonds could adversely affect the value and liquidity of the Series 2018A Bonds, regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Series 2018A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Series 2018A Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Series 2018A Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series 2018A Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of the Series 2018A Bonds may exceed the stated redemption price payable at maturity of such Series 2018A Bonds. Such Series 2018A Bonds (the "Premium Series 2018A Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount

of such excess. The basis of a Premium Series 2018A Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Series 2018A Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Series 2018A Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Series 2018A Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Series 2018A Bond) is determined using the yield to maturity on the Premium Series 2018A Bond based on the initial offering price of such Premium Series 2018A Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Series 2018A Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Series 2018A Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Series 2018A Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Series 2018A Bonds.

Tax Legislative Changes

Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Series 2018A Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Series 2018A Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Series 2018A Bonds. Prospective purchasers of the Series 2018A Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

Federal Income Tax Requirements

General

Sections 103 and 143 of the Code and applicable regulations thereunder provide that the interest on bonds the proceeds of which are used directly or indirectly to finance owner-occupied residences, will not be excludable from gross income for federal income tax purposes unless such bonds are part of a “qualified mortgage issue.” A “qualified mortgage issue” must meet the following requirements: (i) all proceeds of the issue (exclusive of issuance costs and a reasonably required reserve fund) are to be used to finance owner-occupied residences, (ii) the mortgages financed by the issue satisfy certain mortgage eligibility requirements, as set forth more fully below under the subheading “Mortgage Eligibility Requirements,” (iii) certain arbitrage limitations described more fully below under the subheading “Requirements Related to Arbitrage” must be satisfied, (iv) a specified portion of the lendable proceeds of such issue must be made available for a minimum period of time for owner financing of residences located within certain targeted areas, as described more fully below under the subheading “Targeted Area Requirement,” (iv) mortgagors must be informed regarding the recapture of a portion of the proceeds from the disposition of certain residences, as described more fully below under the subheading “Recapture Requirements,” (v) the issue must not

meet the private business tests, as described more fully below under the subheading “Private Business Use Limitations,” (vi) amounts received as repayment of principal on the Mortgage Loans ten years after the date of issuance of the bonds must be used to redeem bonds that are part of the issue, as described more fully under the subheading “Redemption Requirements” below and (vii) the issue must meet certain reporting requirements, as set forth more fully below under the subheading “Reporting Requirements.”

In addition, to be “qualified mortgage bonds,” the bonds must be approved by (i) the Governing Board of the Department and (ii) an “applicable elected representative” of the State after a public hearing following reasonable public notice. Further, the costs of issuance financed by an issue of bonds cannot exceed two percent of the proceeds of such issue. Additionally, the amount of such an issue of bonds, other than certain refunding bonds, when added to the amount of all other private activity bonds issued within the State during calendar year of issuance must not exceed the unified volume cap for private activity bonds imposed by the Code and applicable regulations.

Mortgage Eligibility Requirements

The Code contains six basic mortgage eligibility requirements that must be met at the time a mortgage is executed or assumed.

Residence Requirement. The Code requires that each home financed by a mortgage loan is (i) a single family residence that can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after financing is provided and (ii) located in the jurisdiction of the Department.

First-time Homebuyer Requirement. The Code requires that at least 95% of the net proceeds of an issue be used to finance residences of mortgagors who have not had a present ownership interest in their principal residences at any time during the three-year period prior to execution of the mortgage loan; provided, however, that the three-year requirement does not apply (i) to financings with respect to Targeted Area Residences, (ii) in the case of land possessed under a “contract for deed” by a mortgagor whose principal residence is located on such land and whose family income is not more than 50% of the area median family income (the “Contract for Deed Exception”), or (iii) financing of any residence of a qualified veteran, if such veteran has not previously qualified for and received such financing by reason of this exception. For purposes of the Contract for Deed Exception, the term “contract for deed” means a seller-financed contract for the conveyance of land under which legal title does not pass to the purchaser until the consideration under the contract is fully paid to the seller, and the seller’s remedy for nonpayment is forfeiture rather than judicial or nonjudicial foreclosure.

Purchase Price Limitations. The Code requires that the acquisition cost of the residence may not exceed 90% of the “average area purchase price” applicable to such residence, or, in the case of Targeted Area Residences, 110% of the applicable “average area purchase price.” The Service has published “safe harbor rules” identifying purchase price limitations in the State that are considered to be in compliance with the requirements of the Code. The Department has determined to rely on the safe harbor figures for purposes of the Series 2018A Bonds.

Income Requirements. The Code requires that all the mortgage loans financed with the proceeds of an issue be provided to borrowers whose family income does not exceed 115% (100% in the case of individuals or families of two) of the greater of the statewide median income or the median income of the area in which the residence is located. For Targeted Area Residences, the percentages in the foregoing sentence are 140% and 120%, respectively, and one-third of the financings may be provided without regard to such limits.

Requirements as to Assumptions of Mortgages. The Code provides that a mortgage loan may be assumed only if the assuming mortgagor complies with the residence requirement, first-time homebuyer requirement, purchase price limitations and income requirements, as if the loan were being made to the assuming mortgagor for the first time.

New Mortgage Requirement. The Code requires that no part of the proceeds of an issue of qualified mortgage bonds may be used to acquire or replace an existing mortgage (whether or not paid off) on the residence at any time prior to the execution of the new mortgage. An exception from the new mortgage requirement is provided for (i) the replacement of construction period loans, bridge loans or other similar temporary initial financing having a term not exceeding 24 months, and (ii) certain residences described within the Contract for Deed Exception.

Requirements Related to Arbitrage and Rebate

Sections 143 and 148 of the Code provide that: (i) the effective interest rate on the mortgage loans financed with the proceeds of an issue of qualified mortgage bonds may not exceed the yield on such bonds by more than 1.125 percentage points subject to the Department's payment of yield reduction payments as set forth in the regulations promulgated under the Code; (ii) no more than 10% of the proceeds of an issue of bonds may be invested in any reserve or replacement fund; (iii) no more than the lesser of 5% of the proceeds of an issue of bonds or \$100,000 (other than amounts invested for certain temporary periods or in a "reasonably required reserve fund") may be invested at a yield materially higher than the yield on such bonds; and (iv) the amount of funds held in certain accounts (other than amounts held for certain temporary periods) for an issue of bonds invested at a yield greater than the yield on such bonds may not exceed 150% of the current year's debt service on such bonds appropriately reduced as mortgage loans are prepaid. In calculating the effective interest rate on the mortgages, all amounts borne by the mortgagor either directly or indirectly must be taken into account.

The Code also requires the issuer to make rebate payments to the federal government in connection with certain investment earnings on non-mortgage investments, to the extent that such investment earnings exceed the amount that would have been earned on such investments if the investments were earning a return equal to the yield on the tax-exempt bonds to which such non-mortgage investments relate.

Targeted Area Requirement

The Code requires that either an amount equal to (a) at least 20% of the lendable proceeds of an issue of qualified mortgage bonds or (b) 40% of the average annual aggregate principal amount of mortgages executed during the immediately preceding three calendar years for single family, owner-occupied residences in targeted areas within the Department's jurisdiction, if such amount is less, must be reserved, for at least one year from the date on which owner-financing is first made available with respect to residences located within one or more targeted areas ("Targeted Area Residences"). Targeted Areas consist of (i) census tracts identified by the United States Treasury Department as having a substantial concentration of lower-income persons or (ii) areas of chronic economic distress designated by the State and approved by HUD. The State, at the request of the Department, has designated and HUD and the Secretary of the Treasury have approved, certain "areas of chronic economic distress" within the State. In addition, the Department has determined that there are "qualified census tracts" within the State.

Recapture Requirements

The Code subjects to a tax any mortgagor who disposes of an interest in a residence with respect to which there is or was any federally-subsidized indebtedness (i.e., a mortgage loan), the payment for which the mortgagor was liable in whole or in part. Specifically, such a mortgagor is subject to the payment of an additional tax reflecting the “recapture amount” with respect to such indebtedness. This recapture amount is determined pursuant to a formula established in the Code based on the “federally-subsidized amount,” the time of disposition and certain family income limits applicable to the mortgagor. This recapture provision does not apply to any disposition of an interest in a residence by reason of death or any such disposition that is more than nine years after the date the mortgage loan is made.

In order to facilitate the collection of the recapture amount from mortgagors, the Code requires that the issuer of any issue of qualified mortgage bonds, at the time of settlement of a mortgage loan, provide a written statement informing the mortgagor of the potential recapture under the Code. Furthermore, the Code requires that the issuer, not later than 90 days after the date each such mortgage is closed, provide a written statement to the mortgagor specifying the federally-subsidized amount with respect to such mortgage loan and the applicable income limits.

Private Business Use Limitations

The Code provides that an issue of qualified mortgage bonds must not meet the private business use test and the private security or payment tests set out in sections 141(b)(1) and (2) of the Code. The private business use test limits, subject to certain exceptions, the amounts of proceeds that can be used, directly or indirectly, in a trade or business carried on by any person (other than a natural person) that is not a state or local governmental unit to no more than 10% of the proceeds of the issue. The private security or payment test provides that, subject to certain exceptions, the payment of principal of, or the interest on, more than 10% of the proceeds of an issue be, directly or indirectly, (i) secured by any interest in property used or to be used for a private business use or payments in respect of such property or (ii) be derived from payments in respect of such property.

Redemption Requirements

The Code contains two redemption requirements that must be satisfied in order for an issue of bonds to be treated as “qualified mortgage bonds.” The Code requires all proceeds of an issue of qualified mortgage bonds in an amount of \$250,000 or more that are not expended to finance residences within 42 months of the date of issuance of such bonds must be used within such 42-month period to redeem bonds that are part of such issue of bonds. The Code requires that all amounts of \$250,000 or more that are received by the issuer and representing complete repayments of mortgage loans or prepayments of principal of mortgage loans must be used to redeem bonds of the same issue not later than the close of the first semiannual period beginning after the date the prepayment or complete repayment is received; provided that, such requirement does not apply to amounts received within 10 years after the date of issuance of the original bonds.

Reporting Requirements

An issuer of qualified mortgage bonds is required to file with the Secretary of the Treasury an informational report containing various data regarding such bonds and the mortgages financed with the proceeds thereof.

Compliance with Tax Requirements

With respect to the mortgage eligibility requirements described above, the Code provides that such requirements will be treated as having been met if: (i) the issuer attempts in good faith to meet such requirements before the mortgage loans are executed; (ii) 95% or more of the lendable proceeds were used for mortgage loans that met all the mortgage eligibility requirements at the time of execution or assumption; and (iii) any failure to meet such requirements is corrected within a reasonable period of time after such failure is discovered. In determining whether or not 95% of the mortgage loans satisfy the mortgage eligibility requirements, the issuer is entitled to rely upon affidavits of the mortgagors and sellers of residences financed with the mortgage loans and upon federal income tax returns of the mortgagors, even if the relevant information in such affidavits and returns ultimately proves to be false, unless the issuer knows or has reason to know that such information is false.

The Code provides that the requirements related to arbitrage, Targeted Area Residences and recapture will be treated as having been met if: (i) the issuer attempts in good faith to meet such requirements and (ii) any failure to meet such requirements is due to inadvertent error after having taken reasonable steps to comply with such requirements.

The Department has covenanted in the Trust Indenture and the Mortgage Lenders and the Master Servicer have covenanted in the Program Agreements to (i) comply with the above-described requirements of the Code with respect to the proceeds of the Series 2018A Bonds and (ii) establish and follow procedures and safeguards sufficient to ensure compliance with such requirements. Nevertheless, if the Department, a Mortgage Lender, or the Master Servicer should fail to comply with such covenants, interest on the Series 2018A Bonds could become includable in gross income for federal income tax purposes from the date of issuance thereof, regardless of the date on which the event causing such inclusion occurs.

CONTINUING DISCLOSURE OF INFORMATION

In the Continuing Disclosure Agreement, dated as of _____, 2018 (the “Disclosure Agreement”) between the Trustee and the Department, the Department has made the following agreement for the benefit of the holders and beneficial owners of the Series 2018A Bonds. The Department is required to observe the Disclosure Agreement for so long as it remains obligated to advance funds to pay the Series 2018A Bonds. Under the Disclosure Agreement, the Department will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”).

No Eligible Borrower is an “obligated person” (as defined in Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “Rule”)) for whom financial information or operating data would be presented in this Official Statement had such Eligible Borrower been known at the time of the offering of the Series 2018A Bonds.

Annual Reports

The Department will provide certain updated financial information and operating data to the MSRB annually within six months after the end of its Fiscal Year. The information to be updated includes all quantitative financial information and operating data with respect to the Department of the general type included in this Official Statement under the headings “APPENDIX C-1 – AUDITED FINANCIAL STATEMENTS OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS REVENUE BOND PROGRAM FOR THE FISCAL YEAR ENDED

AUGUST 31, 2017” (financial statements for the last completed fiscal year will be unaudited, unless an audit is performed in which event the audited financial statements will be made available), “APPENDIX E-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES” and “APPENDIX E-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.” The Department will update and provide this information within six months after the end of each Fiscal Year ending on or after August 31, 2018. The Department will provide the updated information to the MSRB.

The Department may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the Department commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Department will provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C-1-1 or such other accounting principles as the Department may be required to employ from time to time pursuant to state law or regulation.

The Department’s current Fiscal Year ends on August 31, 2017. Accordingly, it will provide updated information to the MSRB in the electronic format prescribed by the MSRB, if any, by the last day of February in the year 2018 and will be required to provide updated information to the MSRB by the last day of February in each year thereafter, unless the Department changes its Fiscal Year. If the Department changes its Fiscal Year, it will notify the MSRB of the change.

Event Notices

The Department will provide notice to the MSRB of any of the following events with respect to the Series 2018A Bonds, if such event is material within the meaning of the federal securities laws: (1) non- payment related defaults; (2) modifications to rights of securities holders; (3) Series 2018A Bond calls; (4) release, substitution, or sale of property securing repayment of the Series 2018A Bonds; (5) the 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; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The Department will also provide notice to the MSRB of any of the following events with respect to the Series 2018A Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) tender offers; (6) adverse tax opinions or 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-exempt status of the Series A Bonds, or other events affecting the tax-exempt status of the Bonds; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of an obligated person.

The Department will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The Department will also provide timely notice of any failure by the Department to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

Availability of Information from MSRB

The Department has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Series 2018A Bonds only if the holders comply with the procedures and pay any charges that may be established by the MSRB such information vendors or obtain the information through securities brokers who do so. Such information is available at no charge at www.emma.msrb.org.

Limitations and Amendments

The Department has agreed to update information and to provide notices of material events only as described above. The Department has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Department makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2018A Bonds at any future date. The Department disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its Disclosure Agreement or from any statement made pursuant to its Disclosure Agreement, although holders of Series 2018A Bonds may seek a writ of mandamus to compel the Department to comply with its Disclosure Agreement.

The Disclosure Agreement may be amended by the Department and the Trustee from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell any Series 2018A Bonds in the primary offering of the Series 2018A Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Disclosure Agreement that authorizes such an amendment) of the Outstanding Series 2018A Bonds consent to such amendment or (b) a person that is unaffiliated with the Department (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Series 2018A Bonds. If the Department so amends the Disclosure Agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of any change in the type of financial information and operating data so provided. The Department may also amend or repeal the provisions of the Disclosure Agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling any Series 2018A Bonds in the primary offering of such Series 2018A Bonds.

Notwithstanding the foregoing, under current state law, the Department is required to have an audit performed annually by independent accountants, which audit is available to any person who makes a request to the Department and upon payment of the cost of copying thereof.

Duties, Immunities and Liabilities of Trustee

The Trust Indenture is made applicable to the Disclosure Agreement as if the Disclosure Agreement were (solely for this purpose) contained in the Trust Indenture. The Trustee shall have only such duties as are specifically set forth in the Disclosure Agreement, and no implied covenants shall be read into the Disclosure Agreement against the Trustee.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Service LLC business ("S&P"), have assigned ratings to the Series 2018A Bonds of "Aa1" and "AA+," respectively. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings do not represent recommendations to buy, sell, or hold the Series 2018A Bonds. The ratings reflect only the respective views of such organizations at the time such ratings were assigned and the Department makes no representation as to the appropriateness of the ratings.

There is no assurance that any ratings assigned to the Series 2018A Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2018A Bonds.

UNDERWRITING

The Series 2018A Bonds are being purchased from the Department by the Underwriters listed on the cover page of this Official Statement. Pursuant to the bond purchase agreement for the Series 2018A Bonds (the "Bond Purchase Agreement"), the Underwriters have agreed to purchase the Series 2018A Bonds at a total purchase price of \$_____. The Underwriters will receive a fee of \$_____ in connection with the purchase of the Series 2018A Bonds. The Bond Purchase Agreement provides, among other things, that the Underwriters' obligations to make their respective purchases are subject to certain terms and conditions set forth in such Bond Purchase Agreement, including the approval of certain legal matters by their co-counsel and certain other conditions. The initial public offering prices of the Series 2018A Bonds may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Series 2018A Bonds to certain dealers (including dealers depositing the Series 2018A Bonds into unit investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices other than the public offering prices stated on the inside front cover hereof.

Jefferies LLC, an underwriter of the Series 2018A Bonds, has entered into an agreement (the "Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies LLC will sell the 2018A Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriter[s] of the Series 2018A 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 Series 2018A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2018A Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Department and to persons and entities with relationships with the Department, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Department (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Department. The Underwriters and their 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.

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.

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FINANCIAL ADVISOR

George K. Baum & Company and Kipling Jones & Co. (collectively, the “Financial Advisors”) have served as co-financial advisors to the Department for purposes of assisting the Department with the development and implementation of the bond program in connection with the Bonds. The Financial Advisors have not been engaged by the Department to compile, create or interpret any information in this Official Statement relating to the Department, including (without limitation) any of the Department’s financial and operating data, whether historical or projected. Any information contained in this Official Statement concerning the Department, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisors, and inclusion of such information is not and should not be construed as a representation by either of the Financial Advisors as to its accuracy or completeness or otherwise. Neither of the Financial Advisors is a public accounting firm, and neither has been engaged by the Department to review or audit any information in this Official Statement in accordance with accounting standards.

The Financial Advisors do not assume any responsibility for the covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

FINANCIAL STATEMENTS

The financial statements of the Texas Department of Housing and Community Affairs-Revenue Bond Enterprise Fund as of and for the fiscal year ended August 31, 2017 included in APPENDIX C-1-1 in this Official Statement have been audited by the Texas State Auditor’s Office, independent auditors, as stated in their report appearing herein.

The financial data as of and for the 8 months ended April 30, 2018 has been derived from the unaudited internal records of the Department. The Department’s independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

THE SERIES 2018A BONDS ARE SECURED ONLY BY THE ASSETS AND REVENUES DESCRIBED UNDER THE CAPTION “SECURITY FOR THE BONDS” AND NOT BY ANY OTHER SOURCE.

LITIGATION MATTERS

The Department is expected to deliver a certificate upon the delivery of the Series 2018A Bonds stating that there is no controversy or litigation of any nature pending or, to its knowledge, threatened to restrain or enjoin the delivery of the Series 2018A Bonds, or in any way contesting or affecting the validity of the Series 2018A Bonds, the Trust Indenture, or any proceedings of the Department taken with respect to the delivery of the Series 2018A Bonds, or the existence or powers of the Department insofar as they relate to the delivery of the Series 2018A Bonds or such pledge or application of moneys and security.

The Department is a defendant in the legal action known as Inclusive Communities Project, Inc. vs. Texas Department of Housing and Community Affairs, et al. The court has issued its judgment in this case and awarded plaintiff \$1,869,577 in attorney fees and \$24,392 in non-taxable costs. Because the Department is appealing the ruling, management cannot estimate the amount of its liability for the plaintiff's attorneys' fees.

LEGALITY FOR INVESTMENT

The Act provides that all obligations issued by the Department are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees, guardians, and the sinking and other public funds of the State, municipalities, counties, school districts, and other political subdivisions and public agencies of the State.

The Act also provides that all obligations issued by the Department are eligible and lawful security for all deposits of public funds of the State and all public agencies to the extent of the par or market value thereof, whichever is greater.

To the extent that the Series 2018A Bonds constitute "collateralized mortgage obligations that have a stated final maturity of greater than 10 years" within the meaning of the Texas Public Funds Investment Act, the Series 2018A Bonds are not an "authorized investment" for a state agency, a local government, or other investing entity subject to the provisions of the Public Funds Investment Act.

No representation is made that the Series 2018A Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Department has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Series 2018A Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Series 2018A Bonds for such purposes.

APPROVAL OF LEGALITY

Legal matters incident to the delivery of the Series 2018A Bonds are subject to the approving opinion of Bracewell LLP, Bond Counsel. Certain legal matters will be passed upon for the Department by its General Counsel, James "Beau" Eccles, Esq., and by its Co-Disclosure Counsel, McCall, Parkhurst & Horton L.L.P and Mahomes Bolden PC. Certain legal matters will be passed upon for the Underwriters by their counsel Chapman and Cutler LLP.

In its capacity as Bond Counsel, Bracewell LLP has reviewed the information appearing in this Official Statement describing the Series 2018A Bonds, the security therefor and the federal income tax status thereof, appearing under "THE SERIES 2018A BONDS" (but excluding the information contained therein under the subheadings "Average Life and Prepayment Speeds" and "DTC and Book-Entry"), "SECURITY FOR THE BONDS" (but excluding the information set forth under the subheadings "The Prior Bonds" and "Prior Mortgage Certificates"), "THE PROGRAM AND THE MORTGAGE LOANS" (but excluding the information under the subheadings "The Program and the Mortgage Loans – The Master Servicers" and "Investment of Funds") "THE TRUST INDENTURE," "TEXAS TREASURY SAFEKEEPING TRUST COMPANY," "TAX MATTERS," "LEGALITY FOR INVESTMENT" and "APPROVAL OF LEGALITY," APPENDIX A and APPENDIX D, to this Official Statement solely to determine whether such information fairly and accurately describes or summarizes the provisions of the Act, the laws of the State, the Trust Indenture, the 2018A

Supplemental Indenture, the Depository Agreement, the Series 2018A Bonds and the federal tax implications with respect to the Series 2018A Bonds. Bond Counsel was not requested to participate and did not take part in the preparation of any other information contained herein and did not assume responsibility with respect thereto or undertake independently to verify the accuracy of any of such information. Except as set forth above, Bond Counsel does not pass upon the fairness, accuracy or completeness of this Official Statement, and no person is entitled to rely upon such firm's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of the information contained herein.

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ADDITIONAL INFORMATION

Certain provisions of the Act and the Trust Indenture are summarized in this Official Statement. Such summaries do not purport to be comprehensive or definitive and reference is made to such documents for a full and complete statement of their respective provisions. The information contained above is subject to change without notice and no implication is to be derived therefrom or from the sale of the Series 2018A Bonds that there has been no change in the affairs of the Department from the date hereof.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Department and the purchasers or owners of any of the Series 2018A Bonds.

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: /s/
Chair and Member
Governing Board

By: /s/
Executive Director

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APPENDIX A

GLOSSARY

Unless otherwise provided in the text of this Official Statement, capitalized terms used in this Official Statement shall have the following definitions:

"Account" or "Accounts" shall mean any one or more, as the case may be, of the separate special trust accounts created and established within the Funds created and established under the Trust Indenture and the 2018A Supplemental Indenture.

"Act" shall mean Chapter 2306, Texas Government Code, as amended.

"Agency" shall mean the Texas Housing Agency, all of whose functions and obligations (including Bonds previously issued under the Trust Indenture) along with the functions and obligations of the Texas Department of Community Affairs were transferred to the Department pursuant to the Act, which abolished both the Agency and the Texas Department of Community Affairs.

"Authorized Denomination," shall mean \$5,000 principal amount or any integral multiple thereof.

"Board" shall mean the Governing Board of the Department.

"Bond Counsel" shall mean a firm or firms of attorneys selected by the Department, and acceptable to the Trustee, experienced in the field of housing revenue bonds the interest on which is excludable from gross income for federal income tax purposes, and whose legal opinion on such bonds is acceptable in national bond markets.

"Bond Depository" shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and any successor Bond Depository appointed pursuant to the 2018A Supplemental Indenture.

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement providing for the initial purchase of the Series 2018A Bonds by the Underwriters.

"Bond Year" shall mean each twelve-month period ending August 31.

"Bondholder," "Holder," "Owner" or "owner" shall mean the bearer of any coupon Bond not registered as to principal or registered as to principal to bearer, the registered owner of any Bond registered as to principal other than to bearer and the registered owner of any fully registered Bond as to both principal and interest.

"Bonds" shall mean any bond or bonds, as the case may be, authenticated and delivered pursuant to the Trust Indenture, including the Series 2018A Bonds, the Prior Bonds and any additional bonds.

"Business Day" shall mean any day other than a (i) Saturday or Sunday, (ii) day on which banking institutions in New York, New York, the State of Texas or the city in which the payment office of the Paying Agent is located are authorized or obligated by law or executive order to be closed for business, or (iii) day on which the New York Stock Exchange is closed.

"Certificate Purchase Period" shall mean the period from _____, to and including _____, which may be extended to a date no later than March 1, 2022 in accordance with the Series 2018A Supplemental Indenture.

"Code" shall mean the Internal Revenue Code of 1986, as amended, together with the corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service.

"Compliance Agent" shall mean Housing and Development Services d/b/a eHousingPlus and its successors and assigns.

"Compliance Agreement" shall mean the Program Administration Agreement as of May 8, 2017, by and between the Department and the Compliance Agent, together with any amendments thereto.

"Contract for Deed Exception" shall mean the exception from certain Mortgage Loan eligibility requirements available with respect to an Eligible Borrower possessing land under a contract for deed as provided in Section 143(i)(1)(C) of the Code.

"Conventional Mortgage Loan" shall mean a Mortgage Loan which is not federally insured or guaranteed and which complies with the provisions of the Trust Indenture.

"Counsel's Opinion" shall mean a written opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may also be counsel to the Department) selected by the Department and satisfactory to the Trustee.

"Debt Service" shall mean, with respect to any particular Bond Year and any Series of Bonds, an amount equal to the sum of (a) all interest payable on such Bonds during such Bond Year except to the extent such interest is to be paid from deposits in the Interest Account in the Debt Service Fund made from Bond proceeds, plus (b) the principal installment or installments of such Bonds during such Bond Year. Such interest and principal installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding on the date of calculation will cease to be Outstanding except by reason of the payment of each principal installment on the due date thereof.

"Department" shall mean the Texas Department of Housing and Community Affairs, a public and official agency of the State, and its successors and assigns. The terms Department and Agency shall be used interchangeably.

"Department Assets" shall mean the aggregate of (i) the outstanding principal balance of all Mortgage Loans and (ii) the moneys and Investment Securities in all Funds and Accounts (other than amounts in the Rebate Account, any bond purchase fund and amounts designated for payment of costs of issuance and amounts estimated to pay Department Expenses), with the Investment Securities valued at their amortized value in accordance with the provisions of the Trust Indenture.

"Department Expenses" shall mean the Department's expenses of carrying out and administering its powers, duties and functions in connection with the Mortgage Loans and shall include without limiting the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; expenses for data processing, insurance premiums, legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Trustee, Depositories and Paying Agents; Mortgage Loan servicing fees; costs of issuance not paid from proceeds of Bonds; payments to pension, retirement, health and hospitalization funds; and any other expenses required or permitted to be paid by the Department under the provisions of the Act, the Trust Indenture and any Supplemental Indenture, all to the extent properly allocable to the Program.

"Depository" shall mean the Texas Treasury Safekeeping Trust Company, acting in accordance with the Depository Agreement, and any successor depository appointed pursuant to the Trust Indenture.

"Depository Agreement" shall mean that certain Amended and Restated Depository Agreement, dated as of August 1, 1991, by and among the Department, the Trustee and the Depository, together with any amendments or supplements thereto.

"Eligible Borrowers" shall mean persons that meet the requirements set forth in the caption "THE PROGRAM AND THE MORTGAGE LOANS."

"Fannie Mae" shall mean the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States of America, or its successor.

"Fannie Mae Certificate" shall mean a guaranteed mortgage pass-through Fannie Mae Mortgage- Backed Security (or participation therein) bearing interest at the applicable pass-through rate, issued by Fannie Mae in book-entry form, transferred to the account of the Trustee or its nominee (or any successor or transferee), guaranteed as to timely payment of principal and interest by Fannie Mae and backed by Conventional Mortgage Loans in the related Fannie Mae pool.

"Fannie Mae Guides" shall mean the Fannie Mae Selling and Servicer Guides, or other Fannie Mae Guides then in effect on the date of its application.

"FDIC" shall mean the Federal Deposit Insurance Corporation, or its successor.

"FHA" shall mean the United States Department of Housing and Urban Development, Federal Housing Administration, or its successor.

"FHA Mortgage Loan" shall mean a Mortgage Loan insured by FHA under the provisions of the National Housing Act, as amended, and which complies with the Trust Indenture.

"Freddie Mac" shall mean the Federal Home Loan Mortgage Corporation, a corporation organized and existing under the laws of the United States of America, or its successor.

"Freddie Mac Certificate" shall mean a guaranteed mortgage pass-through Freddie Mac Mortgage - Backed Security (or participation therein) bearing interest at the applicable pass-through rate, issued by Freddie Mac in book- entry form, transferred to the account of the Trustee or its nominee (or any successor or transferee), guaranteed as to timely payment of principal and interest by Freddie Mac and backed by conventional or government insured or government guaranteed Mortgage Loans in the related Freddie Mac pool.

"Freddie Mac Guide" shall mean the Freddie Mac Single-Family Seller/Servicer Guide, or other Freddie Mac Guide then in effect on the date of its application.

"Fund" shall mean any one or more, as the case may be, of the Mortgage Loan Fund, the Expense Fund, the Revenue Fund, the Debt Service Fund and the Special Mortgage Loan Fund.

"Ginnie Mae" or "GNMA" shall mean the Government National Mortgage Association, wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C. § et seq.), and any successor thereto.

“Ginnie Mae Certificate” or “GNMA Certificate” shall mean a fully-modified, mortgage-backed, pass-through security (or participation therein) issued by the Master Servicer in accordance with the applicable Ginnie Mae Guide bearing interest at the applicable pass-through rate and representing the beneficial ownership interest in a Ginnie Mae pool, registered in the name of the Trustee and guaranteed as to timely payment of principal and interest by Ginnie Mae pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and regulations promulgated thereunder, backed by Mortgage Loans originated by Mortgage Lenders under the Program and packaged by the Master Servicer into a Ginnie Mae pool.

“Ginnie Mae Guide” means the GNMA II Mortgage Backed Securities Guide (Ginnie Mae 5500.3), as supplemented from time to time.

“Ginnie Mae Issuer” shall mean any issuer of Ginnie Mae Certificates backed by Ginnie Mae Mortgage Loans.

“Ginnie Mae Mortgage Loans” shall mean the Mortgage Loans constituting part of a Mortgage Pool backing a Ginnie Mae Certificate.

“Ginnie Mae Paying Agent” shall mean JPMorgan Chase Bank, New York, New York, in its capacity as the central transfer and paying agent pursuant to the Ginnie Mae Guide, or its successors or assigns.

"Interest Payment Date" shall mean, with respect to the Series 2018A Bonds, each March 1 and September 1, commencing March 1, 2019, and any date on which the Series 2018A Bonds are subject to redemption.

"Investment Securities" shall mean and include any one or more of the following securities, if and to the extent the same are at the time legal for investment of Department funds:

- (a) obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America ("Government Obligations");
- (b) FHA debentures which must not be redeemable prior to their stated maturity;
- (c) obligations of the Freddie Mac (including only securities guaranteed as to timely payment of principal and interest);
- (d) obligations of the Farm Credit System;
- (e) obligations of Federal Home Loan Banks;
- (f) obligations of Fannie Mae (excluding interest-only and principal-only stripped securities);
- (g) obligations of the Student Loan Marketing Association ("SLMA") excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date;
- (h) obligations of Resolution Funding Corporation ("REFCORP");

- (i) federal funds, unsecured certificates of deposit, time deposits and banker's acceptances (in each case, having maturities of not more than 365 days) of any bank the short-term obligations of which are rated in the highest applicable rating category by the Rating Agency;
- (j) deposits which are fully insured by the FDIC (including deposits with the Trustee or an affiliate of the Trustee);
- (k) debt obligations of a state or municipality rated in the highest applicable rating category by the Rating Agency (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);
- (l) commercial paper having maturities not in excess of one year rated in the highest applicable category by the Rating Agency;
- (m) investment in money market funds registered under the 1940 Act and whose shares are registered under the 1933 Act rated in the highest applicable rating category by the Rating Agency;
- (n) repurchase agreements with any transferor with long-term unsecured debt rated in the highest applicable rating category or commercial paper rated in the highest applicable rating category by the Rating Agency;
- (o) U.S. Treasury STRIPS, REFCORP STRIPS (stripped by the Federal Reserve Bank of New York) and any stripped securities assessed or rated in the highest applicable rating category by the Rating Agency;
- (p) investment agreements secured or unsecured as required by the Department with or guaranteed by any Person whose long-term unsecured general indebtedness is at the date of execution of such agreement rated by the Rating Agency in the highest category for long-term obligations or, if the term of such investment agreement does not exceed one year, whose short term unsecured general indebtedness is at the date of execution of such agreement rated by the Rating Agency in the highest category for short-term obligations (A-1+ if the Rating Agency is then S&P);
- (q) any other investment which in Counsel's Opinion is at the time permitted by then applicable law for the investment of the Department's funds and to the extent such investments are rated by a Rating Agency in its highest rating category;
- (r) any pooled or common trust fund containing only securities described in the foregoing clauses (a) through (i);
- (s) obligations the interest on which is excludable from gross income under Section 103(a) of the Code; provided that such obligations are rated by the Rating Agency in its highest rating category;
- (t) United States Treasury Securities – State and Local Government Series; and
- (u) investment securities described in any Supplemental Indenture for the related Series of Bonds the inclusion of which in the definition of Investment Securities for purposes of the Trust Indenture will not, in and of itself, adversely affect any rating then assigned to the Bonds by the Rating Agency, as evidenced by a letter from the Rating Agency (determined without regard to any credit facility).

"Junior Lien Bonds" shall mean any bond or bonds issued by the Department for the purpose of making, acquiring or refinancing mortgage loans, which may or may not be pledged as Mortgage Loans under the Trust Indenture, provided the income, revenues and receipts received by the Department on such mortgage loans are pledged as Revenues under the Trust Indenture, which is superior to the pledge of such amounts to such junior lien bonds other than to the payment of Department expenses in carrying out and administering its powers, duties and functions in connection with such mortgage loans.

"Junior Lien Trust Indenture" shall mean the Junior Lien Trust Indenture dated as of May 1, 1994, as supplemented, between the Department and the Trustee, as the same may be amended or supplemented from time to time by a series supplement and any other supplemental indenture in accordance with the terms thereof.

"Letter of Instructions" shall mean, with respect to the Series 2018A Bonds, a written directive and authorization to the Trustee or any Depository specifying the period of time for which such directive and authorization shall remain in effect, executed by two authorized officers of the Department.

"LIBOR" shall have the meaning set forth in the 2000 ISDA (International Swaps and Derivatives Association) Definitions, subject to the condition that the rate shall be for one-month maturities.

"Master Indenture" shall mean the Department's Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture, dated as of June 1, 2017, which amends and restates the Single Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, as previously amended and supplemented, pursuant to which the Bonds of each Series are authorized to be issued.

"Master Servicer" when used with respect to Program 89, shall mean Idaho Housing and Finance Association, or any successor thereto as servicer for such Program and when used with respect to another particular Program, shall mean the entity designated as servicer for such Program in the documents for such Program, or any successor thereto.

"Mortgage" shall mean any mortgage or deed of trust securing a Mortgage Loan.

"Mortgage Certificate" shall mean a Ginnie Mae Certificate, a Freddie Mac Certificate or a Fannie Mae Certificate that evidences beneficial ownership of and a one hundred percent (100%) participation in a Mortgage Pool.

"Mortgage Lender" shall mean any bank or trust company, mortgage banker approved by Fannie Mae or Freddie Mac, national banking association, savings bank, savings and loan association, non-profit corporation, mortgage company, the Department, any financial institution or governmental agency and any other entity approved by the Department, provided such mortgage lender is authorized to make Mortgage Loans satisfying the requirements of the Trust Indenture.

"Mortgage Loan" shall mean (i) a note or bond secured by a Mortgage which is eligible under the requirements of the Trust Indenture and is acquired with proceeds of Bonds, with temporary indebtedness incurred in anticipation of the issuance of the Bonds or other moneys of the Department which are, or may be, pledged by the Department to the Trustee by the Trust Indenture or by a Supplemental Indenture or (ii) other notes or bonds secured by a mortgage which is eligible under the requirements of the Trust Indenture and which is pledged by the Department to the Trustee by a Supplemental Indenture and which is held under the Trust Indenture. In the proper context Mortgage Loan may mean and include a Mortgage Certificate and a participation in a Mortgage Loan.

"Mortgage Loan Interest Payment" shall mean, with respect to any Mortgage Loan, the amounts paid or required to be paid from time to time as interest on such Mortgage Loan, after deducting any fees required to be paid for servicing of such Mortgage Loan and excluding any late charges or other charges

which may be permitted by the Department to be retained by the servicer of such Mortgage Loan, and shall include amounts (other than amounts which are Mortgage Loan Principal Payments) received from the sale or other disposition of any Mortgage Loan or any collateral securing any Mortgage Loan or from any insurer or guarantor of any Mortgage Loan.

“Mortgage Loan Principal Payments” shall mean all Mortgage Loan Principal Prepayments and all regularly scheduled payments of principal with respect to all Mortgage Loans included in the 2018A Mortgage Certificates.

"Mortgage Loan Principal Prepayment" shall mean any moneys received or recovered by the Department from any payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan) on any Mortgage Loan other than the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the mortgagor or (ii) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof (other than insurance moneys received or recovered and used in accordance with the provisions of the Trust Indenture to repair or reconstruct the mortgaged premises which were the subject of insurance proceeds) or (iii) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department or (iv) in the event of a default thereon by the mortgagor, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department or by any other proceedings taken by the Department or (v) from any special hazard insurance policy or standard hazard insurance policy covering mortgaged premises or (vi) from any mortgage insurance, including a private mortgage insurance policy and a mortgage pool insurance policy, or (vii) from any proceeds received from the United States of America or any instrumentality thereof in respect of any insurance or guaranty of a Mortgage Loan.

"Mortgage Origination Agreement" shall mean the Master Mortgage Origination Agreement, by and between the Department and a Mortgage Lender, together with any amendments thereto.

"Mortgage Pool" shall mean, with respect to a Mortgage Certificate, the pool of Mortgage Loans the beneficial ownership of which is represented thereby, as described on the schedule of pooled Mortgage Loans pertaining thereto.

"Outstanding" shall mean, when used with reference to Bonds, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Trust Indenture except:

- (i) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;
- (ii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Trust Indenture; and
- (iii) Bonds deemed to have been paid as provided in the Trust Indenture.

“Paying Agent” shall mean the Trustee.

"Person" shall mean any individual, public or private corporation, district, authority, municipality, political subdivision or other agency or entity of the State of Texas or the United States of America, and any incorporated city, town or village, whether operating under general or special law or under its home-rule charter, and any partnership, association, firm, trust, estate, or any other entity whatsoever.

"Policy Payments Account" shall mean, collectively, the Policy Payments Accounts held by the Trustee into which payments from claims on any bond insurance policies will be deposited until disbursed.

"Primary Custodial Account" shall mean the account established by the Ginnie Mae Issuer with a depository institution which is a member of an automated clearing house (or a correspondent of such institution) into which the principal and interest payment on Ginnie Mae Mortgage Loans are deposited for payment to the Ginnie Mae Paying Agent at the times specified in the Ginnie Mae Guide.

"Prior Swap Agreements" shall mean the interest rate swap agreements previously entered into by the Department with the respective Prior Swap Providers, as set forth under the caption "PRIOR SWAP AGREEMENTS" herein, pursuant to which the Department and the respective Prior Swap Providers agreed to make payments thereunder with respect to a notional amount corresponding to the outstanding principal amount of the corresponding bonds for the purpose of effectively converting the interest rate on such bonds to a fixed interest rate.

"Prior Swap Providers" shall mean the Swap Providers for the respective Prior Swap Agreements.

"Program" shall mean the Department's Single Family Mortgage Revenue Bond Program as set forth and implemented through the Program Agreements.

"Program Agreements" shall mean the Mortgage Origination Agreement, the Servicing Agreement, the Compliance Agreement and the Program Guidelines.

"Program Guidelines" shall mean the Program Guidelines for Texas Department of Housing and Community Affairs effective February 23, 2017, relating to specific provisions of the Program, as amended from time to time.

"RHS" shall mean the United States Department of Agriculture Rural Housing Services, formerly Farmer's Home Administration and any successor thereto.

"Rating Agency" shall mean: (i) S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and any successor thereto; and (ii) Moody's Investors Service Inc., and any successor thereto to the extent either agency then has a rating on the Bonds in effect at the request of the Department.

"Rebate Account" shall mean collectively, the Rebate Accounts within the Expense Fund into which amounts to be paid to the United States of America will be deposited until disbursed.

"Redemption Price" shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Trust Indenture.

"Revenues" when used with respect to the Series 2018A Bonds, shall mean in addition to those items defined as such in the Trust Indenture, all amounts paid or required to be paid from time to time on the 2018 A Mortgage Certificates, including any payments received from Ginnie Mae, Fannie Mae or Freddie Mac pursuant to their respective guaranties of the Ginnie Mae Certificates, Fannie Mae Certificates or Freddie Mac Certificates (as applicable), all Mortgage Loan Principal Payments representing the same, all prepayment premiums or penalties received by or on behalf of the Department in respect of the 2018 A Mortgage Certificates, and all other net proceeds of such 2018 A Mortgage Certificates.

"Series" shall mean all Bonds designated as a Series in a Supplemental Indenture and which are authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds delivered in exchange for or in lieu of such Bonds.

"Series 2018 A Cumulative Prepayments" shall mean the amount of Mortgage Loan Principal Prepayments of Mortgage Loans financed with the proceeds of Series 2018A Bonds expressed on a cumulative basis.

"Sixty-Sixth Supplemental Indenture" shall mean the Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture, dated as of September 1, 2018, by and between the Department and The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the issuance of the Series 2018A Bonds is authorized.

"SIFMA" shall mean The Securities Industry and Financial Markets Association.

"State" shall mean the State of Texas.

"Supplemental Indenture" shall mean any indenture supplemental to or amendatory of the Trust Indenture, adopted by the Department in accordance with the Master Indenture.

"Surplus Indenture Revenues" shall mean any moneys remaining in the Revenue Fund after all transfers required by the Indenture on any Interest Payment Date on the Bonds.

"Surplus Revenues Account" shall mean the Surplus Revenues Account of the Revenue Fund held by the Trustee into which Surplus Indenture Revenues are held until disbursed.

"Swap Agreement" shall mean any interest rate swap agreement entered into by the Department with a Swap Provider, pursuant to which the Department and the Swap Provider agree to make payments thereunder with respect to a notional amount corresponding to the outstanding principal amount of one or more Series of variable rate Bonds for the purpose of effectively converting the interest rate on such Bonds to a fixed interest rate.

"Swap Agreement Periodic Payment" shall mean any payment required to be paid by the Department under a Swap Agreement, other than a Swap Agreement Termination Payment.

"Swap Agreement Periodic Payment Account" shall mean, collectively, the Swap Agreement Periodic Payment Accounts within the Debt Service Fund held by the Trustee in which Swap Agreement Periodic Payments are held until disbursed.

"Swap Agreement Periodic Receipt" shall mean any payment required to be paid to the Department or the Trustee under a Swap Agreement, other than a Swap Agreement Termination Receipt.

"Swap Agreement Periodic Receipt Subaccount" shall mean, collectively, the Swap Agreement Periodic Receipt Subaccounts within the Surplus Revenues Account of the Revenue Fund held by the Trustee in which Swap Agreement Periodic Receipts are held until disbursed.

"Swap Agreement Termination Payment" shall mean any payment required to be paid by the Department under a Swap Agreement in connection with the termination of the respective Swap Agreement, whether voluntarily or upon the occurrence of an event of default or similar event thereunder.

"Swap Agreement Termination Payment Subaccount" shall mean, collectively, the Swap Agreement Termination Payment Subaccounts within the Surplus Revenues Account of the Revenue Fund held by the Trustee in which Swap Agreement Termination Payments are held until disbursed.

"Swap Agreement Termination Receipt" shall mean any payment required to be paid to the Department or the Trustee under a Swap Agreement in connection with the termination of the respective Swap Agreement, whether voluntarily or upon the occurrence of an event of default or similar event thereunder.

"Swap Agreement Termination Receipt Subaccount" shall mean, collectively, the Swap Agreement Termination Receipt Subaccounts held by the Trustee in which Termination Receipts are held until disbursed.

"Swap Provider" shall mean any Person with which the Department enters into an interest rate swap agreement with respect to any Bonds issued pursuant to the Trust Indenture.

"Trust Indenture" shall mean the Master Indenture, as supplemented and amended from time to time, each between the Department and the Trustee.

"2018 A MBS Principal Subaccount" shall mean the 2018 A MBS Subaccount of the 2018 A Mortgage Loan Account.

"2018 A Administrative Subaccount" shall mean the 2018 A Administrative Subaccount of the 2018 A Mortgage Loan Account.

"2018 A Mortgage Certificates" shall mean Mortgage Certificates which are purchased by the Trustee on and subsequent to the issuance date of the Series 2018A Bonds and pledged by the Department to the Trustee pursuant to the Trust Indenture and the Sixty-Sixth Supplemental Indenture.

"2018 A Mortgage Loan Account" shall mean the 2018 A Account of the Mortgage Loan Fund.

"2018 A Mortgage Loans" shall mean the Mortgage Loans included in each Mortgage Pool represented by a 2018 A Mortgage Certificate.

"2018 A Redemption Subaccount" shall mean the 2018 A Subaccount of the Redemption Account of the Debt Service Fund.

"2018 A Revenue Account" shall mean the 2018 A Account of the Revenue Fund.

"Underwriters" shall mean RBC Capital Markets, LLC and the other underwriters named on a schedule to the Bond Purchase Agreement.

"VA" shall mean the United States of America Department of Veterans Affairs

"VA Mortgage Loan" shall mean a Mortgage Loan guaranteed by the VA under the provisions of the Servicemen's Readjustment Act of 1944 or Chapter 37 of Title 38 of the United States Code, as amended, and which complies with the provisions of the Trust Indenture.

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APPENDIX B-1
GNMA AND THE GNMA CERTIFICATES

This summary of the GNMA Mortgage Backed Securities Program, the GNMA Certificates and the documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage Backed Securities Guide published by GNMA and to said documents for full and complete statement of their provisions. The following summary is of the GNMA I Program and the GNMA II Program, as amended.

Government National Mortgage Association (“GNMA”) is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”) with its principal office in Washington, D.C.

To issue GNMA Certificates, the Master Servicer must first apply to and receive from GNMA the Commitment to Guarantee Mortgage Backed Securities (the “MBS Agreement”). The MBS Agreement authorizes the Master Servicer to apply to GNMA for the issuance of Mortgage-Backed Securities to be eligible for guaranty by GNMA up to a stated date and issue GNMA Certificates up to a stated amount during a one- year period following the date of the MBS Agreement. Each MBS Agreement is valid for a 12-month period from the date of commitment.

Each GNMA Certificate is to be backed by a mortgage pool consisting of Mortgage Loans in a minimum aggregate amount of \$250,000 (or such lesser amount as may be approved by GNMA). Each GNMA I Certificate will be a “mortgage loan pass-through” certificate which will require the Master Servicer to pass through to the paying and transfer agent therefor (the “GNMA Paying Agent”) by the fifteenth day of each month (or the sixteenth day, if such day is not a business day, provided that, if neither the fifteenth nor the sixteenth day is a business day, the first business day prior to the fifteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA Guaranty Fee and the Master Servicer's servicing fee, more fully described herein), whether or not the Master Servicer receives such payments, plus any prepayments of principal of the Mortgage Loans received by the Master Servicer in the previous month. Each GNMA II Certificate will require the Master Servicer to pass through to the GNMA Paying Agent for the GNMA II Program, by the nineteenth day of each month (or the twentieth day, if such day is not a business day; provided that, if neither the nineteenth nor the twentieth day is a business day, then the first business day prior to the nineteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA Guaranty Fee and the Master Servicer's servicing fee, more fully described herein), whether or not the Master Servicer received such payments, plus any prepayments on the Mortgage Loan received by the Master Servicer in the previous month. The GNMA Paying Agent is then required to pass through to the Trustee on or before the third business day following the nineteenth day of each month the scheduled payments received from the Master Servicer. GNMA guarantees timely payment of principal of and interest with respect to the GNMA Certificate.

GNMA is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the “Housing Act”), to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by a pool of mortgage loans insured by FHA under the Housing Act, or guaranteed by RDA under Title V of the Housing Act of

1949, or guaranteed by VA under the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code. 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 October 12, 1969, of an Assistant Attorney General of the United States, states that such guarantees under Section 306(g) of mortgage backed certificates of the type being delivered to the Trustee on behalf of the Department are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.”

GNMA, upon execution of the GNMA Guaranty appended to the GNMA Certificate and upon delivery of the GNMA Certificate to the Master Servicer, will have guaranteed to the Trustee as holder of the GNMA Certificate the timely payment of principal of and interest on the GNMA Certificate. In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(g) of Title III of the 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 Certificate. The Treasury is authorized to purchase any obligation so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty.

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

The Master Servicer will be responsible for servicing and otherwise administering the Mortgage Loans in accordance with generally accepted practices of the mortgage banking industry and the GNMA Mortgage Backed Securities Guide (the “Guide”).

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

The Master 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 third business day following the twentieth day of each month. If, however, such payments are not received as scheduled, the Trustee has recourse directly to GNMA.

The GNMA Guaranty Agreement to be entered into by GNMA and the Master Servicer upon issuance of the GNMA Certificates (the “GNMA Guaranty Agreement”) will provide that, in the event of a default by the Master Servicer, GNMA will have the right, by letter to the Master Servicer, to effect and complete the extinguishment of the Master Servicer's interest in the Mortgage Loans, and the Mortgage Loans are to thereupon become

the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the GNMA Certificate. In such event, the GNMA Guaranty Agreement will provide that GNMA will be the successor in all respects to the Master Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein. At any time, GNMA may enter into an agreement with an institution approved by GNMA under which such institution undertakes and agrees to assume any part or all of such duties, and no such agreement will detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor.

Payment of principal and interest on the GNMA Certificate is required to be made in monthly installments on or before the third business day following the twentieth of each month commencing the month following the date of issue of the GNMA Certificate.

Each installment on the GNMA Certificate is required to be applied first to interest and then in reduction of the principal balance then outstanding on the GNMA Certificate. Interest is to be paid at the specified rate on the unpaid portion of the principal of the GNMA Certificate. The amount of principal due on the GNMA Certificate is to be in an amount at least equal to the scheduled principal amortization currently due on the Mortgage Loans subject to adjustment by reason of unscheduled recoveries of principal on the Mortgage Loans. In any event, the Master Servicer is required to pay to the Trustee, as holder of the GNMA Certificate, monthly installments of not less than the interest due on the GNMA Certificate at the rate specified in the GNMA Certificate, together with any scheduled installments of principal, whether or not such interest or principal is collected from the Mortgagor, and any prepayments or early recovery of principal. Final payment is to be made upon surrender of the outstanding GNMA Certificate.

The Office of Inspector General (OIG) is required to conduct an annual audit of GNMA under the provisions of the Chief Financial Officers (CFO) Act of 1990 ("CFO Act"). The complete OIG report is included in the separate management report of GNMA prepared pursuant to the CFO Act which is available upon request from GNMA at Government National Mortgage Association, 451 Seventh Street, SW, Washington, D.C. 20410-9000.

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APPENDIX B-2

FREDDIE MAC AND THE FREDDIE MAC CERTIFICATES

General

Freddie Mac is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. Section 1451-1459. Freddie Mac's statutory purposes are to provide stability in the secondary market for residential mortgages, to respond appropriately to the private capital market, to provide ongoing assistance to the secondary market for residential mortgages (including mortgages on housing for low- and moderate-income families), and to promote access to mortgage credit throughout the United States by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. To fulfill these statutory purposes Freddie Mac purchases residential mortgages and mortgage-related securities from mortgage lenders, other mortgage sellers and securities dealers and finances these purchases with debt and equity securities. In addition Freddie Mac guarantees the timely payment of principal and interest on single-class and multiclass securities representing an undivided interest in mortgages and/or mortgage-related securities.

Freddie Mac prepares an Information Statement annually which describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements for the two most recent fiscal years ending prior to the date of such Information Statement. The current Information Statement, current prospectuses, any supplements to each of the foregoing and any quarterly report prepared and made available by Freddie Mac can be obtained by writing to Freddie Mac B Investor Inquiry, 8200 Jones Branch Drive, McLean, Virginia 22102 or accessing Freddie Mac's internet website at www.freddiemac.com.

Each Freddie Mac Certificate will represent undivided interests in a pool of fixed-rate, first-lien conventional Mortgage Loans or FHA and VA Loans, or participations interests therein. Freddie Mac guarantees to each holder of a Freddie Mac Certificate the timely payment of interest at the applicable coupon on the Freddie Mac Certificate and the timely payment of scheduled principal, whether or not Freddie Mac receives these payments on the underlying mortgages. Full and final payment of principal on the Freddie Mac Certificates will be made no later than the payment date occurring in the month of the Final Payment date for each Freddie Mac Certificate. Principal and interest payments on the Freddie Mac Certificates are not guaranteed by and are not debts or obligations of the United States or any federal agency or instrumentality other than Freddie Mac. Payments on Freddie Mac Certificates are made on the 15th day of each month or, if the 15th is not a business day, the next business day.

Freddie Mac receives monthly mortgage payments from its mortgage servicers during a Monthly Reporting Period that begins on the 16th of a month and ends on the 15th of the following month. For any month, a payment on a Freddie Mac Certificate will reflect monthly mortgage payments reported by servicers in the previous Monthly Reporting Period and prepayments reported by servicers in the calendar month prior to the payment up through the date

Freddie Mac calculates its payment factors. Freddie Mac publishes its payment factors on or about the 5th day of each month.

The summary of the Freddie Mac Certificates does not purport to be comprehensive and is qualified in its entirety by reference to the Freddie Mac prospectuses and other documents relating to the offer and sale of Freddie Mac Certificates described herein.

Federal Housing Finance Agency Actions

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

On September 7, 2008, the U.S. Department of Treasury (“Treasury”) entered into a “Senior Preferred Stock Purchase Agreement” with each GSE. Those agreements were amended and restated on September 26, 2008, and subsequently amended on May 6, 2009 and December 24, 2009. Each such agreement is indefinite in duration and has a maximum capacity of \$200 billion, which amount will increase as necessary to accommodate any cumulative reduction in net worth calculated on a quarterly basis through December 31, 2012. If the FHFA determines that a GSE's liabilities have exceeded its assets under generally accepted accounting principles, the Treasury is required by the agreement to contribute cash capital to the GSE in an amount equal to the difference between liabilities and assets. On August 17, 2012 the Treasury announced modifications to the Preferred Stock Purchase Agreement whereby Fannie Mae and Freddie Mac would accelerate the wind down of its retained mortgage investment portfolios at an annual rate of 15% and would replace the dividend repayment requirement to the Treasury with a quarterly sweep of every dollar of profit that each firm earns going forward.

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

Under the Regulatory Reform Act, FHFA must place a GSE into receivership if the FHFA's Director makes a determination that the GSE's assets are, and for a period of 60 days have been, less than the GSE's obligations, or the GSE is unable to pay its debts and have been unable to do so for a like period. The FHFA Director may also place a GSE into receivership in his or her discretion for certain other reasons. A receivership would terminate the FHFA's current

conservatorship. If FHFA were to become the receiver of a GSE, it could exercise certain powers that could adversely affect the Department (as holder of the GSE's Certificates), as explained below.

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

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

During a receivership, certain rights of certificate holders may not be enforceable against FHFA, or enforcement of such rights may be delayed. The Regulatory Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which a GSE is a party, or obtain possession of or exercise control over any property of a GSE, or affect any contractual rights of the GSE, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver. If a GSE is placed into receivership and does not or cannot fulfill its guaranty to certificate holders, certificate holders could become unsecured creditors of the GSE with respect to claims made under the GSE's guaranty.

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

Fannie Mae currently is required to file periodic financial disclosures with the U.S. Securities and Exchange Commission (the "SEC"), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC's

public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a website (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac requires Freddie Mac to provide the Treasury with annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. The Department makes no representation regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae or Freddie Mac with the SEC, or any information provided at such web site. The SEC's website is not part of this Official Statement.

APPENDIX B-3

FANNIE MAE AND THE FANNIE MAE CERTIFICATES

General

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. 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 became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities (“MBS”), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the “SEC”). The SEC filings are available at the SEC’s website at <http://www.sec.gov>. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae’s website at <http://www.fanniemae.com/portal/about-fm/investor-relations/quarterly-annual-results.html> or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

Fannie Mae is incorporating by reference in this Official Statement the documents listed below that Fannie Mae publishes from time to time. This means that Fannie Mae is disclosing information to you by referring you to those documents. Those documents are considered part of this Reoffering Circular, so you should read this Reoffering Circular, and any applicable supplements or amendments, together with those documents before making an investment decision.

You should rely only on the information provided or incorporated by reference in this Official Statement and any applicable supplement, and you should rely only on the most current information.

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any program, or compliance with any securities, tax or other laws or regulations.

Mortgage-backed Securities Program

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 transferred into a stockholder-owned and privately managed corporation by legislation enacted in 1968. The Secretary of Housing and Urban Development exercises general regulatory power over Fannie Mae. 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.

Although the Secretary of the Treasury of the United States has certain discretionary authority to purchase obligations of Fannie Mae, neither the United States nor any agency or instrumentality thereof is obligated to finance Fannie Mae's obligations or assist Fannie Mae in any manner.

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities (the "Fannie Mae Certificates") backed by pools of mortgage loans (the "MBS Program"). The obligations of Fannie Mae, including its obligations under the Fannie Mae Certificates, 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 MBS Program are governed by the Fannie Mae Selling and Servicing Guides (the "Fannie Mae Guides") published by Fannie Mae, as modified by the Pool Purchase Contract (as hereinafter described), and, in the case of mortgage loans such as the Mortgage Loans, a Trust Indenture dated as of November 1, 1981, as amended (the "Fannie Mae Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool.

The summary of the MBS Program set forth herein does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Guides, the Fannie Mae prospectus and the other documents referred to herein.

Pool Purchase Contract

It is expected that Fannie Mae and the Master Servicer will enter into a Pool Purchase Contract, pursuant to which the Servicer will be permitted to deliver, and Fannie Mae will agree to purchase mortgage loans in exchange for Fannie Mae Certificates. The purpose of the Pool Purchase Contract is to provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the purchase of mortgage loans. In the event of a conflict between the Pool Purchase Contract and the Fannie Mae Guides, the Pool Purchase Contract will control. The description set forth below assumes that the Pool Purchase Contract will be executed substantially in the form presented by Fannie Mae to the Master Servicer as of the date hereof.

The Pool Purchase Contract obligates the Servicer to service the mortgage loans in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

Fannie Mae Certificates

Each Fannie Mae Certificate will represent the entire interest in a specified pool of Mortgage Loans purchased by Fannie Mae from the Servicer and identified in records maintained by Fannie Mae.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Certificates that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the Mortgage Loans in the pools represented by such Fannie Mae Certificates, whether or not received, and the full 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. If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the registered holder of Fannie Mae Certificates, would consist solely of payments and other recoveries on the underlying Mortgage Loans and, accordingly, monthly distributions to the Trustee, as the holder of Fannie Mae Certificates, would be affected by delinquent payments and defaults on such Mortgage Loans.

Payments on Mortgage Loans; Distributions on Fannie Mae Certificates

Payments on a Fannie Mae Certificate will be made on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate is issued), or, if such 25th day is not a business day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Certificate, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the Mortgage Loans in the related mortgage pool underlying such Fannie Mae Certificate 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, (ii) 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 at Fannie Mae's election any Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest), (iii) the amount of any partial prepayment of a Mortgage Loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Certificate as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Certificate 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.

Federal Housing Finance Agency Actions

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

On September 7, 2008, the U.S. Department of Treasury (“Treasury”) entered into a “Senior Preferred Stock Purchase Agreement” with each GSE. Those agreements were amended and restated on September 26, 2008, and subsequently amended on May 6, 2009 and December 24, 2009. Each such agreement is indefinite in duration and has a maximum capacity of \$200 billion, which amount will increase as necessary to accommodate any cumulative reduction in net worth calculated on a quarterly basis through December 31, 2012. If the FHFA determines that a GSE's liabilities have exceeded its assets under generally accepted accounting principles, the Treasury is required by the agreement to contribute cash capital to the GSE in an amount equal to the difference between liabilities and assets. On August 17, 2012 the Treasury announced modifications to the Preferred Stock Purchase Agreement whereby Fannie Mae and Freddie Mac would accelerate the wind down of its retained mortgage investment portfolios at an annual rate of 15% and would replace the dividend repayment requirement to the Treasury with a quarterly sweep of every dollar of profit that each firm earns going forward.

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

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

As receiver, FHFA could repudiate any contract entered into by a GSE prior to its appointment as receiver if FHFA determines, in its sole discretion that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of

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

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

During a receivership, certain rights of certificate holders may not be enforceable against FHFA, or enforcement of such rights may be delayed. The Regulatory Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which a GSE is a party, or obtain possession of or exercise control over any property of a GSE, or affect any contractual rights of the GSE, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver. If a GSE is placed into receivership and does not or cannot fulfill its guaranty to certificate holders, certificate holders could become unsecured creditors of the GSE with respect to claims made under the GSE's guaranty.

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

Fannie Mae currently is required to file periodic financial disclosures with the U.S. Securities and Exchange Commission (the "SEC"), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a website (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac requires Freddie Mac to provide the Treasury with annual reports on

Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. The Department makes no representation regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae or Freddie Mac with the SEC, or any information provided at such website. The SEC's website is not part of this Official Statement.

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APPENDIX C-1
AUDITED FINANCIAL STATEMENTS
OF THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS REVENUE BOND PROGRAM
FOR THE FISCAL YEAR ENDED
AUGUST 31, 2017

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS**

Revenue Bond Program Enterprise Fund

**Basic Financial Statements
for the Year Ended August 31, 2017**

(With Independent Auditor's Report)



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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

Basic Financial Statements
for the Year Ended August 31, 2017

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Independent Auditor's Report

Department of Housing and Community Affairs Board of Directors

Mr. J.B. Goodwin, Chair

Ms. Leslie Bingham Escareño, Vice-Chair

Mr. Paul A. Braden

Ms. Asusena Reséndiz

Ms. Sharon Thomason

Mr. Leo Vazquez

Report on the Financial Statements

We have audited the accompanying financial statements of the Revenue Bond Program Enterprise Fund (Program) of the Department of Housing and Community Affairs (Department), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Program of the Department, as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Fund Financial Statements

As discussed in Note 1, the financial statements present only the Program, an enterprise fund of the Department and of the State of Texas, and do not purport to, and do not, present fairly the financial position of the Department or the State of Texas as of August 31, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's basic financial statements. The supplementary bond schedules and supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

December 20, 2017

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Texas Department of Housing and Community Affairs - Revenue Bond Program ("Bond Program") annual financial report presents management's discussion and analysis of the financial performance of the Bond Program of the Texas Department of Housing and Community Affairs ("Department") during the fiscal year that ended on August 31, 2017. Please read it in conjunction with the Department's Bond Program financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Bond Program's net position decreased by \$4.6 million. This was primarily because of a net transfer of funds to fund the Department's annual operating budget and a negative difference of \$147.3 thousand between operating revenue and operating expenses for the Bond Program.
- The Bond Program had an Operating Loss of \$147.3 thousand, a decrease of \$11.7 million from the prior year. The change in operating income (loss) was a result of the following factors: a positive difference between interest and investment income and interest expense of \$10.5 million, due to declining bond balances; which is offset by the net change in fair value of investments of \$10.6 million.
- The Bond Program's debt outstanding of \$1.4 billion as of August 31, 2017, decreased \$70.7 million due to debt retirements of \$262.0 million offset by \$152.5 million in new bond issuances and \$38.6 million in notes payable. Loan originations for the year totaled \$22.5 million in the Bond Program.
- In accordance with Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the Department identified its derivative instruments, measured their effectiveness, and reported the derivative instruments at fair value. The Department's interest rate swaps, which were primarily used to hedge changes in interest rates, are considered to be derivative instruments under GASB 53. GASB 53 requires the fair value of a derivative to be reported at the end of the fiscal year in the balance sheet and GASB No. 72, *Fair Value Measurement and Application*, requires the fair value of a derivative to be computed taking into account nonperformance risk. As of August 31, 2017, the Department's four interest rate swaps had a total notional amount of \$102.0 million and a negative \$9.9 million fair value which was recorded in the deferred outflow of resources account and as a derivative swap liability.

FINANCIAL STATEMENTS

The financial statements provide information about the Bond Program's funds. The Bond Program has only one type of fund, the proprietary fund, which is as follows:

- ***Proprietary Fund*** - The Bond Program's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low- and moderate-income housing. The net position of this fund represents accumulated earnings since their inception and is generally restricted for program purposes or debt service.

The Bond Program's loans and contracts (current and non-current) increased \$27.7 million, or 2.7%, to \$1.0 billion, due primarily as a result of loans funded for down payment assistance related to My First Texas Home offset by loans paid off related to the Department's Multi-family Bond Program. Total bonds payable (current and non-current) decreased \$109.1 million, or 7.6%, due to the Department's monthly retirement of existing debt primarily due to consumer refinancing and paying off of original loans and the retirement of the associated debt. In addition, the Department issued \$29.5 million in notes payable to provide funding for a new multifamily property and \$9.1 million to fund down payment assistance. The \$54.8 million decrease in other non-current liabilities is related to the proceeds of these issued multifamily bonds and notes payable offset by the retirement of existent debt. In fiscal year 2017, The Department reported \$81.2 million in short-term debt due to a Security and Advances Agreement between the Department and Federal Home Loan Bank of Dallas to provide funding for the My First Texas Home Program starting in October of 2016.

In accordance with GASB No. 53 and GASB No. 72, the Department reported its derivative instruments at fair value on the balance sheet. The Department's four interest rate swaps are considered to be derivative instruments per GASB No. 53. The negative \$9.9 million fair value of the swaps increased by \$5.2 million and is reported as deferred outflow of resources and a derivative hedging instrument classified as a liability.

A comparison between 2017 and 2016 for the Statement of Revenues, Expenses, and Changes in Fund Net Position is as follows:

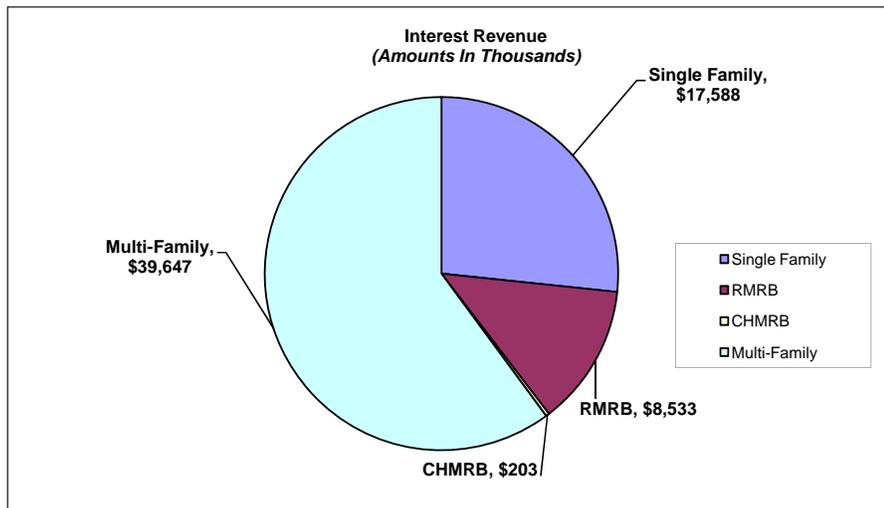
Bond Program - Statement of Revenues, Expenses, and Changes in Fund Net Position				
			Increase (Decrease)	
	2017	2016	Amount	Percentage
OPERATING REVENUES:				
Interest and investment income	\$ 67,413,100	\$ 69,009,361	\$ (1,596,261)	(2.31)%
Net change in fair value of investments	(10,550,363)	(3,711,414)	(6,838,949)	184.27 %
Other operating revenues	<u>20,694,389</u>	<u>13,773,771</u>	<u>6,920,618</u>	50.24 %
Total operating revenues	<u>77,557,126</u>	<u>79,071,718</u>	<u>(1,514,592)</u>	(1.92)%
OPERATING EXPENSES:				
Professional fees and services	1,472,687	1,816,814	(344,127)	(18.94)%
Printing and reproduction	18,300	72,176	(53,876)	(74.65)%
Interest	56,866,220	57,510,277	(644,057)	(1.12)%
Bad debt expense	174,117	865,227	(691,110)	(79.88)%
Down payment assistance	193,243	293,292	(100,049)	(34.11)%
Other operating expenses	<u>18,979,831</u>	<u>6,960,570</u>	<u>12,019,261</u>	172.68 %
Total operating expenses	<u>77,704,398</u>	<u>67,518,356</u>	<u>10,186,042</u>	15.09 %
OPERATING INCOME (LOSS)	(147,272)	11,553,362	(11,700,634)	(101.27)%
TRANSFERS	<u>(4,452,421)</u>	<u>(4,299,060)</u>	<u>(153,361)</u>	3.57 %
CHANGE IN NET POSITION	(4,599,693)	7,254,302	(11,853,995)	(163.41)%
BEGINNING NET POSITION	225,781,406	218,527,104	7,254,302	3.32 %
ENDING NET POSITION	<u>\$ 221,181,713</u>	<u>\$ 225,781,406</u>	<u>\$ (4,599,693)</u>	(2.04)%

Earnings within the Bond Program's various bond indentures were \$77.6 million, of which \$61.9 million is classified as restricted and \$15.7 million as unrestricted.

Restricted earnings are primarily composed of \$66.0 million in interest and investment income, \$10.6 million net decrease in fair value of investments, and \$6.5 million in other operating revenue. Interest and investment income is restricted per bond covenants for debt service and the net decrease in fair value is reflective of unrealized gains and losses.

Unrestricted earnings are composed of \$1.4 million in interest and investment income and \$14.3 million in other operating revenue.

The graph below illustrates the composition of interest and investment income for the various bond indentures that make up the Bond Program:



Interest earned on program loans decreased by \$782.8 thousand, or 2.0%, due primarily to a decrease of \$790.9 thousand, or 2.0%, within the Bond Program's Multi-Family Program, due to lower loan amounts outstanding throughout the year as a result of loan payoffs.

Investment income increased \$2.3 million, or 7.8%, and reflected higher investment yields due to increasing investment balances. The increase was primarily due to an increase of \$2.4 million in the Single Family Revenue Bond Program as a result of new investments related to the 2017 ABC bond issue.

Expenses of the Bond Program consist primarily of interest expense and other operating expenses of the Bond Program. Interest expense was \$56.9 million, which decreased \$644.1 thousand, or 1.1%, on the Bond Program's debt incurred to fund its various lending programs. Other operating expenses increased \$12.0 million primarily due to \$1.7 million in bond issuance expenses and \$11.1 million in servicer expenses.

The changes in net position by bond indenture for the Bond Program for fiscal years 2017 and 2016 are as follows:

Changes in Net Position by Bond Program, Year Ended August 31, (Amounts in Thousands)				
Fund			Increase (Decrease)	
	2017	2016	Amount	Percentage
Single Family	\$ 94,975	\$ 99,670	\$ (4,695)	(4.7)%
RMRB	98,215	110,207	(11,992)	(10.9)%
CHMRB	1,778	1,774	4	0.2 %
Taxable Mortgage Program	22,314	7,730	14,584	188.7 %
Multifamily	(2,452)	(2,392)	(60)	2.5 %
General funds	6,352	8,792	(2,440)	(27.8)%
	<u> </u>	<u> </u>	<u> </u>	
Total	<u>\$ 221,182</u>	<u>\$ 225,781</u>	<u>\$ (4,599)</u>	(2.0)%

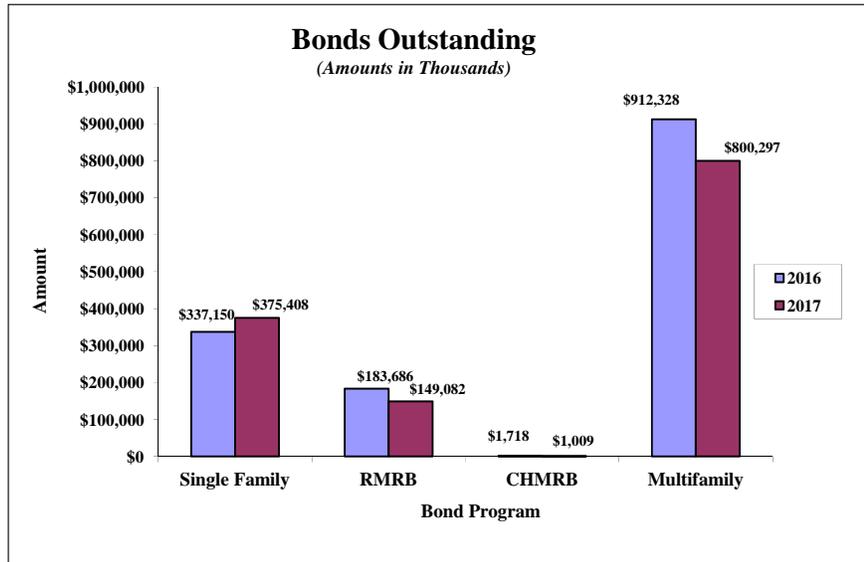
The Net Position of the Residential Mortgage Revenue Bond Program decreased by \$12.0 million, or 10.9%, primarily due to a positive difference of \$2.9 million between interest income and bond interest expense offset by a negative change in fair value of investments of \$7.4 million, \$2.5 million transferred to the Taxable Mortgage Program to fund down payment assistance loans and a negative difference of \$4.0 million between TMP settlement fees and servicer expenses.

The Net Position of the Taxable Mortgage Program increased by \$14.6 million primarily due to an increase in settlement fees of \$11.3 million in settlement fees collected and an increase of \$1.2 million in investment interest income.

BOND PROGRAM BONDS OUTSTANDING

The Bond Program also had \$261.7 million in bond debt retirements during the year primarily due to consumer refinancing and paying off of original loans. The net result was a decrease in bonds payable of \$109.1 million to \$1.3 billion of which \$12.5 million is due within one year. For additional information, see Note 5, Bonds Payable, and supplementary bond schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2017 and 2016 per bond program:



REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' Bond Program Enterprise Fund operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Chief Financial Officer, P.O. Box 13941, Austin, Texas, 78711-3941.

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**BASIC
FINANCIAL STATEMENTS**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

STATEMENT OF NET POSITION
As of August 31, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 2)		
Cash Equivalents	\$	7,050,185
Restricted Assets:		
Cash and Cash Equivalents (Note 2)		
Cash in Bank		15,654,900
Cash Equivalents		88,205,343
Short-term Investments (Note 2)		12,525
Loans and Contracts		90,657,733
Interest Receivable		8,576,187
Receivable:		
Interest Receivable		87,880
Accounts Receivable		77,209
Loans and Contracts		38,843
Other Current Assets		54,812
Total Current Assets		<u>210,415,617</u>

Non-Current Assets :

Investments (Note 2)		1,033,181
Loans and Contracts		1,127,937
Restricted Assets:		
Investments (Note 2)		642,098,676
Loans and Contracts		957,416,305
Total Non-Current Assets		<u>1,601,676,099</u>

Total Assets \$ 1,812,091,716

DEFERRED OUTFLOWS OF RESOURCES

Accumulated decrease in fair value of hedging derivative (Note 6) 9,902,173

Total Deferred Outflows of Resources \$ 9,902,173

LIABILITIES

Current Liabilities

Payables:		
Accounts Payable	\$	284,167
Accrued Bond Interest Payable		11,749,116
Interfund Payable		82
Notes and Loans Payable (Note 4)		224,147
Revenue Bonds Payable (Notes 4 & 5)		12,455,884
Restricted Short-Term Debt (Note 3)		81,182,741
Other Current Liabilities		216,712
Total Current Liabilities		<u>106,112,849</u>

Non-Current Liabilities

Notes and Loans Payable (Note 4)		83,901,051
Revenue Bonds Payable (Note 4 & 5)		1,313,340,070
Derivative Hedging Instrument (Note 6)		9,902,173
Other Non-Current Liabilities (Note 4)		87,556,033
Total Non-Current Liabilities		<u>1,494,699,327</u>

Total Liabilities \$ 1,600,812,176

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources \$ -

NET POSITION

Restricted for Bonds		214,212,917
Unrestricted		6,968,796
Total Net Position		<u>\$ 221,181,713</u>

The notes to the financial statements are an integral part of this statement.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the fiscal year ended August 31, 2017

OPERATING REVENUES	
Interest and Investment Income	\$ 67,413,100
Net (Decrease) in Fair Value	(10,550,363)
Other Operating Revenues	<u>20,694,389</u>
Total Operating Revenues	<u>77,557,126</u>
OPERATING EXPENSES	
Professional Fees and Services	1,472,687
Printing and Reproduction	18,300
Interest	56,866,220
Bad Debt Expense	174,117
Down Payment Assistance	193,243
Other Operating Expenses	<u>18,979,831</u>
Total Operating Expenses	<u>77,704,398</u>
Operating Loss	<u>(147,272)</u>
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers Out	<u>(4,452,421)</u>
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>(4,452,421)</u>
CHANGE IN NET POSITION	(4,599,693)
Net Position, September 1, 2016	<u>225,781,406</u>
NET POSITION, AUGUST 31, 2017	<u><u>\$ 221,181,713</u></u>

The notes to the financial statements are an integral part of this statement.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

STATEMENT OF CASH FLOWS

For the fiscal year ended August 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from Loan Programs	\$ 107,866,187
Proceeds from Other Revenues	29,594,187
Payments to Suppliers for Goods/Services	(73,345,137)
Payments for Loans Provided	<u>(22,542,220)</u>

Net Cash Provided By Operating Activities 41,573,017

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Proceeds from Debt Issuance	153,063,991
Proceeds from Notes Payable	38,635,017
Payments of Transfers of Other Funds	(4,452,421)
Payments of Principal on Debt Issuance	(261,925,205)
Payments of Interest	(58,417,373)
Payments for Other Cost of Debt	<u>(1,684,222)</u>

Net Cash (Used for) Noncapital Financing Activities (134,780,213)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales of Investments	148,186,910
Proceeds from Interest/Invest. Income	28,294,706
Payments to Acquire Investments	<u>(158,220,941)</u>

Net Cash Provided by Investing Activities 18,260,675

Net Decrease in Cash and Cash Equivalents (74,946,521)

Cash and Cash Equivalents, September 1, 2016 185,856,949

Cash and Cash Equivalents, August 31, 2017 \$ 110,910,428

The notes to the financial statements are an integral part of this statement.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
REVENUE BOND PROGRAM ENTERPRISE FUND**

STATEMENT OF CASH FLOWS (Continued)

For the fiscal year ended August 31, 2017

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$	(147,272)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Provision for Uncollectibles		174,117
Operating Income and Cash Flow Categories Classification Differences		44,561,426
Changes in Assets and Liabilities:		
Decrease in Receivables		138,009
(Increase) in Accrued Interest Receivable		(26,878)
(Increase) in Loans / Contracts		(27,660,010)
Decrease in Property Owned		22,626
Decrease in Other Assets		14,286
Increase in Payables		57,358
(Decrease) in Accrued Interest Payable		(1,928,531)
Increase in Other Liabilities		<u>26,367,886</u>
 Total Adjustments		<u>41,720,289</u>
 Net Cash Provided by Operating Activities	\$	<u>41,573,017</u>

NON CASH TRANSACTIONS

Decrease in Fair Value of Investments for 2017 was \$10,550,363

The notes to the financial statements are an integral part of this statement.

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**NOTES TO THE
FINANCIAL STATEMENTS**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement — The Texas Department of Housing and Community Affairs (the “Department”), was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (codified as Article 4413 (501), Texas Revised Civil Statutes) (the “Department Act”), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The accompanying financial statements represent the financial status of the Revenue Bond Program Enterprise Fund (the “Bond Program”), which is included in the enterprise fund of the Department, and are not intended to present the financial position of the Department or its results of operations or cash flows. The Department is governed by a Board composed of seven members, all of whom are appointed by the Governor with advice and consent of the Senate. The Board then appoints the Executive Director with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. For financial reporting purposes, the Department is an agency of the State and is included in its reporting entity.

The Bond Program operates several bond programs under separate trust indentures, as follows:

Single-Family Bond Program (“Single-Family”) — These bonds are limited obligations of the Department. Bond proceeds were used to originate below-market rate loans for eligible low- and moderate-income residents who were purchasing a residence. These bonds were issued pursuant to a Single-Family Mortgage Revenue Bond Trust Indenture, dated October 1, 1980, and indentures supplemental thereto, and are secured on an equal and ratable basis by the trust estate established by such trust indentures.

Residential Mortgage Revenue Bond Program (“RMRB”) — Thirty-six series (six of which have been refunded) of these bonds have been issued pursuant to the RMRB master indenture and thirty-two separate Series Supplements, and are secured on an equal and ratable basis by the trust estates established by such trust indentures. Proceeds from the 1987 A Bonds were used to purchase single-family loans, while proceeds from the remaining RMRB bond issues were used to purchase pass-through certificates created through the origination of single-family loans.

Collateralized Home Mortgage Revenue Bond Program (“CHMRB”) — The Department issued eleven series of bonds pursuant to the CHMRB Trust Indenture with six separate supplements for each series. The bonds are secured on an equal and ratable basis. Proceeds from the bonds are being used to purchase pass-through certificates created through the funding of loans made to finance the purchase by eligible borrowers of new and existing single-family residences in the state.

Taxable Mortgage Program (“TMP”) — The TMP program was created to provide loans to low to moderate income homebuyers as a tool to fund the First Time Homebuyer Program. It facilitates the trading of mortgage backed securities (“MBS”). The program will be paid for from revenues generated by the packaging and sale of the associated mortgage backed securities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Multifamily Housing Revenue Bond Programs ("Multifamily") — These bonds were issued pursuant to separate trust indentures and are secured by individual trust estates, which are not on an equal and ratable basis with each other. The bonds are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the individual trust indentures. Under these programs, the proceeds were either provided to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing or used to refund other multifamily bonds issued for the same purposes.

Significant Accounting Policies — the significant accounting policies of the Bond Program are as follows:

Fund Accounting — The Bond Program's financial statements have been prepared on the basis of the proprietary fund concept as set forth by the Governmental Accounting Standards Board ("GASB"). The proprietary fund concept provides that financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the services are presented as a proprietary fund. Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred. The Bond Program has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

Investments — The Bond Program follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 requires certain types of investments to be reported at fair value on the Statement of Net Position. The Bond Program utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The Bond Program's portfolio of mortgage-backed securities consists of pools of mortgage loans exchanged for mortgage-backed securities or mortgage pass-through certificates. Fair value of the Bond Program's securitized mortgage loans (GNMA/FNMA) has been estimated by each bond issue's trustee using a pricing service. In accordance with GASB No. 72, *Fair Value Measurement and Application*, the Department would be required to disclose the hierarchy within which the fair value measurement is categorized. The Department has concluded that its investments do not meet the definition of investments as prescribed by GASB No. 72 so this disclosure is not necessary in Note 2.

The Bond Program has reported all investment securities at fair value as of August 31, 2017, with the exception of certain money market investments, and nonparticipating interest-earning investment contracts, which are reported at amortized cost (historical cost adjusted for amortization of premiums and accretion of discounts), provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors (see Note 2).

In accordance with GASB Statement No. 31, changes in the fair value of investments and any realized gains/losses on the sale of investments are reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position as net increase (decrease) in fair value of investments.

Loans and Contracts — Loans and contracts are carried at the unpaid principal balance outstanding less the allowance for estimated loan losses. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when the loans are 90 days past due as to either principal or interest or when payment in full of principal and interest is not expected.

Real Estate Owned — Properties acquired through foreclosure are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers, and an allowance for estimated losses on such properties. After foreclosure, foreclosed assets are carried at lower of cost or fair value minus selling costs. Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Allowance for Estimated Losses on Loans and Foreclosed Properties — The allowance for estimated losses on loans is available for future charge offs on single-family and multifamily loans.

All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. Periodically, management estimates the likely level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is made to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan and real estate owned portfolios, future adjustments may be necessary based on changes in economic conditions. However, it is the judgment of management that the allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

Deferred Outflows of Resources/Derivative Hedging Instrument— The Department identified its derivative instruments and measured their effectiveness in accordance with Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Department contracted a service provider to measure its derivative effectiveness using the regression analysis method. Since the derivative instruments were deemed to be effective, the Department deferred the changes in fair value for these derivatives and reported them as a deferred outflows of resources.

Short-Term Debt — Short-term debt primarily consists of funds due to Federal Home Loan Bank related to an Advances and Security Agreement.

Notes Payable — The Department issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing payable solely from the payments received from the assets and guarantors, which secure the notes. The Department also has a note with Woodforest Bank to provide funding for down payment assistance in connection with its My First Texas Home Program.

Discounts and Premiums on Debt — Discounts and premiums on debt are recognized using the interest method over the life of the bonds or collateralized mortgage obligations to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums on debt.

Restricted Net Position — Certain Net Position of the Bond Program are restricted for various purposes of the bond trust indentures. When both restricted and unrestricted resources are available for use, restricted resources are used first, then unrestricted resources are used as they are needed.

General and Administrative Expenses — Certain General and Administrative expenses are accounted for in the Department's Administrative Program and are not reflected in the Operating Fund section of the Bond Program.

Operating and Nonoperating Revenues and Expenses — The Department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Bond Program. The principal operating revenues of the Bond Program are related to interest derived from investments, interest on mortgage loans and bond related administrative fees. Operating expenses are primarily related to interest expense on bonds and general administrative expenses. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

Interfund Transactions — The Bond Program has transactions between and with other funds of the Department. Quasi-external transactions are charges for services rendered by one fund to another, and they are accounted for as revenue or expense. All other interfund transactions are reported as transfers.

Loss on Early Extinguishment of Debt — Any loss on extinguishment of debt prior to its stated maturity is recorded as a component of interest expense in the period the debt is retired.

Cash Flows — For purposes of reporting cash flows, cash and cash equivalents consist of cash and short-term investments with a maturity at the date of purchase of three months or less, which are highly liquid and are readily exchanged for cash at amounts equal to their stated value.

Estimates — In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Statement of Net Position and the reported revenues and expenses for the period. Actual results could differ significantly from those estimates. Management judgments and accounting estimates are made in the evaluation of the allowance for estimated losses on loans and real estate owned.

NOTE 2: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

The Department is authorized by statute to make investments following the "prudent person rule" and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

In accordance with bond trust indentures and depository agreements, all cash is to be fully collateralized, with the collateral held by a third party in the name of the Department. At August 31, 2017, the Department's cash and deposits were fully collateralized by securities with a trustee in the Department's name. As of August 31, 2017, the carrying amount of deposits was \$15,654,900.

Current Assets Restricted Cash in Bank	
Texas Treasury Safekeeping Trust	\$ 204,593
Demand Deposits	15,450,307
Cash in Bank	\$ 15,654,900

Investments

The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department's Investment Policy adopted by its Board. The indentures allow for investments in direct obligations of or guaranteed by the U.S. Government; obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. Government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. Government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

The Department holds \$52,217,894 in overnight repurchase agreements maturing on the following business day, September 1, 2017, at a rate of 1.00%.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 2: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

At August 31, 2017, the fair value of investments (including both short-term and long-term) are shown below.

Business Type Activities	Carrying Value	Fair Value
U.S. Government Agency Obligations	\$ 579,250,909	\$ 618,508,146
Repurchase Agreements (TTSTC)	52,217,894	52,217,894
Fixed Income Money Markets	43,037,634	43,037,634
Misc (Investment Agreements/GICs)	24,636,235	24,636,236
Total	\$ 699,142,672	\$ 738,399,910

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by:

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of August 31, 2017, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Investment Type	Not Rated	AAA	AA+
U.S. Government Agency Obligations			\$ 92,615,938
Repurchase Agreements (TTSTC)	\$ 52,217,894		
Misc (Investment Agreements/GICs)	\$ 24,636,236		

Investment Type	Not Rated	AAA-M	AA-M
Fixed Income Money Market		\$ 43,037,634	

A total of \$525,892,210 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. Government which is composed of U.S. Government Agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2017, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value	% of Total Portfolio
Greenwich	\$ 52,217,894	7.07%

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 2: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. The longer the maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities.

Information about the sensitivity of the fair values of the Department's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Department's investments by maturity:

Remaining Maturity (in months)

Business Type Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
U.S. Government Agency Obligations	\$ 618,508,146	\$ 12,525	\$ 179,035	\$ 282,771	\$ 618,033,815
Repurchase Agreements (TTSTC)	52,217,894	52,217,894			
Fixed Income Money Markets	43,037,634	43,037,634			
Misc (Investment Agreements/GICs)	24,636,236				24,636,236
Total	\$ 738,399,910	\$ 95,268,053	\$ 179,035	\$ 282,771	\$ 642,670,051

Highly Sensitive Investments

Mortgage backed securities-These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. However, in recent years the Department has sold some of these investments at a premium and used the realized gain to fund Down Payment Assistance loans in connection with the Single Family, First-Time Homebuyer Program. Any fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2017, the Department holds \$618,508,146 in mortgage backed securities.

NOTE 3: SHORT-TERM DEBT

Business-Type Activities	Balance 09/01/16	Additions	Reductions	Balance 08/31/17
Short -Term Debt	\$ -	1,057,575,074	976,392,333	81,182,741
Total Business-Type Activities	\$ -	1,057,575,074	976,392,333	81,182,741

Short-Term Debt

Short-term debt in the Enterprise Fund is comprised of funds due to the Federal Home Loan Bank of Dallas ("FHLB") in the amount of \$81,182,741.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 3: SHORT-TERM DEBT Cont'd

On October 1, 2016, the Idaho Housing and Finance Association (“Idaho HFA”) began serving as Master Servicer for the Department’s single family mortgage purchase program. Idaho HFA’s servicing structure requires the purchase of program mortgage loans by the Department, and subsequent repurchase of those loans by the Idaho HFA, prior to pooling the loans into a mortgage-backed security (“MBS”).

The Department executed an Advances and Security Agreement with the FHLB, effective October 1, 2016, to fund the purchase of program loans. The Department borrows at short-term rates from FHLB and pledges the mortgage loans, plus additional amounts deposited in an escrow account, as collateral for advances. Borrowings, or advances, occur almost daily and are used to purchase mortgage loans within one to two business days after purchase from lenders by Idaho HFA. With each MBS settlement, the advances are repaid related to the mortgage loans underlying the related MBS.

As of August 31, 2017, the maximum aggregate principal amount available for advances under the Advances Agreement was \$125 million.

NOTE 4: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2017, the following changes occurred in liabilities.

Business-Type Activities	Balance 09/01/16	Additions	Reductions	Balance 08/31/17	Amounts Due Within One Year
Revenue Bonds Payable	\$ 1,434,882,360	\$ 153,063,991	\$ 262,150,397	\$ 1,325,795,954	\$ 12,455,884
Notes Payable	45,705,061	38,635,017	214,880	84,125,198	224,147
Total Business-Type Activities	\$ 1,480,587,421	\$ 191,699,008	\$ 262,365,277	\$ 1,409,921,152	\$ 12,680,031

Revenue Bonds Payable

The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (See Note 5 for more information.) The \$153,063,991 in additions is inclusive of \$613,039 in bond premium related to the issuance of the 2017 Single Family Series A bonds. The \$262,150,397 in reductions is inclusive of \$404,389 in amortization of bond premium/discount.

Notes Payable

The Department primarily issues notes to provide funding to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing. These notes are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the notes. The Department also has a note with Woodforest Bank to provide funding for down payment assistance in connection with its My First Texas Home Program.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 4: SUMMARY OF LONG TERM LIABILITIES Cont'd

Texas Department of Housing and Community Affairs			
Notes Payable Debt Service Requirements			
Business-Type Activities			
Year	Principal	Interest	Total
2018	\$ 224,147	\$ 3,465,625	\$ 3,689,772
2019	233,815	3,456,254	3,690,069
2020	243,899	3,449,284	3,693,183
2021	254,419	3,436,284	3,690,703
2022	265,392	3,425,648	3,691,040
2023-2027	10,643,868	17,825,046	28,468,914
2028-2032	1,863,537	16,613,762	18,477,299
2033-2037	70,396,121	8,928,322	79,324,443
Totals	\$ 84,125,198	\$ 60,600,225	\$ 144,725,423

Other Non-current Liabilities

Other non-current liabilities in the Enterprise Fund are compromised primarily of funds due to developers as a result of Multifamily bond proceeds which have corresponding investment balances not adjusted to market value in the amount of \$87,556,033. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

NOTE 5: BONDED INDEBTEDNESS

The Department has 88 bond issues outstanding at August 31, 2017. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 3, 4, 5, 6, 7 and 8.) Proceeds from the issuance of bonds under the Single Family indenture prior to 1987 and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from Collateralized Home Mortgage Revenue Bond (CHMRB) and the remaining Single Family and RMRB programs were used to acquire pass-through certificates (GNMA, FNMA, FHLMC) backed by mortgage loans. Proceeds from the remaining Multifamily bond issues were used to finance mortgage loans.

Interest on bonds and collateralized mortgage obligations is payable periodically.

The Single Family, RMRB and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily Single Family mortgage loans, mortgage-backed securities and investments. The Multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include the following: failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the Trustee; and non-performance or non-observance of any other covenants, agreements or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 5: BONDED INDEBTEDNESS Cont'd

Bond contractual maturities (principal only) at August 31, 2017, are as follows (in thousands):

Description	2018	2019	2020	2021	2022	2023 to 2027	2028 to 2032
Single-family	\$ 10	\$ 10	\$ 5	\$ 5	\$ 10	\$ 6,210	\$ 27,110
RMRB	4,460	4,225	4,515	4,625	4,780	25,415	27,320
CHMRB						1,000	
Multifamily	<u>7,905</u>	<u>8,401</u>	<u>8,908</u>	<u>9,486</u>	<u>10,058</u>	<u>97,940</u>	<u>96,109</u>
Total	<u>\$ 12,375</u>	<u>\$ 12,636</u>	<u>\$ 13,428</u>	<u>\$ 14,116</u>	<u>\$ 14,848</u>	<u>\$ 130,565</u>	<u>\$ 150,539</u>

Description	2033 to 2037	2038 to 2042	2043 to 2047	2048 to 2052	2053 to 2057	2058 to 2062	Total
Single-family	\$ 87,225	\$ 105,720	\$ 44,640	\$ 103,855	\$	\$	\$ 374,800
RMRB	35,785	37,265					148,390
CHMRB							1,000
Multifamily	<u>208,696</u>	<u>265,262</u>	<u>77,414</u>	<u>5,243</u>	<u>4,818</u>		<u>800,240</u>
Total	<u>\$ 331,706</u>	<u>\$ 408,247</u>	<u>\$ 122,054</u>	<u>\$ 109,098</u>	<u>\$ 4,818</u>	<u>\$</u>	<u>\$ 1,324,430</u>

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage backed securities mature or prepay.

The interest payment requirements at August 31, 2017, are as follows (in thousands):

Description	2018	2019	2020	2021	2022	2023 to 2027	2028 to 2032
Single-family	\$ 8,943	\$ 8,935	\$ 8,936	\$ 8,932	\$ 8,934	\$ 44,633	\$ 43,954
RMRB	5,437	5,282	5,123	4,939	4,744	20,353	14,420
CHMRB	73	66	66	73	66	132	
Multifamily	<u>33,967</u>	<u>33,487</u>	<u>32,974</u>	<u>32,418</u>	<u>31,841</u>	<u>147,330</u>	<u>117,712</u>
Total	<u>\$ 48,420</u>	<u>\$ 47,770</u>	<u>\$ 47,099</u>	<u>\$ 46,362</u>	<u>\$ 45,585</u>	<u>\$ 212,448</u>	<u>\$ 176,086</u>

Description	2033 to 2037	2038 to 2042	2043 to 2047	2048 to 2052	2053 to 2057	2058 to 2062	Total
Single-family	\$ 41,427	\$ 27,909	\$ 20,729	\$ 254	\$	\$	\$ 223,586
RMRB	8,919	2,475					71,692
CHMRB							476
Multifamily	<u>84,942</u>	<u>40,999</u>	<u>11,898</u>	<u>2,188</u>	<u>324</u>		<u>570,080</u>
Total	<u>\$ 135,288</u>	<u>\$ 71,383</u>	<u>\$ 32,627</u>	<u>\$ 2,442</u>	<u>\$ 324</u>	<u>\$</u>	<u>\$ 865,834</u>

Interest requirements on variable rate debt are calculated using the interest rate in effect at August 31, 2017. Interest rates on variable rate debt reset on a weekly basis by the remarketing agent.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 5: BONDED INDEBTEDNESS Cont'd

Changes in Bonds Payable

Description	Bonds Outstanding 09/01/16	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/17	Amounts Due Within One Year
Single Family	\$ 337,150,000	\$ 133,700,952	\$ 365,000	\$ 95,685,938	\$ 374,800,014	\$ 30,265
RMRB	182,610,000		4,345,000	29,875,000	148,390,000	4,512,596
CHMRB	1,700,000			700,000	1,000,000	1,340
Multifamily	912,264,985	18,750,000	22,192,762	108,582,308	800,239,915	7,911,683
Total Principal	<u>\$ 1,433,724,985</u>	<u>\$ 152,450,952</u>	<u>\$ 26,902,762</u>	<u>\$ 234,843,246</u>	<u>\$ 1,324,429,929</u>	<u>\$ 12,455,884</u>
Unamortized Premium	1,157,375				1,366,025	
Total	<u>\$ 1,434,882,360</u>				<u>\$ 1,325,795,954</u>	

Demand Bonds

The Department currently holds five single family bond series in the amount \$106,710,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities backed by pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements					
Single Family Bond Series	Remarketing Agent	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of 08/31/17	Liquidity Facility Expiration Date
2004A Jr. Lien	JP Morgan	Comptroller of Public Accounts	0.12%	\$ 3,855,000	08/31/19
2004B	JP Morgan	Comptroller of Public Accounts	0.12%	27,875,000	08/31/19
2004D	Piper Jaffray	Comptroller of Public Accounts	0.12%	18,920,000	08/31/19
2005A	JP Morgan	Comptroller of Public Accounts	0.12%	25,675,000	08/31/19
2007A	JP Morgan	Comptroller of Public Accounts	0.12%	30,385,000	08/31/19
Total Demand Bonds				<u>\$ 106,710,000</u>	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). The liquidity agreement is subject to renewal yearly on an ongoing basis. The Department shall use its best effort to cause the bonds to be purchased from the liquidity facility as soon as possible. The purchased bonds are not subject to term out provisions. For fiscal year 2017, the Trustee did not draw from the liquidity provider, Comptroller of Public Accounts, related to the Department's demand bonds.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 5: BONDED INDEBTEDNESS Cont'd

Federal Arbitrage Regulations

In accordance with Federal law, the Agency is required to rebate to the Internal Revenue Service ("IRS") the excess of the amount derived from investing the bond proceeds over the amount that would have been earned if those investments had a rate equal to the yield on the bond issue. As of August 31, 2017, the Bond Program has no liabilities to report to the IRS.

Pledged and Other Sources

GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 6.

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2017							Terms of Commitment Year Ending August 31,	Percentage of Revenue Pledged
	Net Available for Debt Service		Debt Service			Pledged Revenue for Future Debt Service			
	Total Pledged and Other Sources	Operating Expenditures and Capital Outlay	Principal	Interest					
Total Single Family Bonds	\$ 110,735,294	\$ 2,171,379	\$ 365,000	\$ 10,957,557	\$ 598,386,354	2048	100%		
Total Residential Mtg Revenue Bonds	36,602,861	228,184	4,345,000	6,059,717	220,082,356	2041	100%		
Total 1992 CHMRB	902,845	17,008		99,488	1,475,794	2024	100%		
Total Multifamily Bonds	145,020,837		22,192,762	36,499,131	1,370,319,954	2054	100%		
Total	\$ 293,261,837	\$ 2,416,571	\$ 26,902,762	\$ 53,615,893	\$ 2,190,264,458				

Current Refunding

On June 22, 2017, the Department issued the 2017 Single Family Mortgage Revenue Bonds (Series ABC) in the amount of \$133,700,952. The proceeds for Series B (\$29,610,000) issued at a rate of 2.75% were used to refund outstanding bonds. The proceeds refunded the 2007B Single Family Mortgage Revenue Bonds (\$29,610,000) with an average rate of 5.15%. \$4,610,000 of the 2007B bonds outstanding were redeemed on June 23, 2017 and the remaining 2017B bond proceeds were deposited with an escrow agent to provide for all future debt service on the 2007B bonds on September 1, 2017. As a result, the 2007B bonds are considered to be defeased and the liability for those bonds has been removed from the Department's financial statements.

The Department refunded the 2007B Single Family Mortgage Revenue Bond to reduce its total debt service payments over the next 30 years by \$10,739,992 and to obtain an economic gain of \$10,414,144.

NOTE 6: DERIVATIVE INSTRUMENTS

Variable to Fixed Interest Rate Swap

Objective

In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into four interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at an expected lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments that are expected to be comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. The swap agreements related to the 2004B and 2004D bonds include optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

Summary

The fair value balances and notional amounts of derivative instruments outstanding as of August 31, 2017, classified by type, and the changes in fair value of such derivative instruments for the year ended as reported in the 2017 financial statements are as follows.

Business Type Activities		Changes in Fair Value		Fair Value at August 31, 2017		
Cash Flow Hedges	Bond Issue	Classification	Amount	Classification	Amount	Notional
Pay-fixed, receive-variable interest rate swap	2004B	Deferred outflow of resources	\$ 1,047,107	Debt	\$ (1,827,759)	\$ 27,020,000
Pay-fixed, receive-variable interest rate swap	2004D	Deferred outflow of resources	713,213	Debt	(932,197)	18,920,000
Pay-fixed, receive-variable interest rate swap	2005A	Deferred outflow of resources	1,531,728	Debt	(3,744,437)	25,675,000
Pay-fixed, receive-variable interest rate swap	2007A	Deferred outflow of resources	1,901,750	Debt	(3,397,780)	30,385,000
			<u>\$ 5,193,798</u>		<u>\$ (9,902,173)</u>	<u>\$ 102,000,000</u>

Terms and Fair Value

The terms, including the fair value of the outstanding swaps as of August 31, 2017 are as follows. The notional amounts of the swaps match the principal amount of the associated debt except for the 2004B bond issue which has \$27,875,000 bonds outstanding, \$855,000 more than the notional amount of the swap.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
Bank of New York Mellon	\$ 27,020,000	\$ (1,827,759)	03/01/14	3.67%	65.5% of LIBOR + .20%	09/01/34 (a)
Goldman Sachs Bank USA	18,920,000	(932,197)	01/01/05	3.08%	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	03/01/35 (b)
JP Morgan Chase Bank	25,675,000	(3,744,437)	08/01/05	4.01%	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	09/01/36 (c)
JP Morgan Chase Bank	30,385,000	(3,397,780)	06/05/07	4.01%	Less of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	09/01/38 (c)
Total	\$ 102,000,000	\$ (9,902,173)				

- Swap Agreement has an optional early par termination date of September 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
- Swap Agreement has an optional early par termination date of March 1, 2015 and every March and September thereafter. The Swap Agreement has 100% optional par termination rights on or after September 1, 2021.
- Swap Agreement is subject to mandatory early termination date each March 1 and September 1 from mortgage loan repayments.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

During the year ended August 31, 2017, the Department adopted GASB Statement No. 72 – Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. In accordance to GASB 72, the fair value of these derivative instruments was measured using the Income Approach. Using observable inputs of interest rate markets and municipal bond yields, the fair value measurement is based on the present value of future implied cash flows reflective of non-performance risk. The fair value hierarchy disclosure is as follows:

Derivative Instruments	Total	Input Level 1	Input Level 2	Input Level 3
Pay-fixed, receive-variable interest rate swap	\$ (9,902,173)		\$ (9,902,173)	
Total	\$ (9,902,173)		\$ (9,902,173)	

- Level 1- Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in the pricing asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Credit Risk

As of August 31, 2017, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps currently have a negative fair value indicating an obligation for the Department to pay the counterparty as opposed to receive payments should the Department exercise its optional right to terminate. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral provisions. The scheduled payments under the 2004 Series B Swap Agreement are insured by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's
Bank of New York Mellon	AA-/Stable	Aa2/Stable
Goldman Sachs Bank USA*	A/Review Upgrade	A1/Stable
JP Morgan Chase Bank	A+/Stable	Aa3/Stable

*Guaranteed by Goldman Sachs Group, Inc.

Basis Risk

The Department's variable-rate bond coupon payments are related to the Securities Industry and Financial Markets Association (SIFMA) rate. The swap agreements designate a function of London Interbank Offered Rate ("LIBOR") as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and SIFMA rates converge. The swap agreements provide an option to terminate as stated in the Terms and Fair Value table on previous page.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 6: DERIVATIVE INSTRUMENTS Cont'd

Rollover Risk

Rollover risk is the risk that arises when a derivative associated with a government's variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The Department is not exposed to rollover risk on swap agreements because the variable rate debt has been structured to decline with the swap notional balances. The counterparties in the swap agreements have limited rights to terminate the swap. They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk. The Department has retained par optional termination rights which are listed below. The par optional termination rights are intended to keep the notional amount in line with bonds outstanding to the extent the Department receives prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	Optional early par termination rights began September 2015, with 100% par termination rights in September 2021.
2004D Single Family	March 2035	Optional early par termination rights began March 2015, with 100% par termination rights in September 2021.
2005A Single Family	September 2036	Mandatory par termination each March 1 and September 1 from mortgage loan repayments.
2007A Single Family	September 2038	Mandatory par termination each March 1 and September 1 from mortgage loan repayments.

Swap Payments and Associated Debt

Using rates as of August 31, 2017, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Net	
2018	\$ -	\$ 872,906	\$ 2,709,544	\$ 3,582,450
2019		863,017	2,709,544	3,572,561
2020		864,993	2,709,544	3,574,537
2021		861,040	2,709,544	3,570,584
2022		863,017	2,709,544	3,572,561
2023-2027	6,155,000	4,288,058	13,183,444	23,626,502
2028-2032	27,080,000	3,621,349	10,803,868	41,505,217
2033-2037	63,705,000	1,668,994	5,037,133	70,411,127
2038-2042	5,915,000	38,791	130,662	6,084,453
	\$ 102,855,000	\$ 13,942,165	\$ 42,702,827	\$ 159,499,992

Netting Arrangements—The Department's swap agreements allow for netting arrangements. On each payment date, September 1 and March 1, the party with the lesser obligation will be automatically satisfied and discharged and, the obligation of the party with the greater obligation will become the excess of the larger aggregate amount over the smaller aggregate amount. As of August 31, 2017, the Department has an aggregate liability related to the interest rate swaps in the amount of \$1,403,213 payable September 1, 2017.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 7: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Department will be abolished effective September 1, 2025 unless continued in existence as provided by the Act. If abolished, the Department may continue until September 1, 2026 to close out its operations.

NOTE 8: CONTINGENCIES AND COMMITMENTS

Architettura, Inc., v. Mission Village of Pecos, LLC et al., Case No. 3:16-cv-02793-M, USDC for the Northern District of Texas, Dallas Division, filed September 30, 2016: Plaintiff pleads copyright infringement and quantum meruit regarding Plaintiff's architectural drawings submitted to TDHCA as part of an application for tax credits. TDHCA has refused to sign a waiver of service of process and is waiting to be served. It is unknown at this time whether the damages requested would exceed \$1,000,000, as no specific amount was requested. Plaintiff's filed a third amended complaint in July 2017 and TDHCA filed an amended answer.

Rick Sims, pro se, v. Texas Department of Housing and Community Affairs, Paul Oxer, Chairman and Tim Irvine, Executive Director, in their official capacities, Civil Action No. A16CV0906 LY, USDC for the Western District of Texas, filed July 26, 2016: Plaintiff alleges violations of the Fair Housing Act, the Americans with Disabilities Act, and Section 504 of the Rehabilitation Act of 1973. The case is currently pending before the District Court Judge on recommendation of a magistrate judge to dismiss the suit. Plaintiff has not requested monetary damages at this time.

Derivative Instruments

All of the Department's derivative instruments include provisions that require posting collateral in the event the Single Family Trust Indenture credit rating falls below a specified level as issued by Moody's Investor Service and Standard & Poor's. If the Department fails to post eligible collateral, the derivative instrument may be terminated by the counterparty. The table below lists the triggering event and the collateral exposure for each instrument.

Series	Collateral Posting Exposure at Current Credit Rating	Credit Rating Downgrade Threshold	MTM Threshold for Indenture or Counterparty
2004B ⁽¹⁾	None	A3/A- or below for AGM and TDHCA	After downgrade of AGM and Indenture or counterparty, collateral exposure with no threshold
2004D	Yes, if MTM exceeds (\$7.5M)	A3/A- or below	After downgrade, collateral exposure with no threshold
2005A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds (\$7.5M); after downgrade to A3/A or below, collateral exposure with no threshold
2007A	None	A2/A	After downgrade to A2/A, collateral exposure if MTM exceeds (\$7.5M); after downgrade to A3/A or below, collateral exposure with no threshold

(1) AGM Swap Insurance in effect. Collateral posting only required if AGM is downgraded to A3/A- or below AND Indenture is downgraded to A3/A- or below.

As of August 31, 2017, the credit rating related to the Single Family Trust Indenture was AA+ issued by Standard & Poor's and Aa1 by Moody's, therefore no collateral was posted. The Department's aggregate fair value of all hedging derivative instruments with these collateral provisions is a negative (\$9,902,173). If the collateral posting requirements had been triggered at August 31, 2017, the Department would have been required to post eligible collateral equal to the aggregate fair value of the derivative instruments.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 8: CONTINGENCIES AND COMMITMENTS Cont'd

Taxable Mortgage Program

On July 26, 2012, the Department approved the Taxable Mortgage Program (“TMP”). The TMP market facilitates the forward trading of Mortgage Backed Securities (“MBS”) issued by Ginnie Mae and Fannie Mae. In a TMP trade, the seller and buyer agree to the type of security, coupon, face value, price and settlement date at the time of trade but do not specify the actual pools to be traded. The securities are “to be announced” two business days prior to the trade settlement date. The TMP program was created to provide loans to low to moderate income first time homebuyers. The program is paid for from revenues generated by the packaging and sale of the TMP MBS, available indenture funds and ongoing fees related to the loans originated and securitized through the TMP program. Escrow agreements were negotiated and established to limit the recourse to the servicer and To Be Announced provider, who delivers the MBS to the purchaser of the MBS backed by the mortgage loans. The amount of the escrow is \$2.5 million, which is funded from the Department’s operating funds. The TMP program commenced on October 1, 2012.

The Department has entered into a Warehouse Agreement with Hilltop Securities, as Warehouse Provider, and The Bank of New York Mellon Trust Company, as trustee under the bond indentures and as Custodian. The purpose is to warehouse MBS relating to various series of bonds issued or to be issued and delivered under the Department’s Trust Indentures, including MBS retained by the Department under its TMP Program. The Department has deposited \$750,000 into a Warehouse Escrow Account for the benefit of the Warehouse Provider. As of August 31, 2017, there were no MBS held under the Warehouse Agreement.

The Department has established the TDHCA Liquid Yield Account with Federal Home Loan Bank to secure the Department’s obligations under the Advances and Security Agreement. The amount on deposit as of August 31, 2017, is \$15,000,000.

NOTE 9: SUBSEQUENT EVENTS

Debt Issuance	Series	Amount	Date of Issuance	Purpose
Revenue Bonds	Multifamily Revenue Bonds MF Series 2017 Casa Brendan Apartments	\$5,000,000	10/17/17	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Casa Brendan Apartments is located in Stephenville, Texas.
Revenue Bonds	Multifamily Revenue Bonds MF Series 2017 Nuestro Hogar Apartments	\$5,700,000	10/17/17	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Nuestro Hogar Apartments is located in Arlington, Texas.
Revenue Bonds	Multifamily Revenue Bonds MF Series 2017 Casa Inc. Apartments	\$24,000,000	10/17/17	The multifamily bonds are issued for the primary purpose to finance the acquisition, construction, and equipping of multifamily rental housing developments. The Casa Inc. Apartments is located in Fort Worth, Texas.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 10: RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. The Department carries Public Official Liability Insurance coverage in the amount of \$10,000,000, Automobile Liability Insurance in the amount of \$500,000; Errors and Omissions Insurance in the amount of \$500,000 related to loan servicing for others; Crime Insurance in the amount of \$350,000; and Commercial Property, Equipment Breakdown and Terrorism Insurance in the amount of \$6,147,006 for the Alpine Retirement Center, the Insurance Annex Building, the Twin Towers Office Center and leased field office located in Lubbock, Texas.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years.

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUND

The Segment information below is for the Department's direct debt associated with the issuance of Single Family bonds only and does not include the Multifamily bonds where the Department is only a conduit issuer. Therefore, this note represents less than what is reported in the Enterprise Fund as a whole. Each grouping consists of separate indentures that have one or more bonds outstanding with the revenue stream and assets exclusively pledged in support of that debt. Bonds are issued for the primary purpose of providing funds for the purchase of mortgage-backed securities which represent securitized loans financing single family housing. Each indenture imposes the requirement of separate accounting of the revenues, expenses, gains, losses, assets, and liabilities.

CONDENSED STATEMENT OF NET POSITION			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Restricted Assets:			
Current Assets	\$ 28,500,774	\$ 17,324,610	\$ 15,166
Non-Current Assets	446,545,479	240,063,448	2,778,057
Total Assets	<u>475,046,253</u>	<u>257,388,058</u>	<u>2,793,223</u>
Deferred Outflows of Resources:	<u>9,902,173</u>		
Liabilities:			
Current Liabilities	4,693,191	5,468,110	7,598
Non-Current Liabilities	385,279,861	153,704,546	1,007,818
Total Liabilities	<u>389,973,052</u>	<u>159,172,656</u>	<u>1,015,416</u>
Deferred Inflows of Resources:			
Net Position:			
Restricted Net Position	\$ 94,975,374	\$ 98,215,402	\$ 1,777,807
Net Position:	<u>\$ 94,975,374</u>	<u>\$ 98,215,402</u>	<u>\$ 1,777,807</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year ended August 31, 2017

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Operating Revenues:			
Interest and Investment Income	\$ 17,587,930	\$ 8,533,101	\$ 202,845
Net (Decrease) in Fair Value	(2,926,208)	(7,352,794)	(91,168)
Other Operating Revenues	176,961	6,310,510	
Operating Expenses	<u>(18,415,223)</u>	<u>(16,933,518)</u>	<u>(107,818)</u>
Operating Income (Loss)	(3,576,540)	(9,442,701)	3,859
Nonoperating Revenues (Expenses):			
Transfers In (Out)	<u>(1,118,320)</u>	<u>(2,549,184)</u>	
Changes in Net Position	<u>(4,694,860)</u>	<u>(11,991,885)</u>	<u>3,859</u>
Net Position, September 1, 2016	99,670,234	110,207,287	1,773,948
Net Position, August 31, 2017	<u>\$ 94,975,374</u>	<u>\$ 98,215,402</u>	<u>\$ 1,777,807</u>

CONDENSED STATEMENT OF CASH FLOWS			
	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Net Cash Provided (Used) By:			
Operating Activities	\$ (9,017,918)	\$ (19,049,619)	\$ (14,989)
Noncapital Financing Activities	22,426,543	(33,899,773)	(797,578)
Investing Activities	<u>(27,228,613)</u>	<u>44,512,860</u>	<u>750,747</u>
Net Increase (Decrease)	(13,819,988)	(8,436,532)	(61,820)
Beginning Cash and Cash Equivalents	<u>40,376,942</u>	<u>25,007,674</u>	<u>62,454</u>
Ending Cash and Cash Equivalents	<u>\$ 26,556,954</u>	<u>\$ 16,571,142</u>	<u>\$ 634</u>

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**SUPPLEMENTAL
SCHEDULES**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 1

**SUPPLEMENTAL SCHEDULE — STATEMENT OF NET POSITION INFORMATION
BY INDIVIDUAL ACTIVITY (UNAUDITED)
AS OF AUGUST 31, 2017**

	Single- Family Program	RMRB Program	CHMRB Program	Taxable Mortgage Program	Multifamily Program	Operating Fund	Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents:							
Cash equivalents	\$	\$	\$	\$ 2,704,288	\$	\$ 4,345,897	\$ 7,050,185
Restricted assets:							
Cash and cash equivalents:							
Cash in bank	204,593	1,847		15,000,000	448,460		15,654,900
Cash equivalents	26,352,361	16,569,295	634	1,553,824	43,037,634	691,595	88,205,343
Short-term investments						12,525	12,525
Loans and contracts	474,030	152,241		82,126,285	7,905,177		90,657,733
Interest receivable	1,450,200	597,707	14,532	3,818	6,509,458	472	8,576,187
Receivable:							
Interest receivable				87,759		121	87,880
Accounts receivable						77,209	77,209
Loans and Contracts						38,843	38,843
Other current assets	19,590	3,520		23,247		8,455	54,812
Total current assets	<u>28,500,774</u>	<u>17,324,610</u>	<u>15,166</u>	<u>101,499,221</u>	<u>57,900,729</u>	<u>5,175,117</u>	<u>210,415,617</u>
NONCURRENT ASSETS:							
Investments				1,033,181			1,033,181
Loans and Contracts						1,127,937	1,127,937
Restricted assets:							
Investments	424,677,036	171,897,306	2,778,057	978,254	41,707,720	60,303	642,098,676
Loans, contracts	21,868,443	68,166,142			867,381,720		957,416,305
Total noncurrent assets	<u>446,545,479</u>	<u>240,063,448</u>	<u>2,778,057</u>	<u>2,011,435</u>	<u>909,089,440</u>	<u>1,188,240</u>	<u>1,601,676,099</u>
TOTAL ASSETS	\$ 475,046,253	\$ 257,388,058	\$ 2,793,223	\$ 103,510,656	\$ 966,990,169	\$ 6,363,357	\$ 1,812,091,716
DEFERRED OUTFLOWS OF RESOURCES							
Accumulated decrease in fair value							
hedging derivatives	9,902,173						9,902,173
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 9,902,173	\$	\$	\$	\$	\$	\$ 9,902,173
LIABILITIES							
CURRENT LIABILITIES:							
Payables:							
Accounts payable	\$ 193,748	\$ 71,542	\$ 2,100	\$ 14,349	\$	\$ 2,428	\$ 284,167
Accrued bond interest payable	4,274,307	871,123	4,158		6,599,528		11,749,116
Interfund Payable						82	82
Notes and Loans Payable					224,147		224,147
Revenue bonds payable	30,265	4,512,596	1,340		7,911,683		12,455,884
Restricted Short-Term Debt				81,182,741			81,182,741
Other current liabilities	194,871	12,849				8,992	216,712
Total current liabilities	<u>4,693,191</u>	<u>5,468,110</u>	<u>7,598</u>	<u>81,197,090</u>	<u>14,735,358</u>	<u>11,502</u>	<u>106,112,849</u>
NONCURRENT LIABILITIES:							
Notes and Loans Payable		9,135,017			74,766,034		83,901,051
Revenue bonds payable	375,377,688	144,569,529	1,007,818		792,385,035		1,313,340,070
Derivative Hedging Instrument	9,902,173						9,902,173
Other noncurrent liabilities					87,556,033		87,556,033
Total noncurrent liabilities	<u>385,279,861</u>	<u>153,704,546</u>	<u>1,007,818</u>	<u></u>	<u>954,707,102</u>	<u></u>	<u>1,494,699,327</u>
TOTAL LIABILITIES	\$ 389,973,052	\$ 159,172,656	\$ 1,015,416	\$ 81,197,090	\$ 969,442,460	\$ 11,502	\$ 1,600,812,176
DEFERRED INFLOWS OF RESOURCES							
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	\$	\$	\$	\$	\$	\$
NET POSITION							
RESTRICTED FOR BONDS	94,975,374	98,215,402	1,777,807	18,479,440		764,894	214,212,917
UNRESTRICTED				3,834,126	(2,452,291)	5,586,961	6,968,796
TOTAL NET POSITION	\$ 94,975,374	\$ 98,215,402	\$ 1,777,807	\$ 22,313,566	\$ (2,452,291)	\$ 6,351,855	\$ 221,181,713

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 2

**SUPPLEMENTAL SCHEDULE — STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2017**

	Single-Family Program	RMRB Program	CHMRB Program	Taxable Mortgage Program	Multifamily Program	Operating Fund	Total
OPERATING REVENUES:							
Interest and investment income	\$ 17,587,930	\$ 8,533,101	\$ 202,845	\$ 1,396,191	\$ 39,646,902	\$ 46,131	\$ 67,413,100
Net increase (decrease) in fair value	(2,926,208)	(7,352,794)	(91,168)	(168,979)		(11,214)	(10,550,363)
Other operating revenues	176,961	6,310,510		11,334,926		2,871,992	20,694,389
Total operating revenues	14,838,683	7,490,817	111,677	12,562,138	39,646,902	2,906,909	77,557,126
OPERATING EXPENSES:							
Professional fees and services	894,573	424,365	16,583			137,166	1,472,687
Printing and reproduction						18,300	18,300
Interest	10,952,540	5,670,419	90,810	444,949	39,707,502		56,866,220
Bad debt expense	12,672	161,414				31	174,117
Down Payment Assistance	4,703	188,540					193,243
Other operating expenses	6,550,735	10,488,780	425	1,585,868		354,023	18,979,831
Total operating expenses	18,415,223	16,933,518	107,818	2,030,817	39,707,502	509,520	77,704,398
Operating Income (Loss)	(3,576,540)	(9,442,701)	3,859	10,531,321	(60,600)	2,397,389	(147,272)
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS							
Extraordinary items							
Transfers in (out)	(1,118,320)	(2,549,184)		4,052,218		(4,837,135)	(4,452,421)
CHANGE IN NET POSITION	(4,694,860)	(11,991,885)	3,859	14,583,539	(60,600)	(2,439,746)	(4,599,693)
NET POSITION — September 1, 2016	99,670,234	110,207,287	1,773,948	7,730,027	(2,391,691)	8,791,601	225,781,406
NET POSITION — August 31, 2017	\$ 94,975,374	\$ 98,215,402	\$ 1,777,807	\$ 22,313,566	\$ (2,452,291)	\$ 6,351,855	\$ 221,181,713

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SUPPLEMENTARY BOND
SCHEDULES

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 3

**Supplementary Bond Schedules
MISCELLANEOUS BOND INFORMATION**

For the fiscal year ended August 31, 2017

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.		
				First Year	Final Maturity Date	First Call Date
2004 Single Family Series B	53,000,000	VAR - Weekly		2015	09/01/2034	03/01/2015 (e)
2004 Single Family Series A (Jr. Lien)	4,140,000	VAR - Weekly		2036	09/01/2036	09/01/2036 (e)
2004 Single Family Series D	35,000,000	VAR - Weekly		2035	03/01/2035	(f)
2005 Single Family Series A	100,000,000	VAR - Weekly		2007	09/01/2036	03/01/2006
2005 Single Family Series B	25,495,000	4.38%	4.38%	2006	09/01/2026	03/01/2006
2005 Single Family Series C	8,970,000	VAR - Weekly		2017	09/01/2017	03/01/2006
2005 Single Family Series D	3,730,000	5.00%	5.00%	2025	09/01/2035	03/01/2006
2007 Single Family Series A	143,005,000	VAR - Weekly		2008	09/01/2038	03/01/2008 (e)
2007 Single Family Series B	157,060,000	3.90%	5.63%	2008	09/01/2039	03/01/2008
2013 Single Family Series A	42,500,000	2.80%	2.80%	2013	03/01/2036	09/01/2020
2015 Single Family Series A	33,825,000	3.20%	3.20%	2039	09/01/2039	09/01/2024
2015 Single Family Series B	19,870,000	3.13%	3.13%	2046	03/01/2046	09/01/2024
2016 Single Family Series A	31,510,000	3.00%	3.00%	2046	03/01/2046	03/01/2025
2016 Single Family Series B	59,735,000	3.18%	3.18%	2039	03/01/2039	03/01/2025
2017 Single Family Series A	61,303,867	2.84%	2.84%	2017	9/1/2047	(n)
2017 Single Family Series B	29,610,000	2.75%	2.75%	2017	9/1/2038	(n)
2017 Single Family Series C	42,787,085	3.10%	3.10%	2017	9/1/2047	(n)
2009 RMRB Series A	80,000,000	5.13%	5.13%	2011	07/01/2039	01/01/2019
2009 RMRB Series B	22,605,000	4.72%	4.72%	2010	07/01/2022	01/01/2019
2009 RMRB Series C-1	89,030,000	0.70%	3.57%	2029	07/01/2041	04/01/2011
2009 RMRB Series C-2	60,080,000	0.60%	2.48%	2034	07/01/2041	11/01/2011
2011 RMRB Series A	60,000,000	0.70%	5.05%	2012	07/01/2029	01/01/2021
2011 RMRB Series B	87,955,000	0.30%	4.45%	2012	01/01/2034	01/01/2021
1992 Coll Home Mtg Rev Bonds, Series C	72,700,000	3.48%	10.27%	2024	07/01/2024	05/04/1995
TOTAL SINGLE FAMILY & RMRB BONDS	1,323,910,952					
1996 MF Series A/B (Brighton's Mark Development)	10,174,000	6.13%	6.13%	2026	04/01/2026	01/01/2003
1998 MF Series A-C (Residence at the Oaks Projects)	8,200,000	5.98%	7.18%	2001	11/01/2030	05/01/2001
2000 MF Series A (Timber Point Apartments)	8,100,000	VAR - Weekly		2003	09/01/2032	07/01/2000 (a)
2000 MF Series A/B (Oaks at Hampton Apartments)	10,060,000	7.20%	9.00%	2002	03/01/2040	03/01/2017 (a)
2000 MF Series A (Deerwood Apartments)	6,435,000	5.25%	6.40%	2003	12/01/2032	06/01/2010
2000 MF Series A (Creek Point Apartments)	7,200,000	VAR - Weekly		2004	10/01/2032	07/01/2000 (a)
2000 MF Series A/B (Parks at Westmoreland Apartments)	9,990,000	7.20%	9.00%	2002	07/01/2040	07/01/2017 (a)
2000 MF Series A-C (Highland Meadow Village Apartments)	13,500,000	6.75%	8.00%	2004	11/01/2033	05/01/2019
2000 MF Series A-C (Collingham Park Apartments)	13,500,000	6.72%	7.72%	2004	11/01/2033	05/01/2019
2001 MF Series A (Bluffview Apartments)	10,700,000	7.65%	7.65%	2003	05/01/2041	05/01/2018
2001 MF Series A (Knollwood Apartments)	13,750,000	7.65%	7.65%	2003	05/01/2041	05/01/2018
2001 MF Series A (Skyway Villas Apartments)	13,250,000	6.00%	6.50%	2005	12/01/2034	12/01/2011
2001 MF Series A/B (Meridian Apartments)	14,310,000	5.45%	6.85%	2004	12/01/2034	12/01/2011
2001 MF Series A/B (Wildwood Apartments)	14,365,000	5.45%	6.75%	2004	12/01/2034	12/01/2011
2001 MF Series A (Oak Hollow Apartments)	8,625,000	7.00%	7.90%	2003	12/01/2041	11/01/2018
2001 MF Series A/B (Hillside Apartments)	12,900,000	7.00%	9.25%	2003	12/01/2041	11/01/2018
2002 MF Series A (Park Meadows Apartments)	4,600,000	6.53%	6.53%	2004	06/01/2034	05/01/2012
2002 MF Series A (Clarkridge Villas Apartments)	14,600,000	7.00%	7.00%	2004	09/01/2042	08/01/2019
2002 MF Series A (Hickory Trace Apartments)	11,920,000	7.00%	7.00%	2004	11/01/2042	12/01/2019
2002 MF Series A (Green Crest Apartments)	12,500,000	7.00%	7.00%	2004	11/01/2042	11/01/2019
2002 MF Series A/B (Ironwood Crossing)	16,970,000	5.50%	8.75%	2005	11/01/2042	10/01/2027
2003 MF Series A/B (Reading Road)	12,200,000	VAR-Weekly		2007	07/01/2036	01/01/2004 (a)
2003 MF Series A/B (North Vista Apartments)	14,000,000	4.10%	5.41%	2006	06/01/2036	06/01/2013
2003 MF Series A/B (West Virginia Apartments)	9,450,000	4.15%	5.41%	2006	06/01/2036	06/01/2013
2003 MF Series A/B (Primrose Houston School)	16,900,000	5.50%	8.00%	2006	07/01/2036	07/01/2003 (a)
2003 MF Series A/B (Timber Oaks Apartments)	13,200,000	6.75%	8.75%	2005	11/01/2038	06/01/2020
2003 MF Series A/B (Ash Creek Apartments)	16,375,000	5.60%	15.00%	2006	04/01/2036	10/01/2003 (a)
2003 MF Series A/B (Peninsula Apartments)	12,400,000	4.25%	5.30%	2007	10/01/2024	10/01/2013
2003 MF Series A/B (Arlington Villas)	17,100,000	6.75%	8.00%	2007	12/01/2036	01/01/2007 (a)
2003 MF Series A/B (Parkview Townhomes)	16,600,000	6.60%	8.50%	2006	04/01/2041	12/01/2020
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	31,500,000	VAR - Weekly		2007	07/01/2033	07/01/2007 (a)
2004 MF Series A/B (Timber Ridge II Apartments)	7,500,000	5.75%	8.00%	2007	08/01/2036	03/01/2007 (a)
2004 MF Series A/B (Century Park Townhomes)	13,000,000	5.75%	5.75%	2007	06/01/2037	05/01/2007 (a)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 3

Supplementary Bond Schedules

MISCELLANEOUS BOND INFORMATION (Continued)

For the fiscal year ended August 31, 2017

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat.			
				First Year	Final Maturity Date	First Call Date	
2004 MF Series A/B (Providence at Veterans Memorial)	16,300,000	6.60%	8.50%	2006	01/01/2041	03/01/2006	(a)
2004 MF Series A (Providence at Rush Creek II)	10,000,000	5.38%	6.70%	2006	01/01/2044	03/01/2021	
2004 MF Series A (Humble Parkway Townhomes)	11,700,000	6.60%	6.60%	2007	01/01/2041	07/01/2021	
2004 MF Series A (Chisholm Trail Apartments)	12,000,000	VAR - Weekly (b)		2006	04/15/2037	10/15/2006	(a)
2004 MF Series A (Evergreen at Plano Parkway)	14,750,000	5.25%	6.55%	2007	05/01/2044	06/01/2021	
2004 MF Series A (Montgomery Pines Apartments)	12,300,000	VAR - Weekly		2006	06/15/2037	12/15/2006	(a)
2004 MF Series A (Bristol Apartments)	12,625,000	VAR - Weekly		2007	06/15/2037	06/15/2007	(a)
2004 MF Series A (Pinnacle Apartments)	14,500,000	VAR - Weekly (c)		2007	06/15/2037	09/01/2007	(a)
2004 MF Series A (Churchill at Pinnacle Park)	10,750,000	5.25%	6.55%	2007	07/01/2044	09/01/2021	(d)
2004 MF Series A (Providence at Village Fair)	14,100,000	5.00%	6.50%	2007	12/01/2044	12/01/2021	
2005 MF Series A (Homes at Pecan Grove)	14,030,000	5.00%	6.50%	2007	01/01/2045	01/01/2022	
2005 MF Series A (Providence at Prairie Oaks)	11,050,000	4.75%	6.50%	2007	01/01/2045	01/01/2022	
2005 MF Series A (Port Royal Homes)	12,200,000	5.00%	6.50%	2007	02/01/2045	02/01/2022	
2005 MF Series A (Mission Del Rio Homes)	11,490,000	5.00%	6.50%	2007	02/01/2045	02/01/2022	
2005 MF Series A (Atascocita Pines Apartments)	11,900,000	VAR - Weekly (c)		2007	04/15/2038	(e)	
2005 MF Series A (Tower Ridge Apartments)	15,000,000	VAR - Weekly (b)		2009	04/01/2038	(e)	
2005 MF Series A (St Augustine Estate Apartments)	7,650,000	VAR - Weekly		2009	09/15/2038	n/a	
2005 MF Series A (Providence at Mockingbird Apartments)	14,360,000	6.40%	6.40%	2007	08/01/2040	08/01/2022	
2005 MF Series A (Plaza at Chase Oaks Apartments)	14,250,000	5.05%	5.05%	2007	08/01/2035	(g)	
2005 MF Series A (Coral Hills Apartments)	5,320,000	5.05%	5.05%	2009	08/01/2026	08/01/2015	
2006 MF Series A (Bella Vista Apartments)	6,800,000	6.15%	6.15%	2008	04/01/2046	04/01/2016	
2006 MF Series A (Village Park Apartments)	13,660,000	4.75%	5.13%	2009	12/01/2026	06/01/2021	
2006 MF Series A (Oakmoor Apartments)	14,635,000	5.50%	6.00%	2008	03/01/2046	03/01/2023	
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000	VAR - Weekly		2039	07/15/2039	(h)	
2006 MF Series A (Hillcrest Apartments)	12,435,000	5.25%	5.25%	2009	04/01/2027	04/01/2021	
2006 MF Series A (Red Hills Villas)	5,015,000	VAR - Weekly		2036	09/15/2036	(i)	
2006 MF Series A (Champion Crossing Apartments)	5,125,000	VAR - Weekly		2036	09/15/2036	(i)	
2006 MF Series A (Meadowlands Apartments)	13,500,000	6.00%	6.00%	2009	09/01/2046	09/01/2023	
2006 MF Series A (East Tex Pines)	13,500,000	4.95%	4.95%	2010	10/01/2046	(j)	
2006 MF Series A (Villas at Henderson)	7,200,000	VAR - Weekly		2010	11/01/2023	(k)	
2006 MF Series A (Aspen Park)	9,800,000	5.00%	5.00%	2010	07/01/2027	07/01/2021	
2006 MF Series A (Idlewilde)	14,250,000	VAR - Weekly		2010	06/15/2040	(i)	
2007 MF Series A (Lancaster)	14,250,000	VAR - Weekly		2010	07/15/2040	(i)	
2007 MF Series A (Park Place at Loyola)	15,000,000	5.80%	5.80%	2010	02/01/2047	03/01/2024	
2007 MF Series A (Terrace at Cibolo)	8,000,000	VAR - Weekly		2010	05/01/2040	(k)	
2007 MF Series A (Santora Villas)	13,072,000	5.80%	5.80%	2010	05/01/2047	06/01/2024	
2007 MF Series A (Villas at Mesquite Creek)	16,860,000	5.00%	5.81%	2010	01/20/2047	01/20/2017	
2007 MF Series A (Costa Rialto)	12,385,000	5.35%	5.35%	2010	07/01/2047	08/01/2025	
2007 MF Series A (Windshire)	14,000,000	VAR - Weekly		2010	01/15/2041	(i)	
2007 MF Series A (Residences at Onion Creek)	15,000,000	VAR - Weekly		2011	12/15/2040	(i)	
2008 MF Series A (West Oaks Apartments)	13,125,000	VAR - Weekly		2011	07/01/2041	(l)	
2008 MF Series A (Costa Ibiza Apartments)	13,900,000	VAR - Weekly		2011	08/01/2041	(e)	
2008 MF Series A (Addison Park Apartments)	14,000,000	VAR - Weekly		2008	01/01/2044	(l)	
2008 MF Series A (Alta Cullen Apartments Refunding)	14,000,000	VAR - Weekly		2011	03/01/2045	(l)	
2009 MF Series A (Costa Mariposa Apartments)	13,690,000	VAR - Weekly		2012	05/01/2042	(l)	
2009 MF Series A (Woodmont Apartments)	15,000,000	VAR - Weekly		2012	06/01/2042	(l)	
2013 MF Series A (Waters at Willow Run Apartments)	14,500,000	0.35%	0.35%	2014	10/01/2016	10/01/2014	
2014 MF Series A (Decatur-Angle Apartments)	23,000,000	5.75%	5.75%	2016	01/01/2054	09/01/2016	
2015 MF Series A (Good Samaritan Towers)	5,620,000	0.95%	0.95%	2017	09/01/2017	03/01/2017	
2015 MF Series A (Williamsburg Apartments)	23,150,000	3.45%	3.45%	2016	01/01/2032	01/26/2016	(m)
2016 MF Series A (Chisolm Trace/Cheyenne Village)	13,500,000	0.80%	0.80%	2017	06/01/2018	06/01/2017	
2016 MF Series A (Fifty Oaks & Edinburg Village)	7,400,000	0.65%	0.65%	2017	08/01/2018	08/01/2017	
2016 MF Series A (Skyline Place Apartments)	18,750,000	2.60%	2.60%	2016	10/01/2032	10/26/2016	(m)
TOTAL MULTIFAMILY BONDS	1,091,271,000						
TOTAL BONDS ISSUED	2,415,181,952						

Supplementary Bond Schedules
MISCELLANEOUS BOND INFORMATION (Continued)

For the fiscal year ended August 31, 2017

FOOTNOTES:

- (a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.
- (b) Variable rate not to exceed the maximum rate permitted by applicable law.
- (c) Variable rate could change to fixed rate provided the conversion option is exercised.
- (d) The bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds.
- (e) The Bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.
- (f) The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows: During a daily interest rate period or weekly interest rate period for the Series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.
- (g) The bonds are subject to redemption at the option of the Issuer, at the direction of the Borrower, in whole or in part on the first day of any month, in the event and to the extent the trustee receives funds from the Borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.
- (h) Bonds are subject to redemption if and to the extent the Borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.
- (i) The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower.
- (j) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.
- (k) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant to the Loan Agreement, and with the prior written consent of the Bank, in whole or in part, at a redemption price equal to the principal amount, without premium, plus accrued interest to the date of redemptions.
- (l) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.
- (m) The bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows: that the Pass-Through Certificate will be prepaid, the Trustee, in accordance with the provisions of this Indenture, shall use its best efforts to give not less than 20 nor more than 30 days' notice, in the name of the Issuer, of the redemption of the Bonds, which notice shall specify the following: (i) the maturity and principal amounts of the Bonds to be redeemed; (ii) the CUSIP number, if any, of the Bonds to be redeemed; (iii) the date of such notice; (iv) the issuance date for such Bonds; (v) the interest rate on the Bonds to be redeemed; (vi) the redemption date; (vii) any conditions to the occurrence of the redemption; (viii) the place or places where amounts due upon such redemption will be payable; (ix) the Redemption Price; (x) the Trustee's name and address with a contact person and a phone number; and (xi) that on the redemption date, the Redemption Price shall be paid. Neither the giving of such notice by the Trustee nor the receipt of such notice by the Bondholders shall be a condition precedent to the effectiveness of any such redemption.
- (n) The Series 2017 bonds are subject to redemption prior to maturity, in whole or in part, at any time and from time to time on and after September 1, 2026, at the option of the Department, after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of the Series 2017 Bonds or portions thereof to be redeemed, plus accrued interest, to but not including, the redemption date.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 4

Supplementary Bond Schedules
CHANGES IN BOND INDEBTEDNESS

For the fiscal year ended August 31, 2017

Description of Issue	Bonds Outstanding 09/01/16	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/17	Amounts Due Within One Year
2004 Single Family Series B	\$ 39,380,000	\$	\$	\$ 11,505,000	\$ 27,875,000	\$
2004 Single Family Series A (Jr. Lien)	3,855,000				3,855,000	
2004 Single Family Series D	25,700,000			6,780,000	18,920,000	
2005 Single Family Series A	31,130,000			5,455,000	25,675,000	
2005 Single Family Series B	795,000		60,000	660,000	75,000	10,000
2005 Single Family Series C	3,090,000			3,090,000		
2005 Single Family Series D	430,000			380,000	50,000	
2007 Single Family Series A	38,405,000			8,020,000	30,385,000	
2007 Single Family Series B	35,480,000		305,000	35,175,000		
2013 Single Family Series A	23,385,000			3,720,000	19,665,000	
2015 Single Family Series A	29,680,000			4,180,000	25,500,000	
2015 Single Family Series B	18,920,000			1,820,000	17,100,000	
2016 Single Family Series A	30,970,000			3,430,000	27,540,000	
2016 Single Family Series B	55,930,000			10,780,000	45,150,000	
2017 Single Family Series A		61,303,867		121,551	61,182,316	20,265
2017 Single Family Series B		29,610,000		454,972	29,155,028	
2017 Single Family Series C		42,787,085		114,415	42,672,670	
2009 RMRB Series A	25,225,000		295,000	4,045,000	20,885,000	282,481
2009 RMRB Series B	6,600,000		765,000	515,000	5,320,000	1,030,000
2009 RMRB Series C-1	45,585,000			7,935,000	37,650,000	
2009 RMRB Series C-2	36,110,000			5,920,000	30,190,000	
2011 RMRB Series A	24,240,000		1,410,000	4,140,000	18,690,000	1,396,577
2011 RMRB Series B	44,850,000		1,875,000	7,320,000	35,655,000	1,803,538
1992 Coll Home Mtg Rev Bonds, Series C	1,700,000			700,000	1,000,000	1,340
Total Single Family Bonds	\$ 521,460,000	\$ 133,700,952	\$ 4,710,000	\$ 126,260,938	\$ 524,190,014	\$ 4,544,201
1996 MF Series A/B (Brighton's Mark Development)	\$ 8,075,000	\$	\$	\$	\$ 8,075,000	\$
1998 MF Series A-C (Residence at the Oaks Projects)	5,471,000		312,000		5,159,000	321,000
2000 MF Series A (Timber Point Apartments)	6,270,000			200,000	6,070,000	
2000 MF Series A/B (Oaks at Hampton Apartments)	8,811,132		148,265		8,662,867	159,298
2000 MF Series A (Deerwood Apartments)	4,985,000		170,000		4,815,000	180,000
2000 MF Series A (Creek Point Apartments)	5,360,000			200,000	5,160,000	
2000 MF Series A/B (Parks at Westmoreland Apartments)	8,787,081		143,996		8,643,085	154,715
2000 MF Series A-C (Highland Meadow Village Apts)	7,114,000		221,000		6,893,000	237,000
2000 MF Series A-C (Collingham Park Apartments)	10,620,000		348,000		10,272,000	370,000
2001 MF Series A (Bluffview Apartments)	9,751,955		117,350		9,634,605	126,586
2001 MF Series A (Knollwood Apartments)	12,531,718		150,801		12,380,917	162,669
2001 MF Series A (Skyway Villas Apartments)	6,250,000		195,000		6,055,000	205,000
2001 MF Series A/B (Meridian Apartments)	7,875,000		108,000		7,767,000	119,000
2001 MF Series A/B (Wildwood Apartments)	6,076,000		89,000		5,987,000	96,000
2001 MF Series A (Oak Hollow Apartments)	5,898,071		74,815		5,823,256	80,224
2001 MF Series A/B (Hillside Apartments)	12,057,904		84,253		11,973,651	90,344
2002 MF Series A (Park Meadows Apartments)	3,605,000		105,000		3,500,000	120,000
2002 MF Series A (Clarkridge Villas Apartments)	12,810,789		151,814		12,658,975	162,788
2002 MF Series A (Hickory Trace Apartments)	10,596,240		124,723		10,471,517	133,740
2002 MF Series A (Green Crest Apartments)	10,606,653		91,863		10,514,790	97,044
2002 MF Series A/B (Ironwood Crossing)	15,891,396		160,780		15,730,616	173,262
2003 MF Series A/B (Reading Road)	10,210,000		40,000	300,000	9,870,000	40,000
2003 MF Series A/B (North Vista Apartments)	10,745,000		310,000		10,435,000	325,000
2003 MF Series A/B (West Virginia Apartments)	7,765,000		215,000		7,550,000	235,000
2003 MF Series A/B (Primrose Houston School)	15,549,165		163,327		15,385,838	177,095
2003 MF Series A/B (Timber Oaks Apartments)	12,369,509		109,710		12,259,799	115,036
2003 MF Series A/B (Ash Creek Apartments)	15,267,016		164,649		15,102,367	178,399
2003 MF Series A/B (Peninsula Apartments)	10,280,000		260,000	10,000	10,010,000	275,000
2003 MF Series A/B (Arlington Villas)	16,112,219		152,933		15,959,286	165,710
2003 MF Series A/B (Parkview Townhomes)	13,066,365		121,603		12,944,762	127,507
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	17,140,000			610,000	16,530,000	(9,344)
2004 MF Series A/B (Timber Ridge II Apartments)	6,255,190		63,909		6,191,281	68,509
2004 MF Series A/B (Century Park Townhomes)	10,770,000			10,770,000		
2004 MF Series A/B (Providence at Veterans Memorial)	6,636,883		62,704		6,574,179	65,748
2004 MF Series A (Providence at Rush Creek II)	8,236,597		89,196		8,147,401	95,360
2004 MF Series A (Humble Parkway Townhomes)	10,440,000		180,000		10,260,000	190,000
2004 MF Series A (Chisholm Trail Apartments)	10,300,000			200,000	10,100,000	
2004 MF Series A (Evergreen at Plano Parkway)	13,793,094		143,376		13,649,718	153,054
2004 MF Series A (Montgomery Pines Apartments)	10,800,000			300,000	10,500,000	
2004 MF Series A (Bristol Apartments)	11,300,000			100,000	11,200,000	
2004 MF Series A (Pinnacle Apartments)	13,265,000			300,000	12,965,000	
2004 MF Series A (Churchill at Pinnacle Park)	9,298,794		120,851		9,177,943	129,009

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 4

Supplementary Bond Schedules
CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2017

Description of Issue	Bonds Outstanding 09/01/16	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/17	Amounts Due Within One Year
2004 MF Series A (Providence at Village Fair)	\$ 13,106,804	\$	\$ 106,270	\$ 13,000,534	\$	\$
2005 MF Series A (Homes at Pecan Grove)	12,955,755		73,594	12,882,161		
2005 MF Series A (Providence at Prairie Oaks)	10,247,808		73,195	10,174,613		
2005 MF Series A (Port Royal Homes)	11,360,473		122,278		11,238,195	130,468
2005 MF Series A (Mission Del Rio Homes)	8,822,960		60,471		8,762,489	64,521
2005 MF Series A (Atascocita Pines Apartments)	10,790,000			200,000	10,590,000	
2005 MF Series A (Tower Ridge Apartments)	15,000,000				15,000,000	
2005 MF Series A (St Augustine Estate Apartments)	5,880,000			200,000	5,680,000	
2005 MF Series A (Providence at Mockingbird Apts)	10,660,556		98,045		10,562,511	103,473
2005 MF Series A (Plaza at Chase Oaks Apartments)	11,957,878		326,820		11,631,058	343,712
2005 MF Series A (Coral Hills Apartments)	4,385,000		105,000	5,000	4,275,000	110,000
2006 MF Series A (Bella Vista Apartments)	6,365,000		70,000		6,295,000	70,000
2006 MF Series A (Village Park Apartments)	9,385,000		205,000		9,180,000	220,000
2006 MF Series A (Oakmoor Apartments)	13,624,318		143,486		13,480,832	152,336
2006 MF Series A (The Residences at Sunset Pointe)	15,000,000				15,000,000	
2006 MF Series A (Hillcrest Apartments)	9,980,000		200,000		9,780,000	210,000
2006 MF Series A (Red Hills Villas)	4,515,000			4,515,000		
2006 MF Series A (Champion Crossing Apartments)	4,375,000			4,375,000		
2006 MF Series A (Meadowlands Apartments)	11,751,987		117,454		11,634,533	124,698
2006 MF Series A (East Tex Pines)	12,875,000		125,000		12,750,000	135,000
2006 MF Series A (Villas at Henderson)	6,515,000			6,515,000		
2006 MF Series A (Aspen Park)	8,990,000		135,000		8,855,000	140,000
2006 MF Series A (Idlewilde)	13,190,000			200,000	12,990,000	
2007 MF Series A (Lancaster)	13,180,000			200,000	12,980,000	
2007 MF Series A (Park Place at Loyola)	13,755,318		115,941		13,639,377	122,847
2007 MF Series A (Terrace at Cibolo)	4,800,000			100,000	4,700,000	
2007 MF Series A (Santora Villas)	11,669,974		102,804		11,567,170	108,928
2007 MF Series A (Villas at Mesquite Creek)	15,565,000		110,000	15,455,000		
2007 MF Series A (Costa Rialto)	10,202,381		99,483		10,102,898	104,938
2007 MF Series A (Windshire)	13,200,000			200,000	13,000,000	
2007 MF Series A (Residences at Onion Creek)	15,000,000				15,000,000	
2008 MF Series A (West Oaks Apartments)	12,075,000			200,000	11,875,000	
2008 MF Series A (Costa Ibiza Apartments)	12,920,000			100,000	12,820,000	
2008 MF Series A (Addison Park Apartments)	12,595,000			200,000	12,395,000	
2008 MF Series A (Alta Cullen Apartments Refunding)	11,900,000			200,000	11,700,000	
2009 MF Series A (Costa Mariposa Apartments)	13,165,000			240,000	12,925,000	
2009 MF Series A (Woodmont Apartments)	14,290,000			110,000	14,180,000	
2013 MF Series A (Waters @ Willow Run)	14,500,000		14,500,000			
2014 MF Series A (Decatur Angle Apartments)	23,000,000		152,311		22,847,689	161,464
2015 MF Series A (Good Samaritan Towers)	5,620,000			5,620,000		
2015 MF Series A (Williamsburg Apts)	23,150,000		156,691		22,993,309	289,546
2016 MF Series A (Chisholm Trace/Cheyenne Village)	13,500,000			13,500,000		
2016 MF Series A (Fifty Oaks & Edinburg Village)	7,400,000			7,400,000		
2016 MF Series A (Fifty Oaks & Edinburg Village)	-	18,750,000			18,750,000	
Total Multifamily Bonds	\$ 912,264,985	\$ 18,750,000	\$ 22,192,762	\$ 108,582,308	\$ 800,239,915	\$ 7,911,683
	\$ 1,433,724,985	\$ 152,450,952	\$ 26,902,762	\$ 234,843,246	\$ 1,324,429,929	\$ 12,455,884

FOOTNOTES:

(a) Bonds Outstanding balance at 08/31/17 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	\$ 1,324,429,929
Unamortized (Discount)/Premium:	
Single Family	607,939
RMRB	692,125
CHMRB	9,157
Multi-Family	56,804
Bonds Outstanding	\$ 1,325,795,954

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

**Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017**

DESCRIPTION		2018	2019	2020	2021	2022
2004 Single Family, Series A (Junior Lien)	Principal	-	-	-	-	-
2004 Single Family, Series A (Junior Lien)	Interest	41,788	43,947	44,048	43,846	43,947
2004 Single Family, Series B	Principal	-	-	-	-	-
2004 Single Family, Series B	Interest	234,784	231,362	231,892	230,833	231,362
2004 Single Family, Series D	Principal	-	-	-	-	-
2004 Single Family, Series D	Interest	156,590	155,144	155,499	154,789	155,144
2005 Single Family, Series A	Principal	-	-	-	-	-
2005 Single Family, Series A	Interest	220,538	218,237	218,737	217,738	218,237
2005 Single Family, Series B	Principal	10,000	10,000	5,000	5,000	10,000
2005 Single Family, Series B	Interest	3,530	3,050	2,570	2,450	2,083
2005 Single Family, Series D	Principal	-	-	-	-	-
2005 Single Family, Series D	Interest	2,500	2,500	2,500	2,500	2,500
2007 Single Family, Series A	Principal	-	-	-	-	-
2007 Single Family, Series A	Interest	260,995	258,273	258,864	257,681	258,273
2013 Single Family, Series A	Principal	-	-	-	-	-
2013 Single Family, Series A	Interest	550,620	550,620	550,620	550,620	550,620
2015 Single Family, Series A	Principal	-	-	-	-	-
2015 Single Family, Series A	Interest	816,000	816,000	816,000	816,000	816,000
2015 Single Family, Series B	Principal	-	-	-	-	-
2015 Single Family, Series B	Interest	534,375	534,375	534,375	534,375	534,375
2016 Single Family, Series A	Principal	-	-	-	-	-
2016 Single Family, Series A	Interest	826,200	826,200	826,200	826,200	826,200
2016 Single Family, Series B	Principal	-	-	-	-	-
2016 Single Family, Series B	Interest	1,435,770	1,435,770	1,435,770	1,435,770	1,435,770
2017 Single Family, Series A	Principal	-	-	-	-	-
2017 Single Family, Series A	Interest	1,734,519	1,734,519	1,734,519	1,734,519	1,734,519
2017 Single Family, Series B	Principal	-	-	-	-	-
2017 Single Family, Series B	Interest	801,763	801,763	801,763	801,763	801,763
2017 Single Family, Series C	Principal	-	-	-	-	-
2017 Single Family, Series C	Interest	1,322,853	1,322,853	1,322,853	1,322,853	1,322,853
TOTAL SINGLE FAMILY BONDS		8,952,825	8,944,613	8,941,210	8,936,937	8,943,646
2009 Residential Mtg Revenue Bonds, Series A	Principal	280,000	275,000	-	-	-
2009 Residential Mtg Revenue Bonds, Series A	Interest	1,092,175	1,081,185	1,072,985	1,072,985	1,072,985
2009 Residential Mtg Revenue Bonds, Series B	Principal	1,030,000	715,000	1,195,000	1,190,000	1,190,000
2009 Residential Mtg Revenue Bonds, Series B	Interest	258,967	213,367	171,937	109,331	46,857
2009 Residential Mtg Revenue Bonds, Series C-1	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-1	Interest	1,082,437	1,082,438	1,082,438	1,082,438	1,082,438
2009 Residential Mtg Revenue Bonds, Series C-2	Principal	-	-	-	-	-
2009 Residential Mtg Revenue Bonds, Series C-2	Interest	748,712	748,712	748,712	748,712	748,712
2011 Residential Mtg Revenue Bonds, Series A	Principal	1,380,000	1,420,000	1,450,000	1,505,000	1,570,000
2011 Residential Mtg Revenue Bonds, Series A	Interest	861,511	810,655	754,107	692,744	625,566
2011 Residential Mtg Revenue Bonds, Series B	Principal	1,770,000	1,815,000	1,870,000	1,930,000	2,020,000
2011 Residential Mtg Revenue Bonds, Series B	Interest	1,393,234	1,346,115	1,292,340	1,233,028	1,167,595
TOTAL RESIDENTIAL MTG REVENUE BONDS		9,897,036	9,507,472	9,637,519	9,564,238	9,524,153
1992 Coll Home Mtg Rev Bonds, Series C	Principal	-	-	-	-	-
1992 Coll Home Mtg Rev Bonds, Series C	Interest	72,777	66,161	66,161	72,777	66,161
TOTAL COLL HOME MTG REV BONDS		72,777	66,161	66,161	72,777	66,161

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
 August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
-	-	3,855,000	-	-	-	-	3,855,000
219,735	219,836	197,881	-	-	-	-	855,028
3,130,000	15,680,000	9,065,000	-	-	-	-	27,875,000
1,148,268	745,040	114,339	-	-	-	-	3,167,880
3,025,000	9,100,000	6,795,000	-	-	-	-	18,920,000
757,239	492,668	99,767	-	-	-	-	2,126,840
-	2,300,000	23,375,000	-	-	-	-	25,675,000
1,091,186	1,091,686	509,713	-	-	-	-	3,786,072
35,000	-	-	-	-	-	-	75,000
3,432	-	-	-	-	-	-	17,115
20,000	30,000	-	-	-	-	-	50,000
11,750	2,621	-	-	-	-	-	26,871
-	-	24,470,000	5,915,000	-	-	-	30,385,000
1,291,364	1,291,955	945,180	38,788	-	-	-	4,861,373
-	-	19,665,000	-	-	-	-	19,665,000
2,753,100	2,753,100	2,202,480	-	-	-	-	10,461,780
-	-	-	25,500,000	-	-	-	25,500,000
4,080,000	4,080,000	4,080,001	2,039,999	-	-	-	18,360,000
-	-	-	-	17,100,000	-	-	17,100,000
2,671,875	2,671,875	2,671,876	2,671,875	2,137,499	-	-	15,496,875
-	-	-	-	27,540,000	-	-	27,540,000
4,131,000	4,131,000	4,131,001	4,131,000	3,304,799	-	-	23,959,800
-	-	-	45,150,000	-	-	-	45,150,000
7,178,850	7,178,850	7,178,851	2,871,539	-	-	-	31,586,940
-	-	-	-	-	61,182,316	-	61,182,316
8,672,595	8,672,595	8,672,596	8,672,595	8,672,595	144,531	-	52,180,102
-	-	-	29,155,028	-	-	-	29,155,028
4,008,815	4,008,815	4,008,816	868,582	-	-	-	16,903,843
-	-	-	-	-	42,672,670	-	42,672,670
6,614,265	6,614,265	6,614,266	6,614,265	6,614,265	110,230	-	39,795,821
50,843,474	71,064,306	128,651,767	133,628,671	65,369,158	104,109,747	-	598,386,354
4,845,000	5,165,000	5,025,000	5,295,000	-	-	-	20,885,000
4,848,152	3,523,745	2,214,848	492,426	-	-	-	16,471,486
-	-	-	-	-	-	-	5,320,000
-	-	-	-	-	-	-	800,459
-	8,245,000	15,295,000	14,110,000	-	-	-	37,650,000
5,412,190	5,091,267	3,282,460	885,783	-	-	-	20,083,889
-	-	12,330,000	17,860,000	-	-	-	30,190,000
3,743,560	3,743,560	3,288,604	1,096,783	-	-	-	15,616,067
8,795,000	2,570,000	-	-	-	-	-	18,690,000
1,814,963	148,751	-	-	-	-	-	5,708,297
11,775,000	11,340,000	3,135,000	-	-	-	-	35,655,000
4,533,761	1,912,528	133,557	-	-	-	-	13,012,158
45,767,626	41,739,851	44,704,469	39,739,992	-	-	-	220,082,356
1,000,000	-	-	-	-	-	-	1,000,000
131,757	-	-	-	-	-	-	475,794
1,131,757	-	-	-	-	-	-	1,475,794

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

**Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017**

DESCRIPTION		2018	2019	2020	2021	2022
1996 MF Series A/B (Brighton's Mark)	Principal	-	-	-	-	-
1996 MF Series A/B (Brighton's Mark)	Interest	501,872	501,872	503,247	501,872	501,872
1998 MF Series A-C (Residence Oaks)	Principal	321,000	329,000	339,000	347,000	357,000
1998 MF Series A-C (Residence Oaks)	Interest	140,166	131,262	122,111	112,699	103,054
2000 MF Series A (Creek Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Creek Point Apts)	Interest	46,000	45,924	45,977	45,871	45,924
2000 MF Series A (Deerwood Apts)	Principal	180,000	190,000	205,000	220,000	240,000
2000 MF Series A (Deerwood Apts)	Interest	304,750	293,253	280,968	267,840	253,440
2000 MF Series A/B (Oaks at Hampton)	Principal	159,298	171,152	183,892	197,578	212,283
2000 MF Series A/B (Oaks at Hampton)	Interest	618,536	606,681	593,943	580,257	565,553
2000 MF Series A (Timber Point Apts)	Principal	-	-	-	-	-
2000 MF Series A (Timber Point Apts)	Interest	54,113	54,023	54,085	53,961	54,023
2000 MF Series A/B (Parks @ Westmoreland)	Principal	154,715	166,227	178,599	191,891	206,171
2000 MF Series A/B (Parks @ Westmoreland)	Interest	617,262	605,748	593,377	580,084	565,803
2000 MF Series A-C (Collingham Park)	Principal	370,000	392,000	417,000	444,000	471,000
2000 MF Series A-C (Collingham Park)	Interest	684,163	658,930	632,184	603,691	573,418
2000 MF Series A-C (Highland Meadow Apts)	Principal	237,000	253,000	271,000	290,000	311,000
2000 MF Series A-C (Highland Meadow Apts)	Interest	461,330	445,062	427,681	409,085	389,172
2001 MF Series A (Bluffview Senior Apts)	Principal	126,586	136,549	147,296	158,889	171,394
2001 MF Series A (Bluffview Senior Apts)	Interest	727,882	717,919	707,172	695,579	683,074
2001 MF Series A (Knollwood Villas Apts)	Principal	162,669	175,472	189,282	204,180	220,249
2001 MF Series A (Knollwood Villas Apts)	Interest	935,361	922,558	908,747	893,850	877,780
2001 MF Series A (Oak Hollow Apts.)	Principal	80,224	86,023	92,242	98,910	106,060
2001 MF Series A (Oak Hollow Apts.)	Interest	405,086	399,287	393,068	386,400	379,250
2001 MF Series A (Skyway Villas)	Principal	205,000	215,000	225,000	245,000	255,000
2001 MF Series A (Skyway Villas)	Interest	337,290	325,777	313,719	300,942	287,198
2001 MF Series A/B (Hillside Apts.)	Principal	90,344	96,875	103,878	111,387	119,440
2001 MF Series A/B (Hillside Apts.)	Interest	835,294	828,763	821,760	814,251	806,199
2001 MF Series A/B (Meridian Apts.)	Principal	119,000	123,000	132,000	147,000	160,000
2001 MF Series A/B (Meridian Apts.)	Interest	462,775	455,565	447,870	439,695	430,440
2001 MF Series A/B (Wildwood Apts.)	Principal	96,000	100,000	108,000	114,000	120,000
2001 MF Series A/B (Wildwood Apts.)	Interest	356,580	350,790	344,490	337,935	330,840
2002 MF Series A (Clarkridge Villas Apts)	Principal	162,788	174,556	187,175	200,706	215,215
2002 MF Series A (Clarkridge Villas Apts)	Interest	880,972	869,204	856,585	843,054	828,545
2002 MF Series A (Green Crest Apts)	Principal	97,044	102,518	108,301	114,410	120,864
2002 MF Series A (Green Crest Apts)	Interest	575,891	570,417	564,634	558,525	552,071
2002 MF Series A (Hickory Trace Apts)	Principal	133,740	143,408	153,775	164,891	176,811
2002 MF Series A (Hickory Trace Apts)	Interest	728,768	719,100	708,733	697,617	685,697
2002 MF Series A (Park Meadows Apts)	Principal	120,000	125,000	135,000	140,000	150,000
2002 MF Series A (Park Meadows Apts)	Interest	226,591	218,592	210,429	201,614	192,145
2002 MF Series A/B (Ironwood Crossing)	Principal	173,262	186,713	201,208	225,179	229,059
2002 MF Series A/B (Ironwood Crossing)	Interest	693,921	680,470	665,975	650,345	638,123
2003 MF Series A/B (Ash Creek Apts)	Principal	178,399	191,406	204,713	218,945	234,166
2003 MF Series A/B (Ash Creek Apts)	Interest	991,916	979,262	966,231	952,295	937,390
2003 MF Series A/B (North Vista Apts)	Principal	325,000	340,000	360,000	380,000	405,000
2003 MF Series A/B (North Vista Apts)	Interest	526,227	509,440	491,903	473,356	453,778

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
 August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
8,075,000	-	-	-	-	-	-	8,075,000
1,841,118	-	-	-	-	-	-	4,351,853
1,938,000	1,528,000	-	-	-	-	-	5,159,000
360,881	85,637	-	-	-	-	-	1,055,810
-	-	5,160,000	-	-	-	-	5,160,000
229,620	229,673	7,654	-	-	-	-	696,643
1,455,000	2,075,000	250,000	-	-	-	-	4,815,000
1,013,600	463,840	7,999	-	-	-	-	2,885,690
1,323,268	1,894,635	2,712,715	1,808,046	-	-	-	8,662,867
2,565,911	1,994,542	1,176,462	176,601	-	-	-	8,878,486
-	-	6,070,000	-	-	-	-	6,070,000
270,115	270,177	4,575	-	-	-	-	815,072
1,285,176	1,840,100	2,633,634	1,986,572	-	-	-	8,643,085
2,574,699	2,019,774	1,225,386	217,082	-	-	-	8,999,215
2,852,000	3,908,000	1,418,000	-	-	-	-	10,272,000
2,341,147	1,232,549	95,793	-	-	-	-	6,821,875
1,900,000	2,648,000	983,000	-	-	-	-	6,893,000
1,595,804	847,700	67,095	-	-	-	-	4,642,929
1,081,837	1,580,060	2,307,730	3,924,264	-	-	-	9,634,605
3,190,501	2,692,279	1,964,605	799,557	-	-	-	12,178,568
1,390,212	2,030,450	2,965,541	5,042,862	-	-	-	12,380,917
4,099,937	3,459,700	2,524,610	1,027,469	-	-	-	15,650,012
657,009	931,393	1,320,368	2,451,026	-	-	-	5,823,255
1,769,541	1,495,158	1,106,185	520,102	-	-	-	6,854,077
1,540,000	2,075,000	1,295,000	-	-	-	-	6,055,000
1,198,378	700,489	111,412	-	-	-	-	3,575,205
739,893	1,048,891	1,486,934	8,176,008	-	-	-	11,973,650
3,888,297	3,579,298	3,141,253	2,228,500	-	-	-	16,943,615
952,000	6,124,000	10,000	-	-	-	-	7,767,000
1,992,025	990,230	1,375	-	-	-	-	5,219,975
726,000	4,718,000	5,000	-	-	-	-	5,987,000
1,533,145	503,785	700	-	-	-	-	3,758,265
1,333,192	1,889,966	2,679,265	3,798,194	2,017,919	-	-	12,658,976
3,885,606	3,328,830	2,539,533	1,420,605	11,769	-	-	15,464,703
714,609	940,214	8,316,831	-	-	-	-	10,514,791
2,650,070	2,424,464	1,830,802	-	-	-	-	9,726,874
1,095,765	1,552,713	2,201,165	3,120,428	1,728,821	-	-	10,471,517
3,217,097	2,759,664	2,111,212	1,191,951	29,171	-	-	12,849,010
925,000	1,270,000	635,000	-	-	-	-	3,500,000
795,844	446,163	52,404	-	-	-	-	2,343,782
1,305,092	1,617,511	2,004,723	9,787,869	-	-	-	15,730,616
3,030,820	2,718,402	2,331,192	511,884	-	-	-	11,921,132
1,438,870	2,013,581	10,622,287	-	-	-	-	15,102,367
4,424,474	3,861,702	2,347,237	-	-	-	-	15,460,507
2,360,000	3,095,000	3,170,000	-	-	-	-	10,435,000
1,935,369	1,255,067	374,130	-	-	-	-	6,019,270

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

**Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017**

DESCRIPTION		2018	2019	2020	2021	2022
2003 MF Series A/B (Peninsula Apts)	Principal	275,000	295,000	315,000	335,000	345,000
2003 MF Series A/B (Peninsula Apts)	Interest	526,953	512,113	496,213	479,253	461,365
2003 MF Series A/B (Primrose Houston School)	Principal	177,095	192,023	207,856	222,182	237,391
2003 MF Series A/B (Primrose Houston School)	Interest	999,469	984,762	969,992	956,036	941,147
2003 MF Series A/B (Reading Road)	Principal	40,000	50,000	50,000	50,000	60,000
2003 MF Series A/B (Reading Road)	Interest	182,146	179,232	175,941	172,398	168,938
2003 MF Series A/B (Timber Oaks Apts)	Principal	115,036	120,621	126,477	132,617	139,055
2003 MF Series A/B (Timber Oaks Apts)	Interest	850,158	839,870	829,083	817,773	805,913
2003 MF Series A/B (West Virginia Apts)	Principal	235,000	245,000	255,000	275,000	290,000
2003 MF Series A/B (West Virginia Apts)	Interest	380,661	368,581	356,001	342,921	328,685
2004 MF Series A (Bristol)	Principal	-	-	-	-	-
2004 MF Series A (Bristol)	Interest	99,686	99,680	99,784	99,576	99,680
2004 MF Series A (Chisholm Trail)	Principal	-	-	-	-	-
2004 MF Series A (Chisholm Trail)	Interest	89,896	89,890	89,984	89,797	89,890
2004 MF Series A (Churchill @ Pinnacle)	Principal	129,009	137,717	147,014	156,938	167,531
2004 MF Series A (Churchill @ Pinnacle)	Interest	597,327	588,619	579,323	569,399	558,805
2004 MF Series A (Evergreen @ Plano)	Principal	153,054	163,385	174,414	186,188	198,756
2004 MF Series A (Evergreen @ Plano)	Interest	889,516	879,185	868,156	856,383	843,815
2004 MF Series A (Humble Park)	Principal	190,000	205,000	215,000	235,000	245,000
2004 MF Series A (Humble Park)	Interest	674,025	661,320	647,625	633,105	617,430
2004 MF Series A (Montgomery Pines)	Principal	-	-	-	-	-
2004 MF Series A (Montgomery Pines)	Interest	93,456	93,450	93,547	93,353	93,450
2004 MF Series A (Pinnacle)	Principal	-	-	-	-	-
2004 MF Series A (Pinnacle)	Interest	115,396	115,389	115,509	115,268	115,389
2004 MF Series A (Rush Creek)	Principal	95,360	101,949	108,993	116,524	124,575
2004 MF Series A (Rush Creek)	Interest	542,983	536,394	529,350	521,819	513,767
2004 MF Series A/B (Timber Ridge)	Principal	68,509	73,439	78,722	84,391	90,464
2004 MF Series A/B (Timber Ridge)	Interest	415,821	411,045	405,927	400,440	394,558
2004 MF Series A/B (Veterans Memorial)	Principal	65,748	68,940	72,287	75,796	79,476
2004 MF Series A/B (Veterans Memorial)	Interest	431,924	427,489	422,839	417,963	412,850
2003 MF Series A/B (Parkview Twnhms)	Principal	127,507	133,697	140,188	146,994	154,130
2003 MF Series A/B (Parkview Twnhms)	Interest	850,530	841,929	832,910	823,453	813,538
2003 MF Series A/B (Arlington Villas)	Principal	165,710	179,553	194,552	210,803	228,427
2003 MF Series A/B (Arlington Villas)	Interest	1,083,255	1,069,498	1,054,592	1,038,441	1,020,940
2003 MF Series A (NHP-Asmara) Refunding	Principal	-	-	-	-	-
2003 MF Series A (NHP-Asmara) Refunding	Interest	123,957	123,975	124,117	123,833	123,975
2005 MF Series A (Port Royal)	Principal	130,468	139,206	148,527	158,475	169,088
2005 MF Series A (Port Royal)	Interest	726,642	717,904	708,581	698,634	688,021
2005 MF Series A (Del Rio)	Principal	64,521	68,842	73,452	78,372	83,620
2005 MF Series A (Del Rio)	Interest	567,662	563,341	558,730	553,811	548,563
2005 MF Series A (Atascocita Pines)	Principal	-	-	-	-	-
2005 MF Series A (Atascocita Pines)	Interest	94,257	94,251	94,349	94,153	94,251
2005 MF Series A (Tower Ridge)	Principal	-	-	-	-	-
2005 MF Series A (Tower Ridge)	Interest	140,905	141,000	141,147	140,853	141,000
2005 MF Series A (St Augustine)	Principal	-	-	-	-	-
2005 MF Series A (St Augustine)	Interest	50,555	50,552	50,605	50,499	50,552

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
 August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
8,445,000	-	-	-	-	-	-	10,010,000
1,071,394	-	-	-	-	-	-	3,547,291
1,454,148	2,024,873	10,870,270	-	-	-	-	15,385,838
4,444,172	3,885,483	2,514,071	-	-	-	-	15,695,132
350,000	490,000	8,780,000	-	-	-	-	9,870,000
779,891	641,598	370,847	-	-	-	-	2,670,991
725,993	-	-	10,900,000	-	-	-	12,259,799
3,831,691	3,678,749	3,678,750	919,689	-	-	-	16,251,676
1,710,000	2,250,000	2,290,000	-	-	-	-	7,550,000
1,402,019	909,221	270,771	-	-	-	-	4,358,860
-	-	11,200,000	-	-	-	-	11,200,000
498,400	498,504	481,637	-	-	-	-	1,976,947
-	-	10,100,000	-	-	-	-	10,100,000
449,451	449,545	419,308	-	-	-	-	1,767,761
1,023,349	1,418,630	1,966,589	2,726,203	1,304,962	-	-	9,177,942
2,608,332	2,213,055	1,665,095	905,482	87,182	-	-	10,372,619
1,214,083	1,683,034	2,333,124	3,234,314	4,309,366	-	-	13,649,718
3,998,770	3,529,817	2,879,729	1,978,537	418,761	-	-	17,142,669
1,525,000	2,085,000	2,890,000	2,670,000	-	-	-	10,260,000
2,813,250	2,231,625	1,430,880	364,980	-	-	-	10,074,240
-	-	10,500,000	-	-	-	-	10,500,000
467,250	467,347	451,535	-	-	-	-	1,853,388
-	-	12,965,000	-	-	-	-	12,965,000
576,944	577,064	557,535	-	-	-	-	2,288,494
764,520	1,067,758	1,491,271	2,082,766	2,193,685	-	-	8,147,401
2,427,193	2,123,953	1,700,440	1,108,947	176,236	-	-	10,181,082
559,872	792,510	4,443,374	-	-	-	-	6,191,281
1,868,631	1,643,336	1,090,741	-	-	-	-	6,630,499
459,143	581,955	737,616	4,433,218	-	-	-	6,574,179
1,978,432	1,807,790	1,591,500	899,022	-	-	-	8,389,809
890,426	1,128,596	1,430,474	8,792,749	-	-	-	12,944,761
3,901,264	3,570,332	3,150,882	1,914,704	-	-	-	16,699,542
1,419,048	2,001,694	11,559,499	-	-	-	-	15,959,286
4,834,060	4,264,071	3,055,852	-	-	-	-	17,420,709
-	-	16,530,000	-	-	-	-	16,530,000
619,875	620,017	113,303	-	-	-	-	1,973,052
1,031,254	1,426,040	1,971,951	2,726,847	3,336,339	-	-	11,238,195
3,254,289	2,859,505	2,313,593	1,558,695	409,848	-	-	13,935,712
509,991	705,226	975,200	6,203,265	-	-	-	8,762,489
2,650,920	2,455,686	2,185,715	200,046	-	-	-	10,284,474
-	-	-	10,590,000	-	-	-	10,590,000
471,255	471,353	471,157	62,748	-	-	-	1,947,774
-	-	-	15,000,000	-	-	-	15,000,000
705,000	705,147	704,853	88,463	-	-	-	2,908,368
-	-	-	5,680,000	-	-	-	5,680,000
252,760	252,813	252,707	54,845	-	-	-	1,065,888

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

**Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017**

DESCRIPTION		2018	2019	2020	2021	2022
2005 MF Series A (Mockingbird)	Principal	103,473	109,201	115,246	121,625	128,358
2005 MF Series A (Mockingbird)	Interest	567,841	562,113	556,068	549,688	542,955
2005 MF Series A (Chase Oaks)	Principal	343,712	361,477	380,160	399,809	420,473
2005 MF Series A (Chase Oaks)	Interest	579,485	561,720	543,037	523,388	502,724
2005 MF Series A (Coral Hills)	Principal	110,000	120,000	125,000	135,000	145,000
2005 MF Series A (Coral Hills)	Interest	211,469	211,847	202,757	196,319	189,375
2006 MF Series A (Bella Vista)	Principal	70,000	80,000	80,000	85,000	95,000
2006 MF Series A (Bella Vista)	Interest	387,142	382,837	377,917	372,997	367,770
2006 MF Series A (Village Park)	Principal	220,000	235,000	245,000	265,000	270,000
2006 MF Series A (Village Park)	Interest	464,244	453,675	442,394	430,638	417,688
2006 MF Series A (Oakmoor)	Principal	152,336	161,731	171,707	182,297	193,541
2006 MF Series A (Oakmoor)	Interest	804,706	795,310	785,335	774,745	763,501
2006 MF Series A (Sunset Pointe)	Principal	-	-	-	-	-
2006 MF Series A (Sunset Pointe)	Interest	140,905	141,000	141,147	140,853	141,000
2006 MF Series A (Hillcrest)	Principal	210,000	220,000	230,000	240,000	250,000
2006 MF Series A (Hillcrest)	Interest	510,694	499,538	487,856	475,650	462,919
2006 MF Series A (Meadowlands)	Principal	124,698	132,389	140,555	149,224	158,428
2006 MF Series A (Meadowlands)	Interest	694,681	686,990	678,824	670,155	660,951
2006 MF Series A (East Tex Pines)	Principal	135,000	145,000	155,000	160,000	170,000
2006 MF Series A (East Tex Pines)	Interest	735,585	727,465	718,765	709,630	700,060
2006 MF Series A (Aspen Park Apts)	Principal	140,000	150,000	160,000	165,000	180,000
2006 MF Series A (Aspen Park Apts)	Interest	441,000	433,875	426,250	418,250	409,750
2006 MF Series A (Idlewilde Apts)	Principal	-	-	-	-	-
2006 MF Series A (Idlewilde Apts)	Interest	115,618	115,611	115,731	115,491	115,611
2007 MF Series A (Lancaster Apts)	Principal	-	-	-	-	-
2007 MF Series A (Lancaster Apts)	Interest	115,529	115,522	115,642	115,402	115,522
2007 MF Series A (Park Place)	Principal	122,847	130,165	137,918	146,133	154,838
2007 MF Series A (Park Place)	Interest	787,853	780,536	772,782	764,567	755,862
2007 MF Series A (Terrace at Cibolo)	Principal	-	-	-	-	-
2007 MF Series A (Terrace at Cibolo)	Interest	41,388	41,360	41,407	41,313	41,360
2007 MF Series A (Santora Villas)	Principal	108,928	115,416	122,291	129,576	137,294
2007 MF Series A (Santora Villas)	Interest	668,031	661,543	654,668	647,384	639,665
2007 MF Series A (Costa Rialto)	Principal	104,938	110,691	116,761	123,163	129,916
2007 MF Series A (Costa Rialto)	Interest	537,959	532,205	526,135	519,733	512,979
2007 MF Series A (Windshire)	Principal	-	-	-	-	-
2007 MF Series A (Windshire)	Interest	115,707	115,700	115,820	115,580	115,700
2007 MF Series A (Residences @ Onion Creek)	Principal	-	-	-	-	-
2007 MF Series A (Residences @ Onion Creek)	Interest	140,905	141,000	141,147	140,853	141,000
2008 MF Series A (Addison Park)	Principal	-	-	-	-	-
2008 MF Series A (Addison Park)	Interest	116,445	116,513	116,646	116,380	116,513
2008 MF Series A (Costa Ibiza)	Principal	-	-	-	-	-
2008 MF Series A (Costa Ibiza)	Interest	107,692	107,688	107,811	107,565	107,688
2008 MF Series A (West Oaks)	Principal	-	-	-	-	-
2008 MF Series A (West Oaks)	Interest	105,746	105,687	105,809	105,566	105,687
2009 MF Series A (Costa Mariposa Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Costa Mariposa Apartments)	Interest	107,281	107,278	107,400	107,155	107,278
2009 MF Series A (Woodmont Apartments)	Principal	-	-	-	-	-
2009 MF Series A (Woodmont Apartments)	Interest	120,534	120,530	120,668	120,392	120,530

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
756,575	990,484	1,296,715	6,940,834	-	-	-	10,562,511
2,599,993	2,366,080	2,059,849	1,050,655	-	-	-	10,855,242
2,451,704	3,154,260	4,119,463	-	-	-	-	11,631,058
2,164,281	1,461,730	458,288	-	-	-	-	6,794,653
3,640,000	-	-	-	-	-	-	4,275,000
679,477	-	-	-	-	-	-	1,691,244
560,000	760,000	1,030,000	1,400,000	2,135,000	-	-	6,295,000
1,744,754	1,550,414	1,285,041	925,266	395,450	-	-	7,789,588
7,945,000	-	-	-	-	-	-	9,180,000
1,688,558	-	-	-	-	-	-	3,897,197
1,162,183	1,567,612	2,114,475	2,852,110	4,922,841	-	-	13,480,833
3,623,023	3,217,593	2,670,730	1,933,096	791,562	-	-	16,159,601
-	-	-	15,000,000	-	-	-	15,000,000
705,000	705,147	704,853	270,025	-	-	-	3,089,930
8,630,000	-	-	-	-	-	-	9,780,000
2,105,249	-	-	-	-	-	-	4,541,906
951,335	1,283,211	1,730,859	2,334,668	4,629,167	-	-	11,634,534
3,145,556	2,813,684	2,366,036	1,762,225	846,709	-	-	14,325,811
1,010,000	1,340,000	1,775,000	2,350,000	5,510,000	-	-	12,750,000
3,335,870	2,997,730	2,548,955	1,954,310	1,096,490	-	-	15,524,860
8,060,000	-	-	-	-	-	-	8,855,000
1,901,249	-	-	-	-	-	-	4,030,374
-	-	-	12,990,000	-	-	-	12,990,000
578,055	578,175	577,935	327,684	-	-	-	2,639,911
-	-	-	12,980,000	-	-	-	12,980,000
577,610	577,730	577,490	336,902	-	-	-	2,647,349
924,029	1,234,036	1,648,049	2,200,960	6,940,403	-	-	13,639,378
3,629,472	3,319,463	2,905,449	2,352,536	1,492,429	-	-	17,560,949
-	-	-	4,700,000	-	-	-	4,700,000
206,800	206,847	206,753	113,731	-	-	-	940,959
819,335	1,094,216	1,461,319	1,951,582	5,627,214	-	-	11,567,171
3,065,465	2,790,581	2,423,475	1,933,210	1,233,219	-	-	14,717,241
764,575	998,470	1,303,919	1,702,810	4,747,657	-	-	10,102,900
2,449,903	2,216,007	1,910,556	1,511,662	979,301	-	-	11,696,440
-	-	-	13,000,000	-	-	-	13,000,000
578,500	578,620	578,380	395,599	-	-	-	2,709,606
-	-	-	15,000,000	-	-	-	15,000,000
705,000	705,147	704,853	470,147	-	-	-	3,290,052
-	-	-	-	12,395,000	-	-	12,395,000
582,565	582,698	582,432	582,565	165,352	-	-	3,078,109
-	-	-	12,820,000	-	-	-	12,820,000
538,440	538,563	538,317	430,751	-	-	-	2,584,515
-	-	-	11,875,000	-	-	-	11,875,000
528,436	528,558	528,315	413,778	-	-	-	2,527,582
-	-	-	12,925,000	-	-	-	12,925,000
536,389	536,511	536,266	509,344	-	-	-	2,654,902
-	-	-	14,180,000	-	-	-	14,180,000
602,650	602,788	602,512	582,507	-	-	-	2,993,111

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

**Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2017**

DESCRIPTION		2018	2019	2020	2021	2022
2008 MF Series A (Alta Cullen Apartments)	Principal	-	-	-	-	-
2008 MF Series A (Alta Cullen Apartments)	Interest	105,310	105,300	105,421	105,179	105,300
2014 MF Series A (Decatur Angle Apartments)	Principal	161,464	171,167	181,453	192,357	203,917
2014 MF Series A (Decatur Angle Apartments)	Interest	1,309,532	1,299,995	1,289,884	1,279,166	1,267,804
2015 MF Series A (Williamsburg Apts)	Principal	273,696	286,332	296,738	313,252	327,714
2015 MF Series A (Williamsburg Apts)	Interest	799,950	790,175	782,126	769,352	758,165
2016 MF Series A (Skyline Place Apartments)	Principal	-	-	-	-	-
2016 MF Series A (Skyline Place Apartments)	Interest	494,271	494,271	495,625	494,271	494,271
TOTAL MULTIFAMILY BONDS		41,872,607	41,887,492	41,881,938	41,903,323	41,898,642
Total		60,795,245	60,405,738	60,526,828	60,477,275	60,432,602
Less Interest		48,420,067	47,769,898	47,099,156	46,361,593	45,584,899
Total Principal		12,375,178	12,635,840	13,427,672	14,115,682	14,847,703

Supplementary Bond Schedules
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST) Continued
 August 31, 2017

2023-27	2028-32	2033-37	2038-42	2043-47	2048-52	2053-57	TOTAL REQUIRED
-	-	-	-	11,700,000	-	-	11,700,000
526,500	526,621	526,379	526,500	271,760	-	-	2,904,270
1,218,806	1,631,762	2,184,638	2,924,838	3,915,834	5,242,602	4,818,849	22,847,687
6,143,205	5,737,307	5,193,885	4,466,335	3,492,279	2,188,193	324,759	33,992,344
1,876,952	19,618,625	-	-	-	-	-	22,993,309
3,606,425	2,884,471	-	-	-	-	-	10,390,664
-	-	18,750,000	-	-	-	-	18,750,000
2,472,709	2,474,063	82,603	-	-	-	-	7,502,084
245,270,620	213,820,168	293,637,865	306,261,170	89,311,726	7,430,795	5,143,608	1,370,319,954
343,013,477	326,624,325	466,994,101	479,629,833	154,680,884	111,540,542	5,143,608	2,190,264,458
212,448,233	176,085,819	135,288,103	71,382,372	32,626,676	2,442,954	324,759	865,834,529
130,565,244	150,538,506	331,705,998	408,247,461	122,054,208	109,097,588	4,818,849	1,324,429,929

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 6

**Supplementary Bond Schedules
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE
For the Fiscal Year Ended August 31, 2017**

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2017			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2004 Single Family Series A (Jr. Lien)	\$ 635	\$ 726	\$	\$ 35,060
2004 Single Family Series B	13,032,730	99,808		1,123,151
2004 Single Family Series D	7,756,262	89,439		603,884
2005 Single Family Series A	6,717,873	75,881		1,080,226
2005 Single Family Series B	825,943	7,306	60,000	18,113
2005 Single Family Series C	3,090,000			12,333
2005 Single Family Series D	490,629	4,871		10,792
2007 Single Family Series A	9,754,093	96,925		1,272,621
2007 Single Family Series B	36,590,288	8,339	305,000	1,554,589
2013 Single Family Series A	4,753,473	7,062		606,982
2015 Single Family Series A	5,396,318	9,906		866,720
2015 Single Family Series B	2,630,879	6,604		557,539
2016 Single Family Series A	4,804,429	10,605		879,937
2016 Single Family Series B	13,022,489	17,303		1,593,829
2017 Single Family Series A	663,576	798,838		332,823
2017 Single Family Series B	714,201	382,053		155,027
2017 Single Family Series C	491,476	555,713		253,931
Total Single Family Bonds	\$ 110,735,294	\$ 2,171,379	\$ 365,000	\$ 10,957,557
2009 RMRB Series A	\$ 5,319,415	\$ 150,119	\$ 295,000	\$ 1,209,043
2009 RMRB Series B	833,604	37,530	765,000	303,030
2009 RMRB Series C-1	9,685,483	13,409		1,186,213
2011 RMRB Series A	5,002,178	6,604	1,410,000	987,472
2009 RMRB Series C-2	7,080,203	9,440		815,052
2011 RMRB Series B	8,681,978	11,082	1,875,000	1,558,907
Total Residential Mtg Revenue Bonds	\$ 36,602,861	\$ 228,184	\$ 4,345,000	\$ 6,059,717
1992 CHMRB Series C	902,845	17,008		99,488
Total 1992 CHMRB	\$ 902,845	\$ 17,008	\$	\$ 99,488
1996 MF Series A/B (Brighton's Mark Development)	\$ 501,875	\$	\$	\$ 501,872
1998 MF Series A-C (Residence at the Oaks Projects)	145,978		312,000	145,978
2000 MF Series A (Creek Point Apartments)	242,074			42,074
2000 MF Series A (Deerwood Apartments)	312,940		170,000	312,940
2000 MF Series A (Timber Point Apartments)	249,751			49,751
2000 MF Series A/B (Oaks at Hampton Apartments)	628,683		148,265	628,683
2000 MF Series A/B (Parks at Westmoreland Apartments)	627,116		143,996	627,116
2000 MF Series A-C (Collingham Park Apartments)	700,123		348,000	700,123
2000 MF Series A-C (Highland Meadow Village Apartments)	471,544		221,000	471,544
2001 MF Series A (Bluffview Apartments)	736,374		117,350	736,374
2001 MF Series A (Knollwood Apartments)	946,272		150,801	946,272
2001 MF Series A (Oak Hollow Apartments)	410,058		74,815	410,058
2001 MF Series A (Skyway Villas Apartments)	345,351		195,000	345,351
2001 MF Series A/B (Hillside Apartments)	840,893		84,253	840,893
2001 MF Series A/B (Meridian Apartments)	468,990		108,000	468,990
2001 MF Series A/B (Wildwood Apartments)	361,755		89,000	361,755
2002 MF Series A (Clarkridge Villas Apartments)	891,060		151,814	891,060
2002 MF Series A (Park Meadows Apartments)	231,897		105,000	231,897
2002 MF Series A (Green Crest Apartments)	580,652		91,863	580,652
2002 MF Series A (Hickory Trace Apartments)	737,058		124,723	737,058
2002 MF Series A/B (Ironwood Crossing)	705,398		160,780	705,398
2003 MF Series A (NHP Foundation-Asmara Project) Refunding	733,380			123,380
2003 MF Series A/B (Reading Road)	474,571		40,000	174,572
2003 MF Series A/B (Arlington Villas)	1,094,932		152,933	1,094,932
2003 MF Series A/B (Ash Creek Apartments)	1,004,314		164,649	1,004,314
2003 MF Series A/B (North Vista Apartments)	537,901		310,000	537,901
2003 MF Series A/B (Parkview Townhomes)	858,064		121,603	858,064
2003 MF Series A/B (Peninsula Apartments)	545,300		260,000	535,300
2003 MF Series A/B (Primrose Houston School)	1,011,943		163,327	1,011,943
2003 MF Series A/B (Timber Oaks Apartments)	859,170		109,710	859,170

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND**

SCHEDULE 6

**Supplementary Bond Schedules
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE (Continued)
For the Fiscal Year Ended August 31, 2017**

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2017			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2003 MF Series A/B (West Virginia Apartments)	\$ 388,926	\$	\$ 215,000	\$ 388,926
2004 MF Series A (Bristol Apartments)	182,691			82,691
2004 MF Series A (Chisholm Trail Apartments)	274,905			74,905
2004 MF Series A (Churchill at Pinnacle Park)	604,825		120,851	604,825
2004 MF Series A (Evergreen at Plano Parkway)	898,412		143,376	898,412
2004 MF Series A (Humble Parkway Townhomes)	684,090		180,000	684,090
2004 MF Series A (Montgomery Pines Apartments)	378,476			78,476
2004 MF Series A (Pinnacle Apartments)	396,446			96,446
2004 MF Series A (Providence at Rush Creek II)	548,648		89,196	548,648
2004 MF Series A (Providence at Village Fair)	13,620,202		106,270	619,670
2004 MF Series A/B (Century Park Townhomes)	10,770,000			51,603
2004 MF Series A/B (Timber Ridge II Apartments)	419,913		63,909	419,913
2004 MF Series A/B (Providence at Veterans Memorial)	435,809		62,704	435,809
2005 MF Series A (Atascocita Pines Apartments)	278,458			78,458
2005 MF Series A (Mission Del Rio Homes)	571,384		60,471	571,384
2005 MF Series A (Homes at Pecan Grove)	13,572,451		73,594	690,290
2005 MF Series A (Plaza at Chase Oaks Apartments)	595,002		326,820	595,002
2005 MF Series A (Port Royal Homes)	734,168		122,278	734,168
2005 MF Series A (Providence at Prairie Oaks)	10,611,400		73,195	436,788
2005 MF Series A (Providence at Mockingbird Apartments)	572,826		98,045	572,826
2005 MF Series A (St Augustine Estate Apartments)	242,605			42,605
2005 MF Series A (Tower Ridge Apartments)	133,522			133,521
2006 MF Series A (Aspen Park)	446,750		135,000	446,750
2006 MF Series A (Bella Vista Apartments)	389,654		70,000	389,654
2006 MF Series A (Champion Crossing Apartments)	4,408,950			33,950
2005 MF Series A (Coral Hills Apartments)	224,591		105,000	219,591
2006 MF Series A (East Tex Pines)	740,104		125,000	740,104
2006 MF Series A (Hillcrest Apartments)	516,950		200,000	516,950
2006 MF Series A (Idlewild)	296,250			96,250
2006 MF Series A (Meadowlands Apartments)	701,337		117,454	701,337
2006 MF Series A (Oakmoor Apartments)	812,838		143,486	812,838
2006 MF Series A (Red Hills Villas)	4,550,448			35,447
2006 MF Series A (The Residences at Sunset Pointe)	133,522			133,522
2006 MF Series A (Village Park Apartments)	471,841		205,000	471,841
2006 MF Series A (Villas at Henderson)	6,553,133			38,133
2007 MF Series A (Villas at Mesquite Creek)	15,783,139		110,000	328,139
2007 MF Series A (Costa Rialto)	542,968		99,483	542,968
2007 MF Series A (Lancaster)	296,176			96,176
2007 MF Series A (Park Place at Loyola)	794,199		115,941	794,199
2007 MF Series A (Santora Villas)	673,657		102,803	673,657
2007 MF Series A (Terrace at Cibolo)	137,736			37,736
2007 MF Series A (Windshire)	296,338			96,338
2007 MF Series A (Residences at Onion Creek)	133,522			133,522
2008 MF Series A (West Oaks Apartments)	290,448			90,448
2008 MF Series A (Costa Ibiza Apartments)	199,286			99,286
2008 MF Series A (Addison Park Apartments)	311,263			111,263
2008 MF Series A (Alta Cullen Apartments Refunding)	295,281			95,281
2009 MF Series A (Costa Mariposa Apartments)	340,508			100,508
2009 MF Series A (Woodmont Apartments)	219,364			109,364
2013 MF Series A (Waters at Willow Run)	7,250		14,500,000	7,250
2014 MF Series A (Decatur Angle Apartments)	1,317,798		152,312	1,317,798
2015 MF Series A (Good Samaritan Towers)	5,646,695			26,695
2015 MF Series A (Williamsburg Apartments)	807,902		156,692	807,902
2016 MF Series A (Chisolm Trace/Cheyenne Village)	13,572,000			81,000
2016 MF Series A (Fifty Oaks & Edinburg Village)	7,444,092			44,092
2016 MF Series A (Skyline Apartments)	494,271			494,271
Total Multifamily Bonds	\$ 145,020,837	\$ -	\$ 22,192,762	\$ 36,499,131
Total	\$ 293,261,837	\$ 2,416,571	\$ 26,902,762	\$ 53,615,893

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 7

Supplementary Bond Schedules
DEFEASED BONDS OUTSTANDING
For the fiscal year ended August 31, 2017

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Business-Type Activities		
2007 Single Family Series B	2017	<u>\$ 25,000,000</u>
Total Business-Type Activities		<u>\$ 25,000,000</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM ENTERPRISE FUND

SCHEDULE 8

Supplementary Bond Schedules
EARLY EXTINGUISHMENT AND REFUNDING

For the fiscal year ended August 31, 2017

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only		
			Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
2004 Single Family Series B	Early Extinguishment	\$ 11,505,000			
2004 Single Family Series D	Early Extinguishment	6,780,000			
2005 Single Family Series A	Early Extinguishment	5,455,000			
2005 Single Family Series B	Early Extinguishment	660,000			
2005 Single Family Series C	Early Extinguishment	3,090,000			
2005 Single Family Series D	Early Extinguishment	380,000			
2007 Single Family Series A	Early Extinguishment	8,020,000			
2007 Single Family Series B	Early Extinguishment	5,565,000			
2007 Single Family Series B	Current Refunding	29,610,000	29,610,000	10,739,992	10,414,144
2013 Single Family Series A	Early Extinguishment	3,720,000			
2015 Single Family Series A	Early Extinguishment	4,180,000			
2015 Single Family Series B	Early Extinguishment	1,820,000			
2016 Single Family Series A	Early Extinguishment	3,430,000			
2016 Single Family Series B	Early Extinguishment	10,780,000			
2017 Single Family Series A	Early Extinguishment	121,551			
2017 Single Family Series B	Early Extinguishment	454,972			
2017 Single Family Series C	Early Extinguishment	114,415			
2009 RMRB Series A	Early Extinguishment	4,045,000			
2009 RMRB Series B	Early Extinguishment	515,000			
2009 RMRB Series C-1	Early Extinguishment	7,935,000			
2009 RMRB Series C-2	Early Extinguishment	5,920,000			
2011 RMRB Series A	Early Extinguishment	4,140,000			
2011 RMRB Series B	Early Extinguishment	7,320,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	700,000			
2000 MF Series A (Timber Point Apartments)	Early Extinguishment	200,000			
2000 MF Series A (Creek Point Apartments)	Early Extinguishment	200,000			
2003 MF Series A/B (Reading Road)	Early Extinguishment	300,000			
2003 MF Series A/B (Peninsula Apartments)	Early Extinguishment	10,000			
2003 MF Series A (NHP Foundation-Asmara Proj Refunding)	Early Extinguishment	610,000			
2004 MF Series A/B (Century Park Townhomes)	Early Extinguishment	10,770,000			
2004 MF Series A (Chisholm Trail Apartments)	Early Extinguishment	200,000			
2004 MF Series A (Montgomery Pines Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Bristol Apartments)	Early Extinguishment	100,000			
2004 MF Series A (Pinnacle Apartments)	Early Extinguishment	300,000			
2004 MF Series A (Providence at Village Fair)	Early Extinguishment	13,000,534			
2005 MF Series A (Homes at Pecan Grove)	Early Extinguishment	12,882,161			
2005 MF Series A (Providence at Prairie Oaks)	Early Extinguishment	10,174,613			
2005 MF Series A (Atascocita Pines Apartments)	Early Extinguishment	200,000			
2005 MF Series A (St Augustine Estate Apartments)	Early Extinguishment	200,000			
2005 MF Series A (Coral Hills Apartments)	Early Extinguishment	5,000			
2006 MF Series A (Red Hills Villas)	Early Extinguishment	4,515,000			
2006 MF Series A (Champion Crossing Apartments)	Early Extinguishment	4,375,000			
2006 MF Series A (Villas at Henderson)	Early Extinguishment	6,515,000			
2006 MF Series A (Idlewilde)	Early Extinguishment	200,000			
2007 MF Series A (Lancaster)	Early Extinguishment	200,000			
2007 MF Series A (Terrace at Cibolo)	Early Extinguishment	100,000			
2007 MF Series A (Villas at Mesquite Creek)	Early Extinguishment	15,455,000			
2007 MF Series A (Windshire)	Early Extinguishment	200,000			
2008 MF Series A (West Oaks Apartments)	Early Extinguishment	200,000			
2008 MF Series A (Costa Ibiza Apartments)	Early Extinguishment	100,000			
2008 MF Series A (Addison Park Apartments)	Early Extinguishment	200,000			
2008 MF Series A (Alta Cullen Apartments Refunding)	Early Extinguishment	200,000			
2009 MF Series A (Costa Mariposa Apartments)	Early Extinguishment	240,000			
2009 MF Series A (Woodmont Apartments)	Early Extinguishment	110,000			
2015 MF Series A (Good Samaritan Towers)	Early Extinguishment	5,620,000			
2016 MF Series A (Chisholm Trace/Cheyenne Village)	Early Extinguishment	13,500,000			
2016 MF Series A (Fifty Oaks & Edinburg Village)	Early Extinguishment	7,400,000			
Total Business-Type Activities		\$ 234,843,246	\$ 29,610,000	\$ 10,739,992	\$ 10,414,144

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APPENDIX C-2

SELECTED UNAUDITED CONDENSED FINANCIAL INFORMATION OF THE

DEPARTMENT FOR THE EIGHT MONTHS ENDED

APRIL 30, 2018

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
COMBINING BALANCE SHEETS
at April 30, 2018
(Unaudited)

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Taxable Mortgage Program	Multi-Family Program Funds	Commercial Paper Funds	General Funds	Combined Totals
ASSETS								
Cash Equivalents	\$	\$	\$	\$ 1,757,955	\$	\$	\$ 5,057,762	\$ 6,815,717
Restricted Assets:								
Cash in Bank	159,398			15,000,102	8,286,272		50	23,445,822
Cash Equivalents	12,118,046	17,706,085	49,996	1,684,238	24,761,548		755,130	57,075,043
Loans and Contracts				57,869,724				57,869,724
Interest Receivable	1,575,762	521,241	12,250	3,344	6,732,188		141	8,844,926
Receivables:								
Interest and Dividends				220,015			229	220,244
Accounts Receivables							15,456	15,456
Other Current Assets	2,680	285,609		22,111			756	311,156
Total Current Assets	<u>13,855,886</u>	<u>18,512,935</u>	<u>62,246</u>	<u>76,557,489</u>	<u>39,780,008</u>		<u>5,829,524</u>	<u>154,598,088</u>
Non-Current Assets								
Investments				964,243				964,243
Restricted:								
Investments	384,139,467	146,255,023	2,317,150	884,898	138,571,217		17,152	672,184,907
Loans and Contracts	40,454,643	73,526,914			901,783,732		1,122,724	1,016,888,013
Total Non-Current Assets	<u>424,594,110</u>	<u>219,781,937</u>	<u>2,317,150</u>	<u>1,849,141</u>	<u>1,040,354,949</u>		<u>1,139,876</u>	<u>1,690,037,163</u>
Total Assets	<u>\$ 438,449,996</u>	<u>\$ 238,294,872</u>	<u>\$ 2,379,396</u>	<u>\$ 78,406,630</u>	<u>\$ 1,080,134,957</u>	<u>\$</u>	<u>\$ 6,969,400</u>	<u>\$ 1,844,635,251</u>
DEFERRED OUTFLOW OF RESOURCES								
Deferred Outflow of Resources	9,902,173							9,902,173
Total Deferred Outflow of Resources	<u>9,902,173</u>							<u>9,902,173</u>
LIABILITIES								
Current Liabilities								
Payables:								
Accounts Payable	\$ 22	\$	\$	\$	\$	\$	\$	\$ 22
Accrued Bond Interest Payable	1,473,244	1,684,812	2,155		6,842,414			10,002,625
Other Current Liabilities	152,377	11		57,154,060				57,306,448
Total Current Liabilities	<u>1,625,643</u>	<u>1,684,823</u>	<u>2,155</u>	<u>57,154,060</u>	<u>6,842,414</u>			<u>67,309,095</u>
Non-Current Liabilities								
Notes and Loans Payable		10,000,000			74,822,961			84,822,961
Bonds Payable	336,822,073	128,873,849	604,963		826,960,771			1,293,261,656
Derivative Hedging Instrument	9,902,173							9,902,173
Other Non-Current Liabilities					173,983,285		26	173,983,311
Total Non-Current Liabilities	<u>346,724,246</u>	<u>138,873,849</u>	<u>604,963</u>		<u>1,075,767,017</u>		<u>26</u>	<u>1,561,970,101</u>
Total Liabilities	<u>348,349,889</u>	<u>140,558,672</u>	<u>607,118</u>	<u>57,154,060</u>	<u>1,082,609,431</u>		<u>26</u>	<u>1,629,279,196</u>
NET POSITION								
Restricted	100,002,280	97,736,200	1,772,278	18,288,246			1,895,197	219,694,201
Unrestricted				2,964,324	(2,474,474)		5,074,177	5,564,027
Total Net Position	<u>100,002,280</u>	<u>97,736,200</u>	<u>1,772,278</u>	<u>21,252,570</u>	<u>(2,474,474)</u>		<u>6,969,374</u>	<u>225,258,228</u>
Total Liabilities and Net Position	<u>\$ 448,352,169</u>	<u>\$ 238,294,872</u>	<u>\$ 2,379,396</u>	<u>\$ 78,406,630</u>	<u>\$ 1,080,134,957</u>	<u>\$</u>	<u>\$ 6,969,400</u>	<u>\$ 1,854,537,424</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Eighth Period Ending April 30, 2018
(Unaudited)

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Taxable Mortgage Program	Multi-Family Program Funds	General Funds	Combined Totals
OPERATING REVENUES							
Interest and Investment Income	\$ 13,960,052	\$ 5,199,965	\$ 111,415	\$ 335,639	\$ 25,742,775	\$ 70,942	\$ 45,420,788
Net Increase (Decrease) in Fair Value	(11,171,202)	(5,512,927)	(64,434)	(58,490)		(309)	(16,807,362)
Application Fees						46,880	46,880
Other Operating Revenues	23,882,367	8,929,534		42		2,545,125	35,357,068
Total Operating Revenues	26,671,217	8,616,572	46,981	277,191	25,742,775	2,662,638	64,017,374
OPERATING EXPENSES							
Professional Fees and Services	472,988	224,973	12,500			43,704	754,165
Interest	7,919,067	3,393,932	38,064		25,630,262		36,981,325
Trustee Fees	74,323	23,483	4,709	10,253		4,255	117,023
Mortgage Loan Servicing Fees	13,029,874	5,312,230					18,342,104
Mortgage Pool & Self Insurance	3						3
Bad Debt Expense	191,916	248,742					440,658
Down Payment Assistance		79,004					79,004
Other Operating Expenses	88,682	84,844	631	36		112,161	286,354
Total Operating Expenses	21,776,853	9,367,208	55,904	10,289	25,630,262	160,120	57,000,636
Operating Income (Loss)	4,894,364	(750,636)	(8,923)	266,902	112,513	2,502,518	7,016,738
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	4,894,364	(750,636)	(8,923)	266,902	112,513	2,502,518	7,016,738
OTHER REVENUES, EXPENSES, GAINS LOSSES AND TRANSFERS							
Extraordinary Items	12,968	163,111	3,394		(134,696)		44,777
Transfers In (Out)	119,574	108,323		(1,327,898)		(1,885,000)	(2,985,001)
CHANGE IN NET POSITION	5,026,906	(479,202)	(5,529)	(1,060,996)	(22,183)	617,518	4,076,514
Net Position, Beginning	94,975,374	98,215,402	1,777,807	22,313,566	(2,452,291)	6,351,856	221,181,714
NET POSITION, Ending	<u>\$ 100,002,280</u>	<u>\$ 97,736,200</u>	<u>\$ 1,772,278</u>	<u>\$ 21,252,570</u>	<u>\$ (2,474,474)</u>	<u>\$ 6,969,374</u>	<u>\$ 225,258,228</u>

APPENDIX D

FORM OF PROPOSED OPINION OF CO-BOND COUNSEL

[LETTERHEAD OF BRACEWELL LLP]

September ____, 2018

Texas Department of Housing and
Community Affairs
221 East 11th Street
Austin, Texas 78701

The Bank of New York Mellon Trust Company,
N.A., as Trustee
10161 Centurion Parkway North
Jacksonville, Florida 32256

RBC Capital Markets, LLC,
as Representative of the Underwriters
100 2nd Avenue South, Suite 800
St. Petersburg, Florida 33701

Ladies and Gentlemen:

We have acted as Bond Counsel to the Texas Department of Housing and Community Affairs (the “Department”) in connection with the issuance of the Department’s Single Family Mortgage Revenue Bonds, 2018 Series A (the “2018 Series A Bonds”). The 2018 Series A Bonds will bear interest from the date of delivery thereof. Interest on the 2018 Series A Bonds is payable on the first Business Day of each month, commencing March 1, 2019, and on any other date on which the 2018 Series A Bonds are subject to redemption, until maturity or prior redemption. The 2018 Series A Bonds are issuable only as fully registered bonds without coupons in denominations of \$1.00 principal amount and any integral multiple thereof. The 2018 Series A Bonds are being issued in the principal amounts, bear interest at the rates and mature on the dates as provided in the Indenture mentioned below. The 2018 Series A Bonds are subject to redemption prior to maturity on the dates, at the redemption prices and under the circumstances described in the Indenture.

The 2018 Series A Bonds are being issued pursuant to a resolution adopted by the Governing Board of the Department on June 28, 2018 (the “Bond Resolution”), the Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2017, between the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) (as amended and supplemented from time to time, the “Single Family Indenture”), and the Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of September 1, 2018, between the Department and the Trustee (the “Sixty-Sixth Supplemental Indenture”). The Sixty-Sixth Supplemental Indenture and the Single Family Indenture are referred to herein collectively as the “Indenture.” The 2018 Series A Bonds are being issued for the purpose of providing funds to make and acquire qualifying Mortgage Loans through the purchase of Mortgage Certificates, to provide down payment and closing cost assistance and to pay a portion of the costs of issuance of the 2018 Series A Bonds. Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Indenture.

The Single Family Indenture permits the issuance of additional bonds on a parity with the 2018 Series A Bonds upon the terms and conditions set forth in the Single Family Indenture. The Department reserves the right in the Single Family Indenture to issue other bonds of the Department under the Single Family Indenture for other programs similar to the program initially funded with the proceeds of the 2018 Series A Bonds and to refund bonds issued under the Single Family Indenture, and further reserves the right to issue bonds payable from the pledges and assignments in trust pursuant to the Single Family Indenture that are junior or subordinate to the 2018 Series A Bonds, all as provided in the Single Family Indenture.

The scope of our engagement as Bond Counsel extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the 2018 Series A Bonds and the security therefor. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2018 Series A Bonds and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement). We have not assumed any responsibility with respect to the financial condition or capability of the Department or the disclosure thereof. In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certain proceedings pertaining to the 2018 Series A Bonds, including certain certified and original proceedings of the Department and the State of Texas (the "State"), and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Department, the State, the Trustee and others. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published ratings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. TR-1 of the 2018 Series A Bonds.

We have assumed without independent verification (i) the genuineness of certificates, records and other documents (collectively, "documents") and the accuracy and completeness of the statements of fact contained therein; (ii) the due authorization, execution and delivery of the documents described above by the other parties thereto; (iii) that all documents submitted to us as originals are accurate and complete; and (iv) that all documents submitted to us as copies are true and correct copies of the originals thereof.

Based upon such examination and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that, under existing law:

1. The Department is a public and official governmental agency of the State, duly created and existing under the laws of the State, particularly Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, the "Act"), and has full power and authority to adopt the Bond Resolution and to perform its obligations thereunder; to execute and deliver the Sixty-Sixth Supplemental Indenture; to perform its obligations under the Indenture; and to issue and sell the 2018 Series A Bonds and to utilize the proceeds therefrom for the purposes set forth in the Bond Resolution and the Indenture.

2. The Department has duly adopted the Bond Resolution and has duly authorized, executed and delivered the Sixty-Sixth Supplemental Indenture. The Indenture constitutes a legal, valid and binding obligation of the Department. Pursuant to the Indenture, all of the Department's right, title and interest in and to the Trust Estate, including the Revenues and other amounts to be received by the Department have been validly and effectively assigned and, upon receipt of such Revenues and amounts by the Trustee, pledged as security for the payment of the principal and redemption price of and interest on the 2018 Series A Bonds. We draw your attention to the fact that the 2018 Series A Bonds are secured on a parity basis with the Department's Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B; Single Family Variable Rate Mortgage Revenue Bonds, 2004 Series D; Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A; Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A; Single Family Mortgage Revenue Refunding Bonds, 2013 Series A (Taxable); Single Family Mortgage Revenue Refunding Bonds, 2015 Series A (Taxable); Single Family Mortgage Revenue Bonds, 2015 Series B; Single Family Mortgage Revenue Bonds, 2016 Series A; Single Family Mortgage Revenue Refunding Bonds, 2016 Series B (Taxable); Single Family Mortgage Revenue Bonds, 2017 Series A; Single Family Mortgage Revenue Refunding Bonds, 2017 Series B (Taxable); and Single Family Mortgage Revenue Bonds, 2017 Series C (Taxable), all issued under the Single Family Indenture. The Department has also issued its Taxable Junior Lien Single Family Variable Rate Mortgage Revenue Bonds, Series 2004A, which are secured on a basis subordinate to the 2018 Series A Bonds. The

Department has also granted security interests on a subordinate basis to the swap providers and the liquidity providers for certain of the foregoing bonds.

3. The Department has duly authorized the issuance, execution and delivery of the 2018 Series A Bonds. The authorized officers of the Department have duly executed the 2018 Series A Bonds and the Trustee has duly authenticated the 2018 Series A Bonds, to the extent required by the Indenture, and delivered the 2018 Series A Bonds to or at the direction of the initial purchasers thereof. The 2018 Series A Bonds constitute legal, valid and binding limited obligations of the Department and are entitled to the benefit and security of the Indenture.

4. The 2018 Series A Bonds are issued pursuant to the provisions of the Act and constitute limited obligations of the Department and are payable solely from the revenues, funds and assets of the Department pledged under the Indenture and not from any other revenues, funds or assets of the Department. The 2018 Series A Bonds are not and do not create or constitute in any way an obligation, a debt or a liability of the State, or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. The Department has no taxing power.

5. Interest on the 2018 Series A Bonds is excludable from gross income for federal income tax purposes.

6. Interest on the 2018 Series A Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of determining a taxpayer's alternative minimum tax liability.

In providing the opinions set forth in paragraphs 5 and 6 above with respect to the 2018 Series A Bonds, we have relied on representations of the Department, the Department's Financial Advisor, the Underwriters, the Servicer and the Mortgage Lenders, with respect to matters solely within the knowledge of the Department, the Department's Financial Advisor, the Underwriters, the Servicer and the Mortgage Lenders, respectively, which we have not independently verified, and have assumed continuing compliance with the procedures, safeguards and covenants in the Indenture and other documents relating to the requirements of the Code. We have further relied on the report (the "Report") of Causey Demgen & Moore P.C., certified public accountants, regarding the mathematical accuracy of certain computations. In the event that any of such representations or the Report is determined to be inaccurate or incomplete or the Department, a Mortgage Lender or the Servicer fails to comply with the foregoing procedures, safeguards and covenants in the Indenture, interest on the 2018 Series A Bonds could become includable in gross income for federal income tax purposes from the date of original delivery thereof, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of the 2018 Series A Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Sixty-Sixth Supplemental Indenture, upon the advice or with an approving opinion of nationally recognized bond counsel. We express no opinion with respect to our ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest on the 2018 Series A Bonds from gross income for federal income tax purposes.

The enforceability of certain provisions of the 2018 Series A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, the availability of equitable remedies under the 2018 Series A Bonds may be limited by general principles of equity that permit the exercise of judicial discretion. Furthermore, the enforceability of any indemnification provisions contained in the Indenture may be limited by applicable securities laws and public policy.

Holders of the 2018 Series A Bonds should also be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits” tax on their effectively connected earnings and profits, including tax-exempt interest such as interest on the 2018 Series A Bonds.

The opinions set forth above speak only as of their date and only in connection with the 2018 Series A Bonds and may not be applied to any other transaction. Such opinions are specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the 2018 Series A Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Department as the taxpayer. We observe that the Department has covenanted in the Sixty-Sixth Supplemental Indenture not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the 2018 Series A Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

APPENDIX E-1

ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES

Additional Information Concerning Mortgage Certificates

The Texas Department of Housing and Community Affairs (the “Department”) owns an extensive portfolio of GNMA/FNMA/Freddie Mac Certificates (Mortgage Certificates) acquired with the proceeds of the Department’s Single Family Mortgage Revenue Bonds, Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds), Residential Mortgage Revenue Bonds, GNMA Collateralized Home Mortgage Revenue Bonds and Collateralized Home Mortgage Revenue Bonds. The following tables summarize certain information regarding Mortgage Certificates of the Single Family Mortgage Revenue Bond Trust Indenture as of April 30, 2018.

Single Family Mortgage Revenue Bond Trust Indenture

1980 Trust Indenture

Series	Original Issue Amount	Bonds Outstanding	Mortgage Rates for Outstanding Mortgage Certificates (%)	Mortgage Certificates Outstanding
Surplus	\$ -	\$ -		\$ 11,859,236
2004 A, B	176,610,000	23,035,000	4.99/5.50	21,730,008
2004 C, D, E, F	175,070,000	15,765,000	4.99/6.60-7.60	15,172,724
2005 A	100,000,000	22,060,000	4.99	22,275,179
2007 A	143,005,000	24,750,000	5.25/5.95/5.99/6.5/6.75	25,360,362
2013 A	42,500,000	17,075,000	4.99/5.9/6.65/6.9	16,780,296
2015 A, B	53,695,000	38,035,000	Various	36,930,143
2016 A, B	91,245,000	64,840,000	Various	63,361,566
2017 A, B, C	133,700,952	126,825,498	Various	128,036,009
TOTAL	\$ 915,825,952	\$ 332,385,498		\$ 341,505,524

1994 Junior Lien Indenture

Series	Original Issue Amount	Bonds Outstanding	Mortgage Rates for Outstanding Mortgage Certificates (%)	Mortgage Certificates Outstanding
1994 AB	\$ 90,995,932	\$ -	4.99/5.95/6.65/6.75/7.25	\$ 292,878
2004 A	4,140,000	3,855,000	N/A	-
TOTAL	\$ 95,135,932	\$ 3,855,000		\$ 292,878

Master Servicers—Single Family Mortgage Certificates

Servicers	Percent of Total Loans
Bank of America	54.93%
Idaho HFA	29.83%
US Bank	11.76%
CitiMortgage	2.07%
Texas Star	1.40%
TOTAL	100.00%

Other Information

Mortgage Loan Information Management System

All Mortgage Loans made with proceeds of the Department's mortgage revenue bonds permit partial or complete prepayment without penalty. Mortgage Loans, in general, may also be terminated prior to their respective 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 Department does not service the Mortgage Loans backing Mortgage Certificates; however, the Department monitors the origination and payment of such Mortgage Loans.

DISCLAIMER

"All information contained herein is obtained from sources believed to be accurate and reliable. Refer to the Official Statement and operative documents of each series for complete information on that issue. Because of the possibility of human and mechanical error as well as other factors, such information is provided "as is" without warranty of any kind and, in particular, no representation or warranty, expressed or implied, is made nor to be inferred as to the accuracy, timeliness or completeness, of any such information. Under no circumstances shall the Texas Department of Housing and Community Affairs have any liability to any person or entity for (a) any loss or damage in whole or part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstances involved in procuring, collecting, compiling, interpreting, analyzing, editing, transcribing, transmitting, communicating or delivering any such information, or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if the Texas Department of Housing and Community Affairs is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, any such information."

APPENDIX E-2

**BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS**

Bond Summary of the Texas Department of Housing and Community Affairs

General - Single Family Since 1979, the year of creation of the Texas Housing Agency (the "Agency"), a predecessor to the Department, through April 30, 2018, there have been issued by the Agency or the Department, fifty-nine series of Single Family Mortgage Revenue Bonds, four series of Junior Lien Single Family Mortgage Revenue Refunding Bonds, thirty-six series of Residential Mortgage Revenue Bonds, eleven series of Collateralized Home Mortgage Revenue Bonds, ten series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, and two series of Government National Mortgage Association Collateralized Home Mortgage Revenue Bonds. As of April 30, 2018, the aggregate outstanding principal amount of bonded indebtedness of the Department for single family housing purposes was \$465,215,498.

Single Family Mortgage Revenue Bonds ("SFMRBs") The Department has issued fifty-nine series of Single Family Mortgage Revenue and Refunding Bonds under a Single Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, which was amended and restated on June 1, 2017. These bonds are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of April 30, 2018, twelve series were outstanding with an aggregate outstanding principal amount totaling \$332,385,498.

Junior Lien Bonds The Department has issued four series of its Junior Lien Single Family Mortgage Revenue Refunding Bonds (the "Junior Lien Bonds") pursuant to a Junior Lien Trust Indenture, dated as of May 1, 1994. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the Single Family Mortgage Revenue Bonds by the trust estate held under the SFMRB Indenture. As of April 30, 2018, one series was outstanding with an aggregate outstanding principal of \$3,855,000.

Residential Mortgage Revenue Bonds ("RMRBs") The Department has issued thirty-six series of Residential Mortgage Revenue and Refunding Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture, and are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of April 30, 2018, six series were outstanding with an aggregate outstanding principal amount of \$128,375,000.

Collateralized Home Mortgage Revenue Bonds ("CHMRBs") The Department has issued eleven series of Collateralized Home Mortgage Revenue Bonds pursuant to the Collateralized Home Mortgage Revenue Bond Master Indenture, and are secured on an equal and ratable basis by the trust estate established by such trust indentures. As of April 30, 2018, two series of CHMRBs were outstanding with an aggregate outstanding principal amount of \$600,000.

Single Family Collateralized Home Mortgage Revenue Bonds – 1993 (SFCHMRB - 1993) The Department has issued five series of single family mortgage revenue bonds under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1993, amended as of February 1, 1995 by and between the Department and Bank One, Texas, NA. On November 1, 2004, the SFCHMRB – 1993s were redeemed in whole by the SFMRB 2004 Series E Bonds.

Single Family Collateralized Home Mortgage Revenue Bonds – 1994 (SFCHMRB – 1994) The Department has issued three series of single family mortgage revenue bonds in 1994 and 1995 under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture dated as of November 1, 1994, supplemented by a First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1994, as amended as of February 1, 1995, by and between the Department and Bank One, Texas, N.A. On December 16, 2004, the underlying mortgage backed securities were sold and funds were escrowed to redeem the bonds in whole on their optional redemption dates of February 22, 2005, April 26, 2005 and June 27, 2006.

The Department has issued two series of single family mortgage revenue refunding bonds in 1995 for the purpose of refunding certain notes which previously refunded certain Bonds outstanding, under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture and a First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture and Second Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture, each dated as of November 1, 1994, each amended as of February 1, 1995, and each by and between the Department and Bank One, Texas, NA, as Trustee. On December 1, 2003, all series of SFCHMRB – 1995s were redeemed in whole.

GNMA Collateralized Home Mortgage Revenue Bonds The Department has issued two series of GNMA Collateralized Home Mortgage Revenue Bonds, Series 1989A and Series 1989B in aggregate principal amounts of \$72,000,000 and \$48,250,000, respectively (the "GNMA Collateralized Bonds"), pursuant to two separate indentures, which are not on an equal and ratable basis with each other. The GNMA Collateralized Bonds were sold through two separate private placement transactions with FNMA. The proceeds of the Series 1989A GNMA Collateralized Bonds were used by the Department to redeem in whole the Department's previously issued \$25,000,000 Residential Mortgage Revenue Bonds, Series 1987B, and its previously issued \$47,000,000 Residential Mortgage Revenue Bonds, Series 1987C. The proceeds of the Series 1989B GNMA Collateralized Bonds were used to finance mortgage loans through the acquisition of GNMA Certificates and, except for a portion reserved for targeted area loans, such proceeds were reserved to finance the purchase by eligible borrowers of real estate owned by financial institutions in the State of Texas or by the Department. On December 2, 1999, the GNMA Collateralized Home Mortgage Revenue Bonds were redeemed in whole by the RMRB 1999 Series D Bonds.

Collateralized Mortgage Obligations On May 4, 1987, the Department issued its \$100,000,000 Collateralized Mortgage Obligations, Series 1987A, as an investment vehicle to provide funds to carry out certain housing assistance programs of the Department. As of February 1, 1996, the Collateralized Mortgage Obligations were redeemed in whole.

General - Multifamily The Department is a conduit issuer for the State of Texas with authority to issue tax-exempt and taxable Multifamily Mortgage Revenue Bonds statewide. The Department and the Agency have issued two hundred and twenty-seven Multifamily Mortgage Revenue Bonds which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other. As of April 30, 2018, eighty-two series were outstanding with an aggregate outstanding principal amount of \$826,766,562.

APPENDIX F

**APPLICABLE MEDIAN FAMILY INCOME AND MAXIMUM
ACQUISITION COST LIMITATIONS**



TDHCA My First Texas Home (TMP-79) / Texas Mortgage Credit Certificate Program (MCC)

Combined Income and Purchase Price Limits Table
(Including Income Limit Adjustments for High Housing Cost Areas)

Effective April 24, 2018

Area of State	Counties in Area	NON-TARGETED AREAS			* TARGETED AREAS		
		100% AMFI 1 or 2 Persons	115% AMFI 3 or more Persons	Non-Targeted Area Purchase Price Limit	120% AMFI 1 or 2 Persons	140% AMFI 3 or more Persons	Targeted Area Purchase Price Limit
Balance of State	All other counties not mentioned below	\$68,800	\$79,120	\$271,164	\$82,560	\$96,320	\$331,423
Andrews County	Andrews	\$75,900	\$87,285	\$271,164	<i>No Targeted Census Tracts in County</i>		
Austin County, HMFA	Austin	\$72,400	\$83,260	\$304,941	<i>No Targeted Census Tracts in County</i>		
Austin-Round Rock, MSA	Bastrop, Caldwell, Hays*, Travis* & Williamson	\$86,000	\$98,900	\$353,646	\$103,200	\$120,400	\$432,235
Blanco County	Blanco	\$72,400	\$83,260	\$271,164	<i>No Targeted Census Tracts in County</i>		
Borden County	Borden	\$74,500	\$85,675	\$271,164	<i>No Targeted Census Tracts in County</i>		
Brazoria County, HMFA	Brazoria	\$91,100	\$104,765	\$304,941	<i>No Targeted Census Tracts in County</i>		
Crane County	Crane	\$72,900	\$83,835	\$271,164	<i>No Targeted Census Tracts in County</i>		
Dallas, HMFA	Collin*, Dallas*, Denton*, Ellis*, Hunt*, Kaufman* & Rockwall	\$82,837	\$95,262	\$355,764	\$92,640	\$108,080	\$434,823
Fort Worth - Arlington, HMFA	Johnson*, Parker & Tarrant*	\$83,237	\$95,722	\$355,764	\$90,240	\$105,280	\$434,823
Gillespie County	Gillespie	\$71,000	\$81,650	\$271,164	<i>No Targeted Census Tracts in County</i>		
Glasscock County	Glasscock	\$87,100	\$100,165	\$271,164	<i>No Targeted Census Tracts in County</i>		
Hartley County	Hartley	\$73,000	\$83,950	\$271,164	<i>No Targeted Census Tracts in County</i>		
Hemphill County	Hemphill	\$70,000	\$80,500	\$271,164	<i>No Targeted Census Tracts in County</i>		
Hood County, HMFA	Hood	\$84,237	\$96,872	\$355,764	<i>No Targeted Census Tracts in County</i>		
Houston-The Woodlands-Sugar Land, HMFA	Chambers, Fort Bend*, Galveston, Harris*, Liberty, Montgomery* & Waller	\$74,900	\$86,135	\$304,941	\$89,880	\$104,860	\$372,706
Jackson County	Jackson	\$71,400	\$82,110	\$271,164	<i>No Targeted Census Tracts in County</i>		
Kendall County, HMFA	Kendall	\$93,400	\$107,410	\$331,411	<i>No Targeted Census Tracts in County</i>		
King County	King	\$74,600	\$85,790	\$271,164	<i>No Targeted Census Tracts in County</i>		
Lipscomb County	Lipscomb	\$79,300	\$91,195	\$271,164	<i>No Targeted Census Tracts in County</i>		
Loving County	Loving	\$78,500	\$90,275	\$271,164	<i>No Targeted Census Tracts in County</i>		
Martin County, HMFA	Martin	\$68,800	\$79,120	\$271,164	<i>No Targeted Census Tracts in County</i>		
Medina County, HMFA	Medina	\$77,509	\$89,136	\$331,411	<i>No Targeted Census Tracts in County</i>		
Midland, HMFA	Midland*	\$90,500	\$104,075	\$271,164	\$108,600	\$126,700	\$331,423
Odessa MSA	Ector*	\$72,600	\$83,490	\$271,164	\$87,120	\$101,640	\$331,423
Oldham County, HMFA	Oldham	\$69,900	\$80,385	\$271,164	<i>No Targeted Census Tracts in County</i>		
Reagan County	Reagan	\$71,400	\$82,110	\$271,164	<i>No Targeted Census Tracts in County</i>		
Roberts County	Roberts	\$88,000	\$101,200	\$271,164	<i>No Targeted Census Tracts in County</i>		
San Antonio-New Braunfels, MSA	Atascosa*, Bandera, Bexar*, Comal, Guadalupe* & Wilson	\$77,789	\$89,458	\$331,411	\$82,560	\$96,320	\$405,058
Schleicher County	Schleicher	\$70,800	\$81,420	\$271,164	<i>No Targeted Census Tracts in County</i>		
Somervell County, HMFA	Somervell	\$82,560	\$96,320	\$355,764	<i>No Targeted Census Tracts in County</i>		
Victoria MSA	Goliad, Victoria*	\$69,300	\$79,695	\$271,164	\$83,160	\$97,020	\$331,423
Wise County, HMFA	Wise	\$82,560	\$96,320	\$355,764	<i>No Targeted Census Tracts in County</i>		

* Property must be located in a qualified targeted census tract to use the Targeted Area Limits.

"AMFI" - Area Median Family Income; "MSA" - Metropolitan Statistical Area; "HMEA" - HUD Metro FMR Area
Down Payment Assistance Available to ALL Income Categories - *Targeted Areas are areas of severe economic distress.
For additional information please visit our website at www.MyFirstTexasHome.com

Exhibit D

2018 A SUPPLEMENT TO DEPOSITORY AGREEMENT

Relating to

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

§ _____
 SINGLE FAMILY MORTGAGE REVENUE BONDS
 2018 SERIES A

This agreement is the 2018 A Supplement to Depository Agreement (“Supplement to Depository Agreement”) dated as of September 1, 2018. It is among the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas (together with its successors and assigns, the “Department”); THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association (together with its successors in trust under the Trust Indenture referred to below, the “Trustee”); and the TEXAS TREASURY SAFEKEEPING TRUST COMPANY, a special-purpose trust company organized under the laws of the State of Texas (together with its successors in such capacity, the “Trust Company”).

Preamble

The Texas Housing Agency, the predecessor to the Department (the “Agency”), Team Bank, a state banking corporation and predecessor in interest to the Trustee (“Team”), and the State Treasurer of the State of Texas (“State Treasurer”) entered into the Amended and Restated Depository Agreement, dated as of August 1, 1991 (together with the amendments described in the immediately following paragraph, the “Amended and Restated Depository Agreement”), relating to the Agency's (now the Department's) Single Family Mortgage Revenue Bonds issued pursuant to the Single Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, between the Department and the Trustee (as amended and supplemented, the “Indenture”).

The Amended and Restated Depository Agreement was amended by that certain 2005 B/C/D Supplement to Depository Agreement dated as of December 1, 2005 among the Department, the Trustee and the Trust Company in order to delete Section 5.04 in its entirety, by that certain 2013 Amendment to Single Family Mortgage Revenue Bond Amended and Restated Depository Agreement dated as of May 1, 2013 among the Department, the Trustee and the Trust Company, and by that certain 2016 A/B Supplement to Depository Agreement dated as of February 1, 2016 among the Department, the Trustee and the Trust Company in order to amend the contact information for the Trust Company in Section 7.01.

WHEREAS, the Department and the Trustee entered into that certain Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2017, amending and restating the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980, as amended and supplemented from time to time (the “Amended and Restated Single Family Indenture”), for the purpose of consolidating amendments previously made to the Indenture.

Section 7.03 of the Amended and Restated Depository Agreement provides that it may be amended in any respect by an instrument in writing executed by the Department, the Trustee, and the Trust Company and, in particular, that it may be amended in connection with the issuance of one or more series of Bonds other than those outstanding on the date of the Amended and Restated Depository Agreement and to evidence further compliance with applicable laws and regulations promulgated under such laws; provided that the Trustee shall have received with respect to such amendment, a Counsel's Opinion that such amendment is not inconsistent with the provisions of the Amended and Restated Single Family Indenture and does not materially and adversely affect the rights of the holders of the Bonds.

The Department is in the process of issuing its Single Family Mortgage Revenue Bonds, 2018 Series A (the “2018 Series A Bonds”) pursuant to a Sixty-Sixth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of September 1, 2018 between the Department and the Trustee (the “2018 A Supplemental

Indenture,” and together with the Amended and Restated Single Family Indenture, collectively referred to in this Supplement to Depository Agreement as the “Trust Indenture”).

The Trust Company has succeeded to all of the interests of the State Treasurer in the Amended and Restated Depository Agreement, as amended.

The Department desires and has requested the Trustee and the Trust Company to enter into this Supplement to Depository Agreement to supplement the Amended and Restated Depository Agreement to create Accounts and Subaccounts under the Amended and Restated Depository Agreement corresponding to the Accounts and Subaccounts being created under the Trust Indenture in connection with the issuance of the 2018 Series A Bonds.

Agreement

In consideration of the mutual agreements contained in this Supplement to Depository Agreement, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Department, the Trustee and the Trust Company agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. Unless the context requires otherwise, all defined terms contained in the Amended and Restated Single Family Indenture, the 2018 A Supplemental Indenture, and the Amended and Restated Depository Agreement have the same meanings in this Supplement to Depository Agreement as such defined terms are given in each of the foregoing documents.

Section 1.02 Interpretation. This Supplement to Depository Agreement and all of the terms and provisions in it shall be liberally construed to effectuate the purposes of this Supplement to Depository Agreement and to achieve the purpose of providing additional security for the 2018 Series A Bonds.

Section 1.03 Titles and Headings. The titles and headings of the articles and sections of this Supplement to Depository Agreement have been for convenience and reference only. They are not to be considered a part of this Supplement to Depository Agreement and will not in any way modify or restrict the terms of this Supplement to Depository Agreement.

Section 1.04 Amended and Restated Depository Agreement to Remain in Force. Except as supplemented and amended by this Supplement to Depository Agreement, the Amended and Restated Depository Agreement remains in full force and effect as to the matters covered by it.

Section 1.05 Continuing Binding Effect. The terms and provisions of the Amended and Restated Depository Agreement, as amended, are in all respects binding upon and applicable to the parties to this Supplement to Depository Agreement. Further, deposits, withdrawals and transfers to, from and among the Accounts and Subaccounts described in Exhibit “A” of moneys and securities pertaining to the 2018 Series A Bonds, and the investment of the moneys and securities in all respects, including the maintaining of records and the providing of reports, be governed by the terms and provisions of the Amended and Restated Depository Agreement, a copy of which is attached as Exhibit “B” hereto.

Section 1.06 Authority. This Supplement to Depository Agreement is executed and delivered pursuant to the Act and the Amended and Restated Depository Agreement.

Section 1.07 Successors and Assigns. All covenants and agreements in this Supplement to Depository Agreement among the Department, Trustee and Trust Company shall bind their respective successors and assigns, whether so expressed or not.

Section 1.08 Severability Clause. In case any provision in this Supplement to Depository Agreement is found by a court to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired by such finding.

Section 1.09 Benefits of Supplement to Depository Agreement. Nothing in this Supplement to Depository Agreement, the Trust Indenture, or in the 2018 Series A Bonds, express or implied, gives to any Person, other than the parties to this Supplement to Depository Agreement, their successors under it, and the owners of Bonds, any benefit or any legal or equitable right, remedy or claim under this Supplement to Depository Agreement.

Section 1.10 Governing Law. This Supplement to Depository Agreement is governed by the laws of the State of Texas.

Section 1.11 Execution in Several Counterparts. This Supplement to Depository Agreement may be simultaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

ARTICLE II

CREATION AND OPERATION OF ACCOUNTS AND SUBACCOUNTS

Section 2.01 Creation of Accounts and Subaccounts. In accordance with Section 7.03 of the Amended and Restated Depository Agreement, the Department creates with the Trust Company, the additional Accounts and Subaccounts described in Exhibit "A" attached to this Supplement to Depository Agreement and made a part of it, relating to the 2018 Series A Bonds in the previously established Mortgage Loan Fund and Revenue Fund.

Section 2.02 Investment of Certain Funds. The Department instructs the Trustee and the Trust Company to invest funds relating to the 2018 Series A Bonds held in the 2018 A Mortgage Loan Account, the 2018A Costs of Issuance Account, the 2018 A Revenue Account and the 2018 A Redemption Subaccount, in accordance with the Department's written instructions to the Trustee and the Trust Company.

EXECUTED as of the date first above written.

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: _____
Chair

ATTEST:

Secretary

(SEAL)

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Signatory

TEXAS TREASURY SAFEKEEPING TRUST
COMPANY

By: _____
Authorized Officer

EXHIBIT "A"

FUNDS, ACCOUNTS AND SUBACCOUNTS

MORTGAGE LOAN FUND [§502(1), Ind.] (Moneys in all Accounts and Subaccounts held by the Trustee and maintained and invested by the Trust Company pursuant to Depository Agreement)

2018 A Mortgage Loan Account [§2.12(a), 66th Supp.]

2018 A Costs of Issuance Account [§2.12(a)(i), 66th Supp.] [temporary]

REVENUE FUND [§502(2), Ind.] (Moneys in all Accounts and Subaccounts held by the Trustee and maintained and invested by the Trust Company pursuant to Depository Agreement)

2018 A Revenue Account [§2.12(a), 66th Supp.]

DEBT SERVICE FUND [§502(3), Ind.] (Moneys in the following Subaccounts held by the Trustee and maintained and invested by the Trust Company)

2018 A Redemption Subaccount [§2.12(a), 66th Supp.]

EXPENSE FUND [§502(5), Ind.] (Moneys in all Accounts held by Department and maintained and invested by the Trust Company)

2018 A Expense Account [§2.12(a), 66th Supp.]

80 SFI Expense Fund/Operating Reserve [Already Established - §505(1), Ind.]

NOTE: Not shown above are:

- (a) Surplus Revenues Mortgage Loan Fund created by Section 2.11 of the 14th Supp.;
- (b) Series 1994A Mortgage Loan Revenue Account created by Section 2.3 of the 16th Supp.;
- (c) Surplus Revenues Account created by Section 2.3 of the 16th Supp.

EXHIBIT "B"

AMENDED AND RESTATED DEPOSITORY AGREEMENT

Exhibit E

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement"), dated as of _____, 2018, is executed and delivered by the Texas Department of Housing and Community Affairs (the "Department") and The Bank of New York Trust Mellon Company, N.A., as Trustee, in connection with the issuance of the Department's Single Family Mortgage Revenue Bonds, 2018 Series A (the "Series 2018 Bonds"). The Series 2018 Bonds are being issued pursuant to an Amended and Restated Single Family Mortgage Revenue Bond Trust Indenture, dated as of June 1, 2017, between the Department and The Bank of New York Mellon Trust Company, N.A., as Trustee, Paying Agent, and Registrar for the Series 2018 Bonds issued by the Department thereunder (the "Trustee"). All capitalized terms not defined in this Agreement shall have the meanings assigned to them in the Trust Indenture. For good and valuable consideration, the Department and the Trustee, covenant and agree as follows:

SECTION 1. *Annual Reports.*

The Department undertakes to and shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of its fiscal year which ends August 31, 2017, and each fiscal year thereafter, financial information and operating data with respect to the Department of the general type included in the final Official Statement relating to the Series 2018 Bonds, being information of the general type described in Exhibit A hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit A hereto, or such other accounting principles as the Department may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Department commissions an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the Department shall provide to the MSRB, in an electronic format as prescribed by the MSRB, unaudited financial statements within the required time period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

If the Department changes its fiscal year, it will notify the Trustee and the MSRB in writing of the change (and of the date of the new fiscal year end) prior to the next date by which the Department otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby that is available to the public on the MSRB's website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 2. *Material Event Notices.*

(a) The Department agrees to disclose in a timely manner pursuant to the terms hereof and subject to the time limitation below, if the Department Disclosure Representative determines, pursuant to subsection (c) below, that such events are "material" under applicable federal securities laws and regulations promulgated thereunder.

- (1) Non-payment related defaults;
- (2) Modifications to rights of bondholders;
- (3) Series 2018 Bond calls;
- (4) Release, substitution, or sale of property securing repayment of the Series 2018 Bonds;
- (5) The 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; and
- (6) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) The Department agrees to provide notice to the MSRB of any of the following events with respect to the Series 2018 Bonds without regard to whether such event is considered material within the meaning of the federal securities laws

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or 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-exempt status of the Series A Bonds, or other events affecting the tax-exempt status of the Series A Bonds;
- (6) Tender offers;
- (7) Defeasances;

- (8) Rating changes; and
- (9) Bankruptcy, insolvency, receivership or similar event of an obligated person.

The Department shall provide notice of events stated in (a) and (b) immediately above, to the extent required, in a timely manner (but not in excess of ten business days after the occurrence of the event). The Department will also provide timely notice of any failure by the Department to provide annual financial information in accordance with their agreement described above under Section 1. Such notices shall be filed in an electronic format as prescribed by the MSRB.

(c) Whenever the Department obtains knowledge of the occurrence of one of the above events in Section 2(a), whether because of a notice from the Trustee pursuant to subsection (e) or otherwise, the Department Disclosure Representative shall, in a timely manner, determine if such event would constitute material information for Bondholders.

(d) If the Department determines that the occurrence of one of the above events in Section 2(a) is material within the meaning of applicable federal securities laws and regulations promulgated thereunder or an event listed under Section 2(b) has occurred, the Department Disclosure Representative shall promptly file a notice in an electronic format as prescribed by the MSRB of such occurrence with the MSRB. All documents provided to the MSRB pursuant to this Section 2 shall be accompanied by identifying information as prescribed by the MSRB. To the extent permitted by law, notwithstanding the requirements of this subsection, the disclosure of an event described in Section 2(b)(8) and Section 2(b)(7) need not be given earlier than the notice, if any, of the underlying event is given to the Bondholders of affected Bonds pursuant to the Trust Indenture.

(e) The Trustee shall, within three (3) Business Days of a Responsible Officer's obtaining actual knowledge of the occurrence of any of the events enumerated below, notify the Department Disclosure Representative of such event. It is agreed and understood that the Trustee has agreed to give the foregoing notice to the Department as an accommodation to assist it in monitoring the occurrence of such events, but is under no obligation to investigate whether any of such events has occurred. As used above, "actual knowledge" means the actual fact or statement of knowing, without any duty to make any investigation with respect thereto. The Department agrees to and does hereby hold harmless the Trustee and any officer, director, official, employee, agent, or attorney against any and all losses, claims, damages, or liabilities suffered by the Department as a result of a failure by the Trustee to give such notice pursuant to the terms hereof. The Trustee shall notify the Department Disclosure Representative of any of the following events:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves;
- (4) Unscheduled draws on credit enhancements;

- (5) Substitution of credit or liquidity providers, or their failure to pay principal, interest, or purchase price on the Series 2018 Bonds pursuant to applicable agreements;
- (6) Adverse tax opinions or 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-exempt status of the Series A Bonds, or other events affecting the tax-exempt status of the Series A Bonds;
- (7) Modifications in the Trust Indenture to the rights of the Bondholders;
- (8) Bond calls (except sinking fund redemptions, if any);
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2018 Bonds;
- (11) Rating changes; and
- (12) Appointment of a successor or additional trustee or the change of name of a trustee.

SECTION 3. *Limitations, Disclaimers, and Amendments.*

The Department shall be obligated to observe and perform the covenants specified in this Agreement for so long as, but only for so long as, the Department remains an "obligated person" with respect to the Series 2018 Bonds within the meaning of the Rule, except that the Department in any event will give notice of any deposit made in accordance the Trust Indenture that causes Series 2018 Bonds no longer to be Outstanding.

The provisions of this Agreement are for the sole benefit of (and may be enforced by) the Bondholders and beneficial owners of the Series 2018 Bonds, and nothing in this Agreement, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other Person. The Department undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Agreement and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Department's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Agreement or otherwise, except as expressly provided herein. The Department does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2018 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DEPARTMENT OR THE TRUSTEE BE LIABLE TO THE BONDHOLDER OR BENEFICIAL OWNER OF ANY SERIES 2018 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES

RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DEPARTMENT OR TRUSTEE, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE. THE TRUSTEE IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

No default by the Department in observing or performing its obligations under this Agreement shall comprise a breach of or default under the Trust Indenture for purposes of any other provision of this Agreement. The Trustee has no obligation or duty to enforce the Department's obligations under this Agreement.

Nothing in this Agreement is intended or shall act to disclaim, waive, or otherwise limit the duties of the Department under federal and state securities laws.

The provisions of this Agreement may be amended with the written consent of the Department and Trustee from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, but only if (1) the provisions of this Agreement, as so amended, would have permitted an underwriter to purchase or sell Series 2018 Bonds in the primary offering of the Series 2018 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Agreement that authorizes such an amendment) of the Outstanding Series 2018 Bonds consent to such amendment or (b) an entity that is unaffiliated with the Department (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Bondholders and beneficial owners of the Series 2018 Bonds and is permitted by the terms of this Agreement. If the Department so amends the provisions of this Agreement in connection with the financial information or operating data which it is required to disclose under Section 1 hereof, the Department shall provide a notice of such amendment to be filed in accordance with Section 2(b) hereof, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be provided by the Department pursuant to the terms of this Agreement. The Department may also amend or repeal the provisions of this Agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2018 Bonds in the primary offering of the Series 2018 Bonds.

SECTION 4. *Duties, Immunities and Liabilities of Trustee.*

Article IX of the Trust Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Trust Indenture. The Trustee shall

have only such duties as are specifically set forth in this Agreement and no implied covenants shall be read into this Agreement against the Trustee. Nothing in this Agreement shall be construed to mean or imply that the Trustee is an "obligated person" under the Rule. The Trustee shall have no obligation to make the disclosure required herein with respect to the Series 2018 Bonds or the Department or any other matter except as expressly provided herein. The fact that the Trustee may have a banking relationship with the Department or any Person with whom the Department contracts in connection with the transactions described in the Trust Indenture, apart from the relationship created by the Trust Indenture or this Agreement, shall not be construed to mean that the Trustee or a Responsible Officer thereof has actual knowledge of any event described in Section 2(e) above except as may be provided by written notice to the Trustee pursuant to this Agreement or the Trust Indenture. The Trustee shall in no event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any questions relating to the duties and responsibilities of the Trustee hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Trustee and believed to be genuine and to have been signed or presented by the proper party or parties. The Trustee may from time to time consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its duties hereunder, and it shall incur no liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

SECTION 5. *Definitions.*

As used in this Agreement, the following terms have the meanings ascribed to such terms below:

"*Department Disclosure Representative*" means the Compliance and Disclosure Manager of the Department or a designee, or such other officer or employee as the Department shall designate in writing to the Trustee from time to time.

"*MSRB*" means the Municipal Securities Rulemaking Board and any successor to its duties.

"*Responsible Officer*" means, when used with respect to the Trustee, the president, any vice president, any corporate trust officer or assistant corporate trust officer, or any other officer of the Trustee within its Corporate Trust Department customarily performing functions similar to those performed by any of the above-designated officers, and in each case, who is working at the designated office of the Trustee, and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his or her knowledge of or familiarity with a particular subject.

"*Rule*" means SEC Rule 15c2-12, as amended from time to time.

"*SEC*" means the United States Securities and Exchange Commission and any successor to its duties.

SECTION 6. *Miscellaneous.*

A. Representations.

Each of the parties hereto represents and warrants to each other party that (i) it has duly authorized the execution and delivery of this Agreement by the officers of such party whose signatures appear on the execution pages hereto, (ii) it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (iii) the execution and delivery of this Agreement, and performance of the terms hereof, do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Series 2018 Bonds.

B. Governing Law.

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas and applicable federal law.

C. Severability.

If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

D. Counterparts.

This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Department and the Trustee have each caused their duly authorized officers to execute this Agreement as of the day and year first above written.

TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Chair, Governing Board

Secretary, Governing Board

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee

By: _____
Authorized Officer

**Exhibit A
to
Agreement**

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 1 of this Agreement.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Department to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

Appendix C-1 - AUDITED FINANCIAL STATEMENTS OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS REVENUE BOND PROGRAM FOR THE FISCAL YEAR ENDED AUGUST 31, 2017 (financial statements for the last completed fiscal year which will be unaudited, unless an audit is performed in which event the audited financial statements will be made available.)

Appendices E-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES and F-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to above.

Exhibit F

RETAINED MORTGAGE LOAN AGREEMENT

This Retained Mortgage Loan Agreement (this “Agreement”), made as of June __, 2018, is between the Texas Department of Housing and Community Affairs (the “Department”) and Hilltop Securities, Inc., or its permitted successor or assigns (the “Provider”) and relates to certain transactions with respect to Retained Mortgage Loans (as defined below), subject to the conditions set forth herein. Such transactions will be governed by this Agreement.

The terms and conditions for this Agreement are as follows:

1. Purpose. The Department has implemented a Taxable Mortgage Program (the “TMP” or “Program”) to originate Mortgage Loans (as defined below) to qualified mortgagors in the State of Texas. In connection with the Department’s potential issuance of qualified mortgage bonds (“Hedged Bonds”) collateralized by mortgage-backed securities, the Department has determined to retain certain Mortgage Loans (as defined below) originated under the Program and not deliver securities backed by such Retained Mortgage Loans (as defined below) to the Provider under the master trade confirmation entered into by the Provider and the Department on October 1, 2015, as amended (the “TBA Master Trade Confirmation”). In anticipation of the issuance of, and to modify the Department’s risk of interest rate changes with respect to, the Hedged Bonds, the Department and the Provider will enter into Transactions with respect to Retained Mortgage Loans, which will be settled on a cash settlement basis on the Settlement Date.
2. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the TBA Master Trade Confirmation.
 - a. “Act of Insolvency” means (i) the commencement by the Provider or the Department, as applicable, as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or similar law, or such party seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for the Provider or the Department, as applicable, or any substantial part of such party’s property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against the Provider or the Department, as applicable, or another seeking such an appointment or election, or the filing against the Provider or the Department, as applicable, of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970 (“SIPA”), which (A) is consented to or not timely contested by the Provider or the Department, as applicable, (B) results in the entry of an order for relief, such an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect; or (C) is not dismissed within fifteen (15) days, (iii) the making by the Provider or the Department, as applicable, of a general assignment for the benefit of creditors, or (iv) the admission in writing by the Provider or the Department of its inability to pay such party’s debts as they become due.
 - b. “Hedged Bonds” means revenue bonds to be issued by the Department that are expected to be secured by Retained Loan Securities.
 - c. “Pair-Off Amount” means the amount calculated by the Provider for any actual net financial loss or gain incurred or to be incurred by the Provider in connection with the Provider’s settling (“pairing off”) of its hedging arrangements with respect to its prior obligation under the TBA Master Trade Confirmation with respect to particular

Retained Mortgage Loans. The Pair-Off Amount will be calculated net of the applicable amount (.375% of the outstanding principal balance of the Retained Mortgage Loans) payable to the Provider; therefore, any Pair-Off Amount payable to the Department will be net of the applicable amount payable to the Provider, and any Pair-Off Amount payable to the Provider will be in addition to the applicable amount payable to the Provider.

- d. “Retained Loan Notice” means written notice from the Department to the Provider, which may be in the form of an email, in which the Department confirms its intention to retain the Mortgage Loans specified therein.
 - e. “Retained Loan Notice Date” means the date on which the Department identifies Retained Mortgage Loans by delivering a Retained Loan Notice to the Provider.
 - f. “Retained Loan Securities” means mortgage-backed securities relating to Retained Mortgage Loans.
 - g. “Retained Mortgage Loans” means Mortgage Loans that the Department has identified in a Retained Loan Notice and that are to be retained in connection with the Department’s intended issuance of Hedged Bonds.
 - h. “Servicer” means Idaho Housing and Finance Association or any successor master servicer designated by the Department in writing to the Provider.
 - i. “Settlement Date” means the date identified as the “pooling date” in the list of Retained Mortgage Loans that is part of a Retained Loan Notice.
 - j. “Transaction” means each issuance by the Department of a Retained Loan Notice.
3. Identification of Retained Mortgage Loans. Retained Mortgage Loans must be closed Mortgage Loans that have been purchased or will be purchased by Servicer. The Identification Date of any Retained Loan must occur in accordance with the following: (a) for GNMA-eligible Mortgage Loans, by the 3rd Business Day of the calendar month in which related securities had been scheduled for settlement under the TBA Master Trade Confirmation, and (b) for Fannie Mae- or Freddie Mac-eligible Mortgage Loans by the 3rd from last Business Day of the calendar month preceding the calendar month in which related securities had been scheduled for settlement under the TBA Master Trade Confirmation. There may be multiple Retained Loan Notice Dates in any month. The Retained Mortgage Loans to be retained on an Retained Loan Notice Date will be identified in a Retained Loan Notice, which will be substantially in the form attached as Exhibit A of the Qualified Hedge Identification Certificate (defined below).
4. Hedge Identification. Recognizing that the Department’s decision to retain Retained Mortgage Loans is made in connection with the Department’s expected issuance of Hedged Bonds and that each Transaction is entered to modify the risk of interest rate changes with respect to such Hedged Bonds, within 15 days of each Retained Loan Notice Date, (a) the Department will identify the Transaction by executing a hedge identification certificate (the “Qualified Hedge Identification Certificate”) in the form attached as Exhibit A to this Agreement and (b) the Provider will execute a certificate of hedge provider in substantially the form attached as Exhibit B to the Qualified Hedge Identification Certificate.

5. Determination of Settlement Amount. Not later than 2:00 p.m. Central time one Business Day prior to the Settlement Date of any Retained Loans, the Provider will calculate the expected Pair-Off Amount for each Retained Mortgage Loan to be settled on such Settlement Date, and will provide such calculation to the Department. All calculations of the Pair-Off Amount provided to the Department will be in the form set forth in Exhibit B. By 5:00 Central time on such date, the Department will confirm such calculation of the final Pair-Off Amount.
6. Settlement. On the Settlement Date, the Department will pay to the Provider, or the Provider will pay to the Department, the applicable Pair-Off Amount. Any Pair-Off Amount that is greater than zero will be paid by the Provider to the Department. Any Pair-Off Amount less than zero will be paid by the Department to the Provider.
7. Extension of Settlement Date. If the Department instructs the Provider to continue to hedge the interest rate risk on the Hedged Bonds past the Settlement Date, the Provider will charge an additional 0.25% on the unpaid principal balance of the related Retained Mortgage Loans for every subsequent 30-day period (or a pro rata amount for any period of less than 30 days).
8. Department's Representations and Warranties.
 - a. On the date hereof, the Department represents and warrants to the Provider that: (i) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance; (ii) the person signing this Agreement and each Retained Loan Notice on its behalf is duly authorized to do so; (iii) it has obtained all authorizations of any governmental body required in connection with the execution and delivery of this Agreement and such authorizations are in full force and effect; (iv) the execution, delivery and performance of this Agreement and the Retained Loan Notices will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected, (v) the terms of this Agreement do not conflict with the terms of any servicing agreement, origination agreement or other agreement entered into by the Department that relates to the implementation or operation of the Program; (vi) this Agreement and the Rate Lock Notices are enforceable obligations of the Department; (vii) it has made its own independent decisions to enter into this Agreement as to whether this Agreement and the related transactions are appropriate, proper and authorized for the Department, based upon its own judgment and upon advice from such advisors, including counsel, as it has deemed necessary; (viii) it is not relying on any communication (written or oral) of the Provider as investment advice or as a recommendation to enter into this Agreement, it being understood that information and explanations related to the terms and conditions of the respective transactions shall not be considered investment advice or a recommendation to enter into the respective transactions; (ix) it has not received from the Provider any assurance or guarantee as to expected results of any transactions; (x) it is capable of evaluating and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the respective transactions; (xi) it is capable of assuming, and assumes, the financial and other risks of the respective transactions; and (xii) it has not relied on the Provider for any tax or accounting advice concerning this Agreement or the related transactions.
 - b. On each date the Department provides a Retained Loan Notice to Provider, the Department shall be deemed to repeat all of the representations and warranties set forth in Section 8a. hereof and to represent and warrant to the Provider that it will use its best

reasonable efforts to cause the Retained Mortgage Loans to be funded and closed and pooled into Retained Loan Securities to be purchased with proceeds of Hedged Bonds.

9. Provider's Representations and Warranties. On the date hereof, the Provider represents and warrants to the Department that: (i) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance; (ii) the person signing this Agreement on its behalf is duly authorized to do so; (iii) the execution, delivery and performance of this Agreement will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected; and (iv) this Agreement is an enforceable obligation of the Provider.
10. Term. This Agreement shall be in effect until October 1, 2018, and shall automatically renew for up to one (1) one-year period upon written notice from the Department to the Provider at least thirty (30) days prior to the expiration date. Either party may terminate this Agreement and related Transactions upon at least thirty (30) days advance written notice (which may be by email) to the other party.
11. Events of Default and Remedies.

Each of the following is an Event of Default by the Department under this Agreement: (i) the Department fails to, or admits to the Provider, its inability to, or its intention not to, perform any of its obligations hereunder; (ii) an Act of Insolvency occurs with respect to the Department; (iii) any representation made by the Department is incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated; or (iv) the Department shall fail to make any payment due hereunder.

In the Event of Default by the Department, the Provider may, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Act of Insolvency), declare an Event of Default and take any action necessary or appropriate to protect and enforce its rights and preserve the benefits of its bargain under this Agreement. The Provider shall (except upon the occurrence of an Act of Insolvency) give notice to the Department of the exercise of its option to declare an Event of Default as promptly as practicable.

Each of the following is an Event of Default by the Provider under this Agreement: (i) the Provider fails to, or admits to the Department, its inability to, or its intention not to, perform any of its obligations hereunder; (ii) an Act of Insolvency occurs with respect to the Provider; (iii) any representation made by the Provider is incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated; or (iv) the Provider shall fail to make any payment due hereunder.

In the Event of Default by the Provider, the Department may, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Act of Insolvency), declare an Event of Default and take any action necessary or appropriate to protect and enforce its rights and preserve the benefits of its bargain under this Agreement. The Department shall (except upon the occurrence of an Act of Insolvency) give notice to the Provider of the exercise of its option to declare an Event of Default as promptly as practicable.

In the Event of Default by the Department or the Provider, the defaulting party shall be liable to the non-defaulting party for (i) the amount of all reasonable legal or other expenses incurred by the non-defaulting party in connection with or as a result of an Event of Default, and (ii) any loss,

damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a transaction which is not reimbursed under the preceding provisions of this Section 11.

To the extent permitted by applicable law, a defaulting party shall be liable to the non-defaulting party for interest on any amounts owing by such defaulting party hereunder, from the date the defaulting party becomes liable for such amounts hereunder until such amounts are (i) paid in full by the defaulting party; or (ii) satisfied in full by the exercise of a non-defaulting party's rights hereunder. Interest on any sum payable under this paragraph shall be at a rate equal to the prime rate of U.S. commercial banks as published in The Wall Street Journal (or, if more than one such rate is published, the average of such rates).

The non-defaulting party shall have all of the rights and remedies provided to a secured party under the Texas Uniform Commercial Code and, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

12. Escrow Deposit by the Department to Cover Provider Losses; Total Pipeline Limitation. The Department shall maintain a deposit of cash and/or securities with the Texas Treasury Safekeeping Trust Company, or other mutually acceptable third party escrow agent, in an amount at least equal to \$2,000,000 (or such higher amount required pursuant to the next succeeding paragraph); such escrowed amount shall remain in escrow for the term of this Agreement, subject to reductions for amounts payable to the Provider to reimburse it for any net losses sustained by it under Section 11.
13. Limited Obligation of the Department. Notwithstanding any provision of this Agreement to the contrary, the Department's obligations under this Agreement are limited obligations of the Department and any net losses attributable to the Department default shall be payable only from the amounts deposited with the Texas Treasury Safekeeping Trust Company pursuant to Section 12.
14. Amendments. No amendment or modification of this Agreement is valid, unless in writing and signed by both parties hereto.
15. No Waivers, Etc. No express or implied waiver of any Event of Default by the Provider or the Department shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by the Provider or the Department shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by either party hereto to a departure from the terms hereof shall be effective unless and until such modification or waiver shall be in writing and duly executed by both of the parties hereto.

No waiver of any provision of this Agreement and no consent by either party hereto to a departure from the terms hereof shall be effective unless and until such waiver shall be in writing and duly executed by both of the parties hereto.
16. Non-Assignability. Neither of the parties hereto may assign or delegate any of its rights or duties under this Agreement without the prior written consent of the other party and any assignment or delegation in violation of this Section 16 shall be void *ab initio*; notwithstanding the foregoing, it is understood that Idaho Housing and Finance Association, as Servicer, may undertake certain of the Department's duties hereunder.

17. Damage Limitations. Without limiting the ability of either party hereto to recover losses pursuant to any provision of this Agreement, including, but not limited to, losses, damages, costs and expenses as set forth in Section 11, under no circumstances will either party hereto be liable for any consequential, indirect, special or punitive damages, opportunity costs or lost profits suffered or incurred by the other party for any claim under this Agreement, whether or not foreseeable or preventable. For the avoidance of doubt, replacement costs and other costs included under Section 11 shall not constitute consequential damages.
18. Other Arrangements. Notwithstanding the foregoing provisions of this Agreement, the Department and the Provider may agree to alternate arrangements relating to the retention of Retained Mortgage Loans by the Department, in each case with payment of related extension and/or hedging fees by the Provider to the Servicer, and the payment of related pair-off amounts by the Provider to the Department or by the Department to the Provider, as applicable. In the event any such alternate arrangement is agreed to, such agreement shall be set forth in writing executed by the Department and the Provider.
19. Governing Law. This Agreement will be construed in accordance with the laws of the State of Texas, without regard to its conflicts of law principles.
20. Severability. If any one or more of the terms or conditions of this Agreement is determined by a court of competent jurisdiction to be invalid, the invalidity will in no way affect the validity or effectiveness of the remaining terms and conditions.
21. Entire Agreement. This Agreement constitutes the entire agreement of, and supersedes all prior agreements between, the parties hereto with respect to the subject matter hereof.
22. No Reliance. Unless there is a written agreement with the other party to the contrary: (i) the Department has made its own independent decisions to enter into this Agreement and the related transactions, and as to whether the transactions are appropriate or proper for it, based upon its own judgment and upon advice from such advisors as it has deemed necessary; (ii) the Department is not relying on any communication (written or oral) of the Provider as investment advice or as a recommendation to enter into the Agreement or the related transactions, it being understood that information and explanations related to the terms and conditions of the respective transactions shall not be considered investment advice or a recommendation to enter into the respective transactions; (iii) the Department has not received from the Provider any assurance or guarantee as to expected results of the respective transactions; (iv) the Department is capable of evaluating and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the respective transactions; (v) the Department is capable of assuming, and assumes, the financial and other risks of the respective transactions; and (vi) the Department has not relied on the Provider for any tax or accounting advice concerning this Agreement or the related transactions.
23. Agreement as to Force and Effect of Emails. The Department and the Provider each agree that any email transmitted by it or its representatives pursuant to this Agreement shall be given the same force and effect as if such email had been in the form of a writing and manually signed by the person transmitting such document.
24. Confidentiality. Except to the extent the Department or its board members, officers or agents may be required by law or any court of competent jurisdiction to disclose this Agreement to any person or party, the Department and the Provider agree that this Agreement shall be kept confidential and its contents will not be divulged to any party without the other party's consent

except to the extent that it is appropriate for the Department or the Provider to do so in working with its agents, advisors, legal counsel, auditors, taxing authorities or other governmental agencies. The Provider acknowledges that the Department is subject to Chapter 552, Texas Government Code, as amended (the “Texas Open Records Act”), and as a result, may be required to provide a copy of this Agreement to anyone requesting a copy pursuant to the Texas Open Records Act.

[Remainder of Page Intentionally Left Blank]

Please acknowledge your receipt of and agreement to the terms and conditions of this Master Trade Confirmation by executing and returning this Master Trade Confirmation by PDF copy to mike.awadis@hilltopsecurities.com. Executed originals should be sent to Hilltop Securities Inc., 16000 Ventura Blvd., Suite 1100, Encino, California 91436, Attention: Mike Awadis.

HILLTOP SECURITIES INC.

By: _____
Name: Michael J. Marz
Title: Vice Chairman

ACKNOWLEDGED AND AGREED TO AS OF THE DATE FIRST WRITTEN ABOVE:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
Name: Timothy K. Irvine
Title: Executive Director

EXHIBIT A

FORM OF QUALIFIED HEDGE IDENTIFICATION CERTIFICATE

I, the undersigned officer of the Texas Department of Housing and Community Affairs (the “Department”) do hereby identify the Hedge (as defined below) on the Department’s books and records for purposes of section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) and section 1.148-4(2)(viii) of the Treasury Regulations (the “Regulations”) and hereby certify as follows:

1. Responsible Officer. I am the duly chosen, qualified and acting officer of the Department for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this identification certificate on behalf of the Department.

2. Identification of Parties and Hedge Terms. The Department and Hilltop Securities, Inc. (the “Hedge Provider”) have entered into a forward transaction (the “Hedge”) pursuant to (a) a Retained Mortgage Loan Agreement, dated June __, 2018, and (b) a Retained Loan Notice (the “Retained Loan Notice”), dated _____, 20__ (the “Retained Loan Notice Date”). The Retained Loan Notice, attached hereto as Exhibit A, identifies mortgage loans in an amount of \$_____ that are reasonably expected to be pooled into mortgage-backed securities that will be purchased by the Department with proceeds of tax-exempt obligations. The Retained Loan Notice Date is not more than fifteen days prior to the date hereof. The Hedge Provider has executed a Certificate of Hedge Provider, which is attached hereto as Exhibit B.

3. Hedged Bonds. The Department reasonably expects that the Department will issue qualified mortgage bonds (the “Hedged Bonds”) (a) for the governmental purpose of financing owner-occupied residences meeting the requirements set forth in section 143 of the Code; (b) at an issue price of \$_____ ; (c) with a maturity date [or dates] of _____ ; and (d) on _____, 20__ . The interest on the Hedged Bonds is reasonably expected to be computed based on [a fixed rate/variable rate]. The Hedged Bonds may be issued as part of a larger issue of bonds.

4. Qualified Hedge Certifications.

- a) In general. The Hedge is entered into primarily to modify the Department’s risk of interest rate changes with respect to the Hedged Bonds.
- b) Acquisition payments. The Hedge Provider did not make a payment to the Department in connection with the acquisition of the contract.
- c) No significant investment element. No significant portion of any payment by one party to the Hedge relates to a conditional or unconditional obligation by the other party to make a payment on a different date.
- d) Parties. The Hedge Provider is not a “related party” (as defined in section 1.150-1 of the Regulations) to the Department.
- e) Coverage. The mortgage loans identified in the Retained Loan Notice have a notional principal amount less than or equal to the reasonably expected principal amount of the Hedged Bonds.
- f) Interest-based contract. The Hedge is primarily interest-based because the settlement value of the Hedge is reasonably expected to vary with the yield on

the Hedge Bonds when sold. Without regard to the Hedge, the Hedged Bonds are [fixed rate bonds/a variable rate debt instrument]. After taking into account the amount paid or received, or deemed to be paid or received, by the Department on the Hedge as an adjustment to the sales proceeds of the Hedged Bonds, the resulting Hedged Bond will be a [fixed rate bonds/a variable rate debt instrument].

- g) Size and scope of hedge. Based on the reasonably expected terms of the Hedged Bonds, the size and scope of the Hedge is limited to hedging the Department's risk with respect to interest rate changes on the Hedged Bonds. The Hedge only covers those [securitized] mortgage loans that are expected to be purchased with proceeds of the Hedged Bonds.
- h) Payments. Other than the amount paid or received, or deemed to be paid or received, by the Department to terminate or otherwise close the Hedge, there are no payments paid or received by the Department pursuant to the hedge.
- i) Source of Payments. Any payment to the Hedge Provider will be made from the same source of funds that, absent the Hedge, would be reasonably expected to be used to pay principal of and interest on the Hedged Bonds.

5. Anticipatory Hedge. The Department reasonably expects to terminate the Hedge substantially contemporaneously with the issue date of the Bonds and, therefore, section 1.148-4(h)(5)(ii) of the Regulations applies to the Hedge. Accordingly, the Department intends to treat the amount paid or received, or deemed to be paid or received, by the Department on the Hedge as an adjustment to the sales proceeds of the Hedged Bonds for purposes of section 148 of the Code.

6. Documentation. The existence of the Hedge will be noted on the first form relating to the issuance of the Hedged Bonds that is filed with the Internal Revenue Service on or after the date hereof.

[EXECUTION PAGE FOLLOWS]

EXECUTED as of this _____ day of _____, 20_____.

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: _____
Name: Monica Galuski
Title: Director of Bond Finance

Attachment:

- Exhibit A: Retained Loan Notice
- Exhibit B: Certificate of Hedge Provider

EXHIBIT A
(to Qualified Hedge Identification Certificate)

RETAINED LOAN NOTICE

[TO BE ADDED]

EXHIBIT B
(to Qualified Hedge Identification Certificate)

CERTIFICATE OF HEDGE PROVIDER

Hilltop Securities Inc. (the “Hedge Provider”) has agreed to enter into a forward transaction (the “Hedge”) with the Texas Department of Housing and Community Affairs (the “Department”) in connection with the proposed issuance of qualified mortgage bonds by the Department (the “Hedged Bonds”). I, the undersigned office of the Hedge Provider, hereby certify as follows:

1. I am the duly chosen, qualified and acting officer of the Hedge Provider for the office shown below my signature; as such, I am familiar with the facts herein certified (which certifications are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institution knowledge (or both) regarding the matters set forth herein) and am duly authorized to execute and deliver this certificate on behalf of the Hedge Provider.
2. The terms of the Hedge were agreed to between a willing buyer and willing seller in a bona fide, arm’s-length transaction.
3. The Hedge Provider has not made, and does not expect to make, any payment to any third party for the benefit of the Department in connection with the Hedge, except as expressly identified in the Hedge.
4. The amounts payable to the Hedge Provider pursuant to the Hedge do not include any payments for underwriting or other services unrelated to the Hedge Provider’s obligations under the Hedge, except for any such payment expressly identified in the Hedge.

The Department is hereby authorized to rely on the statements made herein in connection with making the representations set forth in a federal tax certificate and in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended (the “Code”), on the excludability of interest on the Hedged Bonds from the gross income of their owners. Bracewell LLP, as bond counsel, is hereby authorized to rely on this certificate for purposes of its opinion regarding the treatment of interest on the Hedged Bonds as excludable from gross income for federal income tax purposes and its preparation of the Internal Revenue Service Form 8038. The Hedge Provider is certifying only as to facts in existence on the date hereof. The Hedge Provider makes no representation as to the legal sufficiency of the matters set forth herein for purposes of complying with the Code or for any other purpose. Nothing herein represents the Hedge Provider’s interpretation of any laws; in particular the regulations under section 148 of the Code or the application of any laws to these facts.

[EXECUTION PAGE FOLLOWS]

Executed as of the _____ day of _____, 20____.

HILLTOP SECURITIES INC.

By: _____
Name: Michael J. Marz
Title: Vice Chairman

EXHIBIT B

FORM PAIR-OFF AMOUNT

(Specific Data Shown for Illustrative Purposes Only)

	Total	G2SF 3.5 Sep	G2SF 4.0 Sep	G2SF 4.5 Sep	G2SF 3.5 Oct	G2SF 4.0 Oct	G2SF 4.5 Oct
Settle Date	9/16/2014	9/16/2014	9/16/2014	9/16/2014	9/16/2014	9/16/2014	9/16/2014
Original Balance	7,967,738.33	1,396,027.63	1,335,259.82	920,417.00	895,042.00	1,479,643.86	1,941,328.00
Hedge Size	7,967,736.00	1,396,027.00	1,335,259.00	920,417.00	895,042.00	1,479,643.00	1,941,328.00
FSW Rate Lock Price	105.04361	102.17890	105.11819	107.43664	102.13628	104.78400	107.58857
FSW Rate Lock Spread	0.75000	0.75000	0.75000	0.75000	0.75000	0.75000	0.75000
Hedge Market Price	105.89122	103.20322	105.96870	108.42187	102.85937	105.62500	108.71875
Net Pair-off Price	(0.84761)	(1.02632)	(0.76059)	(0.70309)	(0.70309)	(0.84003)	(0.80301)
Net Pair-off Amount	\$ (87,593) \$	(14,328) \$	(10,019) \$	(8,897) \$	(6,292) \$	(12,444) \$	(15,995) \$

Grand Total		7,967,738		4,330		0.090		0.224		0.00		2.79		4.04		105.04		0.75				
Loan Id	MFA Loan Id	Government Type	Original Balance	Gross Rate	Guarantee Fee	Servicing Fee	Excess Servicing Fee	Initial Rate Lock Date	Rate Lock Term (Days)	Lender Actual Close Date	Service Purchase Date	Expected MBS Settlement Date	Extension Date	Extension Days	Sorrower First Name	Sorrower Last Name	MBS Ticker	TBA Hedge	MBS Coupon	FSW Rate Lock Price	FSW Rate Lock Spread	Package
100222	350100222	FHA Insured	51,549	4.750	0.00	0.15	0	3/6/2014	45	8/14/2014	8/14/2014	7/14/2014		-0.375	18	Franz	Grimmer	02SF 4.0 Sep	4.5	104.82101	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599
100200	350100200	FHA Insured	87,387	4.750	0.00	0.15	0	3/6/2014	45	7/22/2014	8/12/2014	9/20/2014	9/9/2014	-0.375	32	Anahar	Lopez	02SF 4.5 Sep	4.5	107.08505	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399
100170	350100170	FHA Insured	149,241	4.750	0.00	0.15	0	3/6/2014	45	7/10/2014	8/12/2014	10/1/2014	8/9/2014	-0.1875	15	Sarah	Lowell	02SF 4.5 Oct	4.5	107.06250	0.75000	NMFA HERO PROGRAM 6599
100339	350100339	FHA Insured	91,866	3.750	0.00	0.15	0	3/6/2014	45	7/25/2014	8/12/2014	9/5/2014	-0.1875	19	Jamie	Hernandez	02SF 3.5 Sep	3.5	102.25391	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100354	350100354	FHA Insured	132,450	4.750	0.00	0.15	0	3/6/2014	45	8/9/2014	8/22/2014	10/1/2014	9/5/2014	-0.1875	14	Vivian	Nunes	02SF 4.5 Oct	4.5	107.39539	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399
100385	350100385	FHA Insured	99,243	4.750	0.00	0.15	0	3/6/2014	45	8/9/2014	8/25/2014	9/18/2014			Valerie M	Antiga	02SF 4.5 Sep	4.5	107.19531	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399	
100388	350100388	FHA Insured	137,003	4.750	0.00	0.15	0	3/6/2014	45	7/23/2014	8/13/2014	9/18/2014			Augustus	Teavaka	02SF 4.5 Sep	4.5	107.29000	0.75000	NMFA HERO PROGRAM 6599	
100433	350100433	FHA Insured	117,826	3.750	0.00	0.15	0	3/6/2014	45	7/23/2014	8/13/2014	9/18/2014			Bernie A	Wesner	02SF 3.5 Sep	3.5	102.29150	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100394	350100394	FHA Insured	127,645	4.750	0.00	0.15	0	3/6/2014	45	7/13/2014	8/22/2014	10/1/2014	9/5/2014	-0.1875	18	John	Chen	02SF 4.5 Oct	4.5	106.92189	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399
100397	350100397	FHA Insured	127,645	3.750	0.00	0.15	0	3/6/2014	45	7/13/2014	8/22/2014	10/1/2014	9/5/2014	-0.1875	18	Sean C	Abeyta	02SF 3.5 Sep	3.5	107.39938	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399
100417	350100417	FHA Insured	98,188	4.750	0.00	0.15	0	3/6/2014	45	8/19/2014	8/28/2014	10/18/2014	8/15/2014	-0.375	10	Ramon	Mora	02SF 4.5 Oct	4.5	107.10447	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399
100390	350100390	FHA Insured	153,075	4.250	0.00	0.15	0	3/6/2014	45	7/31/2014	8/20/2014	10/1/2014	9/5/2014	-0.1875	13	George	Serrano	02SF 4.0 Oct	4	104.32811	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599
100401	350100401	FHA Insured	137,464	4.250	0.00	0.15	0	3/6/2014	45	7/18/2014	8/15/2014	9/18/2014			Jeffrey S	Hammour	02SF 4.0 Sep	4	104.70711	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100400	350100400	FHA Insured	152,683	4.250	0.00	0.15	0	3/6/2014	45	7/24/2014	8/22/2014	9/18/2014			Lacey J	Cardosa	02SF 4.0 Sep	4	104.92189	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100200	350100200	FHA Insured	82,778	4.500	0.00	0.44	0	3/6/2014	45	7/30/2014	8/13/2014	9/18/2014			Caterina	Macias	02SF 4.0 Sep	4	105.63281	0.75000	NMFA HERO PROGRAM 6599	
100459	350100459	FHA Insured	88,369	3.750	0.00	0.15	0	3/6/2014	45	7/23/2014	8/22/2014	9/18/2014			Ruben S	Lujan	02SF 3.5 Sep	3.5	102.48928	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100509	350100509	FHA Insured	189,569	4.750	0.00	0.15	0	3/6/2014	45	8/30/2014	8/24/2014	9/18/2014			Gregorio T	Chaves	02SF 4.0 Sep	4	105.46484	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100467	350100467	FHA Insured	62,840	4.750	0.00	0.15	0	3/6/2014	45	8/8/2014	8/20/2014	9/18/2014			Linda	Rubio	02SF 4.5 Sep	4.5	107.65672	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399	
100488	350100488	FHA Insured	191,468	4.750	0.00	0.15	0	3/6/2014	45	7/30/2014	8/12/2014	9/18/2014			Sharon C	Francis	02SF 4.5 Sep	4.5	107.73438	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399	
100524	350100524	FHA Insured	104,570	4.750	0.00	0.15	0	3/6/2014	45	7/22/2014	8/13/2014	9/18/2014			Michael B	Howell	02SF 4.5 Sep	4.5	107.87189	0.75000	NMFA MORTGAGE SAVER PLUS GOVT 1399	
100450	350100450	FHA Insured	132,580	4.250	0.00	0.15	0	3/6/2014	45	7/23/2014	8/15/2014	9/18/2014			Gregorio T	Chaves	02SF 4.0 Sep	4	105.46484	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100451	350100451	FHA Insured	98,090	4.250	0.00	0.15	0	3/6/2014	45	7/17/2014	8/13/2014	9/18/2014			Renee C	Lager	02SF 4.0 Sep	4	105.46484	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100458	350100458	FHA Insured	142,864	4.250	0.00	0.15	0	3/6/2014	45	8/23/2014	8/13/2014	9/18/2014			Jonny S	Wilson	02SF 4.0 Sep	4	105.46484	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100463	350100463	FHA Insured	162,670	4.250	0.00	0.15	0	3/6/2014	45	7/24/2014	8/29/2014	9/18/2014			Brian	Coyle	02SF 4.0 Sep	4	105.19411	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100465	350100465	FHA Insured	79,532	4.250	0.00	0.15	0	3/6/2014	45	8/24/2014	8/15/2014	9/18/2014			Joshua David	Halls	02SF 4.0 Sep	4	105.19411	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100474	350100474	FHA Insured	106,043	4.250	0.00	0.15	0	3/6/2014	45	8/24/2014	8/22/2014	9/18/2014			Omer I	Talantantes	02SF 4.0 Sep	4	105.19411	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100483	350100483	FHA Insured	81,911	4.250	0.00	0.15	0	3/6/2014	45	8/25/2014	8/19/2014	9/18/2014			Christopher P	Raei	02SF 4.0 Sep	4	105.38281	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100496	350100496	FHA Insured	115,371	4.250	0.00	0.15	0	3/6/2014	45	8/26/2014	8/24/2014	9/18/2014			Dorian	Gonzalez	02SF 4.0 Sep	4	105.46511	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100504	350100504	FHA Insured	108,007	4.000	0.00	0.44	0	3/6/2014	45	7/27/2014	8/13/2014	9/18/2014			Brandie A	Daron	02SF 3.5 Sep	3.5	102.46018	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100518	350100518	FHA Insured	137,464	4.000	0.00	0.44	0	3/6/2014	45	7/29/2014	8/19/2014	9/18/2014			Morgan J	Rehner	02SF 3.5 Sep	3.5	102.50678	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 6599	
100612	350100612	FHA Insured	154,116	4.750	0.00	0.15	0	3/6/2014	45	7/14/2014	8/20/2014	10/21/2014			Melinda E	Song	02SF 4.5 Oct	4.5	107.66400	0.75000	NMFA HERO PROGRAM 6599	
100615	350100615	FHA Insured	152,152	4.750	0.00	0.15	0	3/6/2014	45	7/25/2014	8/19/2014	10/21/2014			Anita L	Handvoll	02SF 4.5 Oct	4.5	107.42189	0.75000	NMFA HERO PROGRAM 6599	
100618	350100618	FHA Insured	193,408	4.750	0.00	0.15	0	3/6/2014	45	7/19/2014	8/18/2014	10/21/2014			Carlos E	Yardago	02SF 4.5 Oct	4.5	107.40311	0.75000	NMFA HERO PROGRAM 6599	
100552	350100552	FHA Insured	141,391	4.750	0.00	0.15	0	3/6/2014	45	7/31/2014	8/15/2014	9/18/2014			Nori Anne	Wallace	02SF 3.5 Sep	3.5	101.92969	0.75000	NMFA MORTGAGE SAVER GOVT 2999	
100547	350100547	FHA Insured	113,702	3.750	0.00	0.15	0	3/6/2014	45	7/7/2014	8/15/2014	10/21/2014			Jeanathan	Martinez	02SF 3.5 Oct	3.5	101.60797	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100581	350100581	FHA Insured	79,592	3.750	0.00	0.15	0	3/6/2014	45	7/11/2014	8/15/2014	10/21/2014			Dorothy	Montano	02SF 3.5 Oct	3.5	102.19411	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100590	350100590	FHA Insured	109,001	3.750	0.00	0.15	0	3/6/2014	45	7/13/2014	8/15/2014	10/21/2014			Erica A	Ortiz	02SF 3.5 Oct	3.5	102.19411	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100593	350100593	FHA Insured	126,961	3.750	0.00	0.15	0	3/6/2014	45	7/30/2014	8/11/2014	10/21/2014			Joshua M	Green	02SF 3.5 Oct	3.5	102.19411	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100620	350100620	FHA Insured	127,546	3.750	0.00	0.15	0	3/6/2014	45	8/7/2014	8/21/2014	10/21/2014			Luis	Morriya	02SF 3.5 Oct	3.5	102.18775	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100660	350100660	FHA Insured	88,638	3.750	0.00	0.15	0	3/6/2014	45	7/23/2014	8/24/2014	10/21/2014			Erigne T	Lowery	02SF 3.5 Oct	3.5	102.46049	0.75000	NMFA MORTGAGE SAVER ZERO GOVT 2999	
100525	350100525	FHA Insured	99,261	4.750	0.00	0.15	0	3/6/2014	45	7/22/2014	8/14/2014	9/18/2014			Farooq	Nasredd						

Exhibit G

SECOND AMENDMENT TO MASTER TRADE CONFIRMATION

This Second Amendment to Master Trade Confirmation (this “Second Amendment”) made as of June __, 2018, is between Texas Department of Housing and Community Affairs (“Seller”) and Hilltop Securities Inc. (“Purchaser”), and amends that certain Master Trade Confirmation made as of October 1, 2015, as amended by a First Amendment to Master Trade Confirmation made as of October 3, 2016 (collectively, the “Original Master Trade Confirmation”), each between Seller and Purchaser (as assignee of First Southwest Company, LLC). Capitalized terms have the same meanings as set forth in the Original Master Trade Confirmation.

WHEREAS, Purchaser and Seller wish to amend the Original Master Trade Confirmation to clarify Seller’s option to Retain Mortgage Loans.

NOW THEREFORE, Seller and Purchaser agree as follows:

Section 1.01. Amendment to Section 27. Section 27 of the Original Master Trade Confirmation is deleted in its entirety and replaced with the following:

27. Seller Option to Retain Mortgage Loans. Notwithstanding any provision of this Agreement to the contrary, in connection with Seller’s potential issuance of qualified mortgage bonds collateralized by Securities, Seller may elect to retain Mortgage Loans (“Retained Mortgage Loans”) originated under the Program and not deliver Securities backed by such Retained Mortgage Loans to Purchaser under this Agreement. Following such notification, Seller and Purchaser shall have no additional obligations or rights hereunder with respect to the Retained Mortgage Loans. Instead, the Retained Mortgage Loans shall be governed by the terms of that certain Retained Mortgage Loan Agreement made as of June __, 2018, between Seller and Purchaser.

Section 1.02. Amendment to Exhibit F. Exhibit F of the Original Master Trade Confirmation is deleted in its entirety.

Section 1.03. Miscellaneous. This Second Amendment may be executed in counterparts and shall be effective as of the date set forth above. Except for the amendment made by Sections 1.01 and 1.02 of this Second Amendment, all provisions of the Original Master Trade Confirmation shall remain in full force and effect; provided that this Second Amendment shall be deemed incorporated into the Original Master Trade Confirmation so that references therein to “Master Trade Confirmation” (or “Original Master Trade Confirmation”) shall be deemed to include this Second Amendment.

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IN WITNESS WHEREOF, the undersigned have executed this Second Amendment as duly authorized representatives of, and on behalf of, Purchaser and Seller, respectively.

HILLTOP SECURITIES INC.

By: _____
Name: Michael J. Marz
Title: Vice Chairman

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
Name: Timothy K. Irvine
Title: Executive Director

[Signature Page to Second Amendment to Master Trade Confirmation]