

**SUPPLEMENT TO
OFFICIAL STATEMENT**

dated July 31, 2009

relating to

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

\$80,000,000
Residential Mortgage
Revenue Bonds
Series 2009A (Non-AMT)

\$22,605,000
Residential Mortgage
Revenue Refunding Bonds
Series 2009B (AMT)

This supplement (this "Supplement") amends the above-referenced Official Statement (the "Official Statement"). Capitalized terms used but not otherwise defined in this Supplement have the meanings ascribed to such terms in the Official Statement.

ASSUMPTIONS AND RISKS – Assumptions

Clause (g) under the caption "**ASSUMPTIONS AND RISKS – Assumptions**" on page 24 of the Official Statement is hereby amended to change the reference to the Pass-Through Rate percentage from 5.80% to 5.75%, so that such clause (g) shall read, in its entirety, as follows:

"(g) the 2009 A Mortgage Certificates will bear a Pass-Through Rate of no less than 5.75%. The Pass-Through Rates are subject to change in connection with a modification of Servicing Fees. The Department makes no assurances that the foregoing assumptions can be realized. In particular, the Department establishes the interest rates on the Mortgage Loans (including Mortgage Certificates) on an ongoing basis as the Department deems necessary and appropriate, subject to the requirements of the Trust Indenture, including the Cashflow Statement. Interest rates are determined by reference to conventional mortgage rates, availability of mortgage funding alternatives, historical interest rate patterns and the Department's cost of funds."

APPENDIX A – GLOSSARY

The definition of "Pass-Through Rate" contained in "**APPENDIX A – GLOSSARY**" on page A-6 of the Official Statement is hereby amended to change the rate referenced therein from 5.80% to 5.75%, so that such definition shall read, in its entirety, as follows:

"'Pass-Through Rate' shall mean, initially 5.75% with respect to 2009 A Mortgage Certificates, subject to adjustment upon written notice from the Department."

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Dated: August 13, 2009

OFFICIAL STATEMENT

RATINGS:
Moody's:Aaa
S & P:AAA

Vinson & Elkins L.L.P. , Bond Counsel, is of the opinion, that subject to certain conditions described herein, (i) interest on the Series 2009 Bonds is excludable from gross income for federal income tax purposes under existing law, (ii) interest on the Series 2009A Bonds is not (a) a specific preference item subject to the alternative minimum tax on individuals and corporations, or (b) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax, and (iii) interest on the Series 2009B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion, including a description of the federal alternative minimum tax on individuals and corporations.

NEW ISSUES - BOOK-ENTRY ONLY

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

\$80,000,000
Residential Mortgage
Revenue Bonds
Series 2009A (Non-AMT)

\$22,605,000
Residential Mortgage
Revenue Refunding Bonds
Series 2009B (AMT)

Dated Date: Date of Delivery

Due: As shown on inside cover page

The Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and the Residential Mortgage Revenue Refunding Bonds, Series 2009B (the "Series 2009B Bonds," together with the Series 2009A Bonds, the "Series 2009 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 2009 Bonds. The Series 2009 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 2009 Bonds, the principal or redemption price of, and interest on, the Series 2009 Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Houston, Texas, 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 2009 Bonds. The purchasers of the Series 2009 Bonds will not receive certificates representing their beneficial ownership interest. See "THE SERIES 2009 BONDS - DTC and Book-Entry."

The Series 2009 Bonds will accrue interest from the date of delivery until their maturity or prior redemption at the per annum rates of interest set forth on the inside cover page hereof. Interest on the Series 2009 Bonds will be payable to DTC commencing on January 1, 2010, and semi-annually thereafter on each July 1 and January 1 until maturity or prior redemption thereafter, all as more fully described on the inside cover page hereof.

THE SERIES 2009 BONDS ARE SUBJECT TO SPECIAL REDEMPTION, OPTIONAL REDEMPTION, AND MANDATORY SINKING FUND REDEMPTION ON THE DATES AND AT THE REDEMPTION PRICES, INCLUDING REDEMPTION AT PAR, WHICH ARE MORE FULLY DESCRIBED HEREIN. See "THE SERIES 2009 BONDS - Redemption Provisions."

The Series 2009A Bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed, pass-through certificates (the "Mortgage Certificates") backed by qualifying FHA-insured or VA- or RHS-guaranteed mortgage loans, or conventional mortgage loans made to eligible borrowers for single-family residences located in the State of Texas. For certain geographic and income restrictions, see "THE PROGRAM AND THE MORTGAGE LOANS." The Mortgage Certificates will be guaranteed as to timely payment of principal and interest by either the Government National Mortgage Association ("Ginnie Mae") (the "Ginnie Mae Certificates"), Freddie Mac ("Freddie Mac") ("Freddie Mac Certificates") or Fannie Mae ("Fannie Mae") (the "Fannie Mae Certificates"). See APPENDIX C-1, APPENDIX C-2 and APPENDIX C-3. The proceeds of the Series 2009B Bonds will be used for the purpose of refunding and redeeming all or a portion of the Department's outstanding Residential Mortgage Revenue Bonds, Series 1999B and outstanding Residential Mortgage Revenue Refunding Bonds, Series 1999C. The Series 2009 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 2009 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 2009 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 2009 BONDS OR ANY OTHER OBLIGATIONS ISSUED BY THE DEPARTMENT.

The Series 2009 Bonds are offered when, as, and if issued by the Department. Delivery of the Series 2009 Bonds is subject to approval of the legality thereof by Vinson & Elkins L.L.P., Bond Counsel, and by the Attorney General of the State of Texas, and certain other conditions. Certain legal matters will be passed upon for the Department by its General Counsel, Kevin Hamby, Esq. and by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord Bissell & Liddell LLP. It is expected that the Series 2009 Bonds will be available for delivery to DTC in book-entry only form on or about August 18, 2009.

July 31, 2009

J.P.Morgan

Loop Capital Markets, LLC

Merrill Lynch & Co.

Morgan Stanley & Co.

MATURITY SCHEDULE

\$80,000,000 Series 2009A Bonds (Non-AMT)

\$5,970,000 Series 2009A Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield</u>
July 1, 2011	\$ 360,000	1.400%	100%
January 1, 2012	360,000	1.800%	100%
July 1, 2012	355,000	1.875%	100%
January 1, 2013	350,000	2.250%	100%
July 1, 2013	345,000	2.350%	100%
January 1, 2014	345,000	2.750%	100%
July 1, 2014	335,000	2.800%	100%
January 1, 2015	340,000	3.050%	100%
July 1, 2015	340,000	3.100%	100%
January 1, 2016	345,000	3.375%	100%
July 1, 2016	335,000	3.450%	100%
January 1, 2017	340,000	3.800%	100%
July 1, 2017	340,000	3.800%	100%
January 1, 2018	340,000	3.900%	100%
July 1, 2018	335,000	3.900%	100%
January 1, 2019	375,000	4.000%	100%
July 1, 2019	430,000	4.000%	100%

\$4,540,000 4.85% Term Bonds due July 1, 2024 Price 100%
\$14,015,000 5.10% Term Bonds due July 1, 2029 Price 100%
\$12,840,000 5.30% Term Bonds due July 1, 2034, Price 100%
\$20,000,000 5.375% Premium PAC Term Bonds due January 1, 2039 Price 106.381%
\$22,635,000 5.45% Term Bonds due July 1, 2039 Price 100%

(Interest Accrues from Date of Delivery)

\$22,605,000 Series 2009B Bonds (AMT)

\$3,345,000 Series 2009B Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield</u>
January 1, 2010	\$ 295,000	1.65%	100%
July 1, 2010	305,000	1.80%	100%
January 1, 2011	315,000	2.15%	100%
January 1, 2012	405,000	2.60%	100%
January 1, 2013	435,000	3.05%	100%
January 1, 2014	470,000	3.55%	100%
July 1, 2014	100,000	3.60%	100%
July 1, 2016	500,000	4.25%	100%
July 1, 2017	20,000	4.55%	100%
January 1, 2018	250,000	4.70%	100%
July 1, 2018	250,000	4.70%	100%

\$11,100,000 4.80% Term Bonds due July 1, 2019 Price 100%
\$8,160,000 5.25% Term Bonds due July 1, 2022 Price 100%

(Interest Accrues from Date of Delivery)

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 2009 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 2009 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 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 2009 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.

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OFFICIAL STATEMENT

Relating to

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

\$80,000,000
Residential Mortgage
Revenue Bonds
Series 2009A (Non-AMT)

\$22,605,000
Residential Mortgage
Revenue Refunding Bonds
Series 2009B (AMT)

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 Residential Mortgage Revenue Bonds, Series 2009A (the "Series 2009A Bonds") and Residential Mortgage Revenue Refunding Bonds, Series 2009B (the "Series 2009B Bonds," together with the Series 2009A Bonds, the "Series 2009 Bonds"). The Series 2009 Bonds will be issued bearing interest at fixed rates. 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 the 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 2009 Bonds are authorized to be issued pursuant to the Act, a resolution adopted by the Governing Board of the Department on July 16, 2009 (the "Bond Resolution"), a Residential Mortgage Revenue Bond Trust Indenture, dated as of November 1, 1987 (the "Master Indenture" and as amended and supplemented from time to time, collectively, the "Trust Indenture") between the Agency or the Department, as the case may be, and MTrust Corp, or its successor as trustee, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Trustee"), a Twenty-Eighth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twenty-Eighth Supplemental Indenture") with respect to the Series 2009A Bonds, dated as of August 1, 2009 and a Twenty-Ninth Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twenty-Ninth Supplemental Indenture") with respect to the Series 2009B Bonds, dated as of August 1, 2009. The Twenty-Eighth Supplemental Indenture and the Twenty-Ninth Supplemental Indenture are collectively referred to as the "2009 Supplemental Indenture." The Trust Indenture authorizes the Department to issue bonds to provide funds to acquire or refinance residential mortgage loans or participations therein ("Mortgage Loans") which are made to Eligible Borrowers, as determined from time to time by the Department, to refund Outstanding Bonds issued under the Trust Indenture or certain other bonds of the Department or the Agency, to fund certain reserves, and to pay costs associated therewith. The Department has previously issued twenty-seven prior series of residential mortgage revenue bonds (the "Prior Bonds") under the Trust Indenture of which \$267,590,000 in aggregate principal amount was outstanding as of May 31, 2009. See "SECURITY FOR THE BONDS -- Prior Bonds." The Series 2009 Bonds, the Prior Bonds and, unless subordinated, all bonds subsequently issued pursuant to the Trust

Indenture (collectively, the "Bonds") are 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."

The Series 2009A Bonds are being issued (i) for the primary purpose of providing funds for the purchase of mortgage-backed pass-through certificates (the "2009 A Mortgage Certificates") guaranteed as to timely payment of principal and interest by either the Government National Mortgage Association ("Ginnie Mae"), Freddie Mac or Fannie Mae which represent beneficial ownership of pools of Mortgage Loans (the "2009 A Mortgage Loans"); (ii) to fund capitalized interest; (iii) to fund down payment and closing cost assistance and (iv) for paying a portion of the Costs of Issuance of the Series 2009 Bonds. The Series 2009B Bonds are being issued for the purpose of refunding and redeeming all or a portion of the Department's outstanding Residential Mortgage Revenue Bonds, Series 1999B and outstanding Residential Mortgage Revenue Refunding Bonds, Series 1999C (collectively, the "Refunded Bonds"). The 2009 A Mortgage Certificates together with the mortgage pass-through certificates acquired with proceeds of the Prior Bonds or Bonds subsequently issued pursuant to the Trust Indenture are referred to herein as the "Mortgage Certificates." Twenty percent (20%) of the lendable proceeds of the Series 2009A Bonds will be set aside for at least one year for the purpose of making Mortgage Loans to borrowers in certain federally designated targeted areas. In addition, thirty percent (30%) of the lendable funds made available through the issuance of the Series 2009A Bonds will be reserved for a period of one year (or such longer period as determined by the Department) to make Mortgage Loans to individuals and families of low income (not exceeding 80% of applicable median family income). In connection with the Program, the Department expects to make available to all Eligible Borrowers down payment and closing costs assistance in an amount up to 4% of the principal amount of the Mortgage Loan in the form of a Second Lien Deferred Forgivable Loan. See "THE PROGRAM AND THE MORTGAGE LOANS – Low Income Reservation" and "– Second Lien Deferred Forgivable Program (DFP)" and "ASSUMPTIONS AND RISKS -- Non-Origination of Mortgage Loans."

The Series 2009 Bonds are on a parity in all respects with all outstanding Prior Bonds and, unless subordinated, any Bonds subsequently issued. The Prior 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 Fund) and other property pledged under the Trust Indenture (collectively, the "Trust Estate"). The Trust Estate currently includes, among other things, Mortgage Certificates which were purchased with the proceeds of the Prior Bonds (other than the Series 1987A Bonds) and FHA-insured Mortgage Loans not backed by Mortgage Certificates (purchased with proceeds of the Series 1987A Bonds). There is no requirement that proceeds of subsequent issues of Bonds be used to purchase Mortgage Certificates. 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 constitute Revenues. 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 Trust Indenture established a Debt Service Reserve Fund and a Mortgage Reserve Fund. However for Bonds issued subsequent to 1997, there is no requirement in the Trust Indenture that additional deposits be made to, or additional amounts be maintained in, the Debt Service Reserve Fund or the Mortgage Reserve Fund. All Bonds issued prior to 1997 have been defeased. Accordingly, the Debt Service Reserve Fund and Mortgage Reserve Fund have been extinguished.

THE SERIES 2009 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 2009 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 2009 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 2009 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 2009 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 - Prior Bonds" and "APPENDIX F-1 -- ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES." For information concerning other single family and multi-family programs of the Department, see "APPENDIX F-2 -- OTHER INDEBTEDNESS OF THE DEPARTMENT."

PLAN OF FINANCE

Proceeds of the Series 2009A Bonds will be (a) deposited to the 2009 A/B Mortgage Loan Account of the Mortgage Loan Fund and used to purchase 2009 A Mortgage Certificates, (b) used to fund capitalized interest, (c) used to fund down payment and closing cost assistance and (d) used to pay a portion of the Costs of Issuance of the Series 2009 Bonds.

Proceeds of the Series 2009B Bonds will be used to refund the Refunded Bonds. See "SOURCES AND USES OF FUNDS" herein.

SOURCES AND USES OF FUNDS

The sources of funds and the uses thereof in connection with the Series 2009 Bonds are expected to be approximately as set forth below.

Sources:

Series 2009A Bond Proceeds	\$80,000,000.00
Series 2009B Bond Proceeds	22,605,000.00
Bond Premium on 2009A Bonds	1,276,200.00
Released Funds from Refunded Bonds	508,458.83
Transfer from Zero Percent Loan Pool	1,332,000.00
Master Servicer Contribution	779,368.27
Department Contribution	250,000.00
Total Sources	<u>\$106,751,027.10</u>

Uses:

Deposit to 2009A/B Mortgage Loan Account	\$79,039,064.68
Capitalized Interest	2,800,000.00
Redemption of Refunded Bonds ⁽¹⁾	22,605,000.00
Redemption Premium on Refunded Bonds	264,750.00
Accrued Interest on Refunded Bonds	243,708.83
Costs of Issuance ⁽²⁾	1,798,503.59
Total Uses	<u>\$106,751,027.10</u>

⁽¹⁾ The 1999 Transferred Mortgage Certificates will be transferred to the 2009 A/B Mortgage Loan Account upon redemption of the Refunded Bonds and cash representing Mortgage Loan Principal Payments relating to the Refunded Bonds will be deposited into the 2009 A/B Revenue Account. See "THE 1999 TRANSFERRED MORTGAGE CERTIFICATES."

⁽²⁾ Includes Underwriters' compensation

THE SERIES 2009 BONDS

General

The Series 2009 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 2009 Bonds. The Series 2009 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 2009 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 2009 Bonds or their nominees. See "THE SERIES 2009 BONDS - DTC and Book-Entry."

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Interest

The Series 2009 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 2009 Bonds will be payable on January 1, 2010, and semiannually on each July 1 and January 1 thereafter until maturity or prior redemption. Interest on the Series 2009 Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months.

Redemption Provisions

The Series 2009 Bonds are subject to optional redemption, special redemption, and mandatory sinking fund redemption at various times prior to their scheduled maturities at various redemption prices as described below. **The Department anticipates that substantially all of the Series 2009 Bonds will be redeemed prior to their scheduled maturities as the result of the receipt by the Department of amounts representing Mortgage Loan Principal Prepayments and from certain excess Revenues transferred from the Residual Revenues Fund.**

Special Redemption from Unexpended Proceeds

The Series 2009A 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 shall be at a Redemption Price equal to 106.381% of the Principal Amount thereof) plus accrued interest thereon to, but not including, the date of redemption, from amounts transferred to the 2009 A/B Special Redemption Account as soon as practicable after (i) receipt of the certification of the Department that such amounts will not be used to purchase 2009 A Mortgage Certificates or (ii) the end of a Certificate Purchase Period, as the case may be, but in no event later than August 1, 2010 for Twelve-Month Volume Cap, or later than February 1, 2013 for all other amounts.

The term "Twelve-Month Volume Cap" shall mean the proceeds of the Series 2009A Bonds in the amount of \$30,000,000, representing private activity bond volume cap made available pursuant to the Housing and Economic Recovery Act of 2008.

Special Redemption From Mortgage Loan Principal Prepayments

The Series 2009 Bonds shall be subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time as soon as practicable, at a redemption price equal to 100% of the Principal Amount of the Series 2009 Bonds or portions thereof to be redeemed, plus accrued interest to, but not including the redemption date, from amounts on deposit in the 2009 A/B Special Redemption Account in accordance with the Trust Indenture.

Mortgage Loan Principal Prepayments Relating to 2009 A Mortgage Certificates. In the event of a redemption from Mortgage Loan Principal Prepayments relating to the 2009 A Mortgage Certificates and associated DFP Loans, if any, the Trustee shall select the particular Series 2009 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>
August 18, 2009	\$ 20,000,000
January 1, 2010	20,000,000
July 1, 2010	19,885,000
January 1, 2011	19,450,000
July 1, 2011	18,675,000
January 1, 2012	17,570,000
July 1, 2012	16,155,000
January 1, 2013	14,565,000
July 1, 2013	12,980,000
January 1, 2014	11,450,000
July 1, 2014	9,960,000
January 1, 2015	8,515,000
July 1, 2015	7,115,000
January 1, 2016	5,760,000
July 1, 2016	4,450,000
January 1, 2017	3,175,000
July 1, 2017	1,945,000
January 1, 2018	755,000
July 1, 2018	0

(b) amounts remaining following the redemptions specified in clause (a) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, to the redemption of those maturities of the Series 2009A Bonds (excluding the Premium PAC Term Bonds) which would produce, as nearly as practicable, a pro rata redemption of the Series 2009A Bonds (excluding the Premium PAC Term Bonds) to the extent that the Outstanding principal amount of all Series 2009A Bonds following such redemption is not less than the Series 2009A Cumulative Applicable Amount as of such date;

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The Series 2009A Cumulative Applicable Amount is as follows:

<u>Date</u>	<u>Series 2009A Cumulative Applicable Amount</u>
August 18, 2009	\$ 80,000,000
January 1, 2010	78,335,000
July 1, 2010	76,905,000
January 1, 2011	74,005,000
July 1, 2011	69,340,000
January 1, 2012	63,360,000
July 1, 2012	56,365,000
January 1, 2013	49,140,000
July 1, 2013	42,680,000
January 1, 2014	37,010,000
July 1, 2014	32,080,000
January 1, 2015	27,775,000
July 1, 2015	24,035,000
January 1, 2016	20,460,000
July 1, 2016	17,360,000
January 1, 2017	14,675,000
July 1, 2017	12,355,000
January 1, 2018	10,345,000
July 1, 2018	8,605,000

(c) amounts remaining following the redemptions specified in clauses (a) and (b) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, to the redemption of those maturities of the Series 2009A Bonds which would produce, as nearly as practicable, a pro rata redemption of all of the Series 2009A Bonds taking into account the amounts applied to redeem the Series 2009A Bonds pursuant to the above-described redemptions; and

(d) amounts remaining following the redemptions described in clauses (a), (b) and (c) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, to the redemption of the Series 2009B Bonds on a pro rata basis.

Any special redemption of the Series 2009A Bonds pursuant to the "Special Redemption from Unexpended Proceeds" described above will reduce the Premium PAC Term Bonds Outstanding Applicable Amount and the Series 2009A Cumulative Applicable Amount (collectively, the "Applicable Amount") described above for the current and each future semiannual period by an amount equal to the product of each period's Applicable Amount and a fraction the numerator of which equals the sum of the amount of moneys disbursed from the 2009 A/B Mortgage Loan Account to redeem Series 2009A Bonds and the denominator of which equals the sum of the amount of moneys initially deposited by the Trustee in the 2009 A/B Mortgage Loan Account for the purchase of 2009 A Mortgage Certificates.

Mortgage Loan Principal Prepayments Relating to 1999 Transferred Mortgage Certificates. In the event of a redemption pursuant from Mortgage Loan Principal Prepayments relating to the 1999 Transferred Mortgage Certificates, the Trustee shall, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, apply such amounts to the redemption of the Series 2009B Bonds on a pro rata basis.

Amounts remaining after the Series 2009B Bonds are no longer Outstanding will be used, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, to the redemption of the Series 2009A Bonds in the amounts and order specified in clauses (a), (b) and (c) above under the caption “THE SERIES 2009 BONDS – Redemption Provisions – Special Redemption From Mortgage Loan Principal Prepayments – Mortgage Loan Principal Prepayments Relating to 2009 A Mortgage Certificates.”

Special Redemption From Excess Revenues

The Series 2009 Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time as soon as practicable, after giving notice as provided in the Trust Indenture, at a redemption price equal to 100% of the principal amount of the Series 2009 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 2009 A/B Special Redemption Account from the Residual Revenues Fund in accordance with the Trust Indenture.

In the event of a redemption from excess Revenues, the Trustee shall, unless otherwise directed by Department, apply amounts transferred to the 2009 A/B Residual Revenues Account to redeem (a) 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, and from any remaining amounts, (b) all Series 2009 Bonds Outstanding on a pro rata basis (provided however that the Premium PAC Term Bonds shall not be redeemed in an amount that would cause the Outstanding principal amount of the Premium PAC Term Bonds to be less than Premium PAC Term Bonds Outstanding Applicable Amount unless the Outstanding principal amount of all Series 2009A Bonds as of such date is less than the Series 2009A Cumulative Applicable Amount as of such date).

Optional Redemption

The Series 2009 Bonds shall be subject to redemption prior to maturity, in whole or in part, at any time and from time to time, on or after January 1, 2019, at the option of the Department after giving notice as provided in the Trust Indenture, at a redemption price equal to the principal amount of such Series 2009 Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date.

Mandatory Sinking Fund Redemption

The Series 2009 Bonds maturing on the 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 2009 Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date:

SERIES 2009A BONDS

Term Bonds Maturing July 1, 2024

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2023	\$ 1,085,000	January 1, 2024	\$ 1,155,000
July 1, 2023	1,115,000	July 1, 2024*	1,185,000

*Final Maturity

Term Bonds Maturing July 1, 2029

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2025	\$ 1,220,000	July 1, 2027	\$ 1,415,000
July 1, 2025	1,260,000	January 1, 2028	1,460,000
January 1, 2026	1,295,000	July 1, 2028	1,510,000
July 1, 2026	1,335,000	January 1, 2029	1,550,000
January 1, 2027	1,375,000	July 1, 2029*	1,595,000

*Final Maturity

Term Bonds Maturing July 1, 2034

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2030	\$ 1,645,000	July 1, 2032	\$ 1,135,000
July 1, 2030	1,630,000	January 1, 2033	1,120,000
January 1, 2031	1,370,000	July 1, 2033	1,145,000
July 1, 2031	1,240,000	January 1, 2034	1,185,000
January 1, 2032	1,150,000	July 1, 2034*	1,220,000

*Final Maturity

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Premium PAC Term Bonds Maturing January 1, 2039

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2023	\$ 370,000	July 1, 2031	\$ 570,000
July 1, 2023	380,000	January 1, 2032	630,000
January 1, 2024	385,000	July 1, 2032	625,000
July 1, 2024	395,000	January 1, 2033	620,000
January 1, 2025	405,000	July 1, 2033	640,000
July 1, 2025	415,000	January 1, 2034	655,000
January 1, 2026	425,000	July 1, 2034	675,000
July 1, 2026	440,000	January 1, 2035	690,000
January 1, 2027	450,000	July 1, 2035	710,000
July 1, 2027	460,000	January 1, 2036	730,000
January 1, 2028	470,000	July 1, 2036	755,000
July 1, 2028	480,000	January 1, 2037	780,000
January 1, 2029	495,000	July 1, 2037	800,000
July 1, 2029	510,000	January 1, 2038	825,000
January 1, 2030	520,000	July 1, 2038	845,000
July 1, 2030	535,000	January 1, 2039*	1,765,000
January 1, 2031	550,000		

*Final Maturity

Term Bonds Maturing July 1, 2039

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
January 1, 2035	\$1,260,000	July 1, 2037	\$ 1,465,000
July 1, 2035	1,300,000	January 1, 2038	1,510,000
January 1, 2036	1,340,000	July 1, 2038	1,560,000
July 1, 2036	1,380,000	January 1, 2039	710,000
January 1, 2037	1,420,000	July 1, 2039*	10,690,000

*Final Maturity

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SERIES 2009B BONDS

Term Bonds Maturing July 1, 2019

Date	Principal Amount	Date	Principal Amount
July 1, 2011	\$590,000	January 1, 2016	\$825,000
January 1, 2012	210,000	July 1, 2016	365,000
July 1, 2012	635,000	January 1, 2017	890,000
January 1, 2013	230,000	July 1, 2017	905,000
July 1, 2013	690,000	January 1, 2018	710,000
January 1, 2014	245,000	July 1, 2018	750,000
July 1, 2014	645,000	January 1, 2019	960,000
January 1, 2015	770,000	July 1, 2019*	880,000
July 1, 2015	800,000		

*Final Maturity

Term Bonds Maturing July 1, 2022

Date	Principal Amount	Date	Principal Amount
January 1, 2020	\$1,330,000	July 1, 2021	\$1,345,000
July 1, 2020	1,355,000	January 1, 2022	1,375,000
January 1, 2021	1,340,000	July 1, 2022*	1,415,000

*Final Maturity

The principal amount of the Series 2009 Bonds to be redeemed on each such redemption date pursuant to mandatory sinking fund redemption shall be reduced by the principal amount of any Series 2009 Bonds having the same stated maturity, which (A) at least 45 days prior to 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.

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Average Life and Prepayment Speeds

Redemption Amounts and Prepayment Standard

The amounts shown in the tables under "THE SERIES 2009 BONDS—Redemption Provisions" above for Premium PAC Term Bonds Outstanding Applicable Amount and for Series 2009A Cumulative Applicable Amount are based on many assumptions, including (i) receipt of prepayments on the 2009A Mortgage Loans equal to 75 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 2009A Cumulative Outstanding Applicable Amount; and (ii) 100 percent of the moneys on deposit in the 2009 A/B Mortgage Loan Account attributable to the proceeds of the Series 2009A Bonds will be used to purchase 2009 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 2009 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.

Weighted Average Life of the Series 2009 Bonds

The following information is provided in order to enable potential investors to evaluate the Series 2009 Bonds which are the subject of redemption as described above.

The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid to the bondholder, weighted by the amount of such installment. The weighted average life of various maturities of the Series 2009 Bonds will be influenced by, among other things, the percentage of the total principal amount of a specific Series 2009 Bond that the holder owns compared to the total principal amount of a specific Bond outstanding, the maturity date and extent of origination of 2009 A Mortgage Loans and the rate at which principal payments are made on the 2009 A Mortgage Loans.

Prepayments of mortgage loans are commonly projected in accordance with a prepayment standard or model. The model described in the following discussion is the SIFMA Prepayment Model described in the immediately preceding subsection.

The following table assumes, among other things, that (i) all amounts in the 2009 A/B Mortgage Loan Account will be used to purchase 2009 A Mortgage Loans, including approximately \$1,332,000 of 0% Mortgage Loans (ii) 2009 A Mortgage Loans will be purchased on average on December 31, 2009; (iii) 2009 A Mortgage Loans will have an original term of 30 years, (iv) the 2009 A Mortgage Loans are assumed to have an average interest rate of 6.31% per annum (which rate includes servicing and guaranty fees totaling 0.50% per annum), (v) the 1999 B/C Transferred Mortgage Certificates have a weighted average term remaining of 21.6 years with a weighted average rate of 6.60% (which rate includes servicing and guaranty fees totaling 0.50% per annum), (vi) the 1999 D Transferred Mortgage Certificates have a weighted average term remaining of 10.3 years with a weighted average rate of 8.91% (which rate includes servicing and guaranty fees totaling 0.50% per annum), (vii) Trustee's fees will be 0.0175 % per annum of Series 2009 Bonds outstanding, (viii) the Department Expenses will equal 0.25% per annum of

Mortgage Loans outstanding, (ix) the 2009 A Mortgage Loans and 1999 Transferred Mortgage Certificates prepay at the indicated percentage of the SIFMA Prepayment Model, (x) all 2009 A Mortgage Loans are pooled and assigned to GNMA, Fannie Mae or Freddie Mac upon the issuance to the Trustee of GNMA Securities, Fannie Mae Securities or Freddie Mac Securities and payments on such Mortgage Certificates and the 1999 Transferred Mortgage Certificates are timely made and used on a timely basis to redeem the Series 2009 Bonds, (xi) the Series 2009 Bonds are not redeemed from excess Revenues or pursuant to optional redemption, (xii) no amounts allocable to any other series of Bonds are used to cross-call the Series 2009 Bonds and no amounts allocable to the Series 2009 Bonds are used to cross-call any other series of Bonds, (xiii) the Department will use moneys available under the Trust Indenture and a portion of its contribution to make 2009 A Mortgage Loans in addition to the 2009 A Mortgage Loans made with the Bond proceeds, (xiv) the Investment Securities held in the 2009 A/B Mortgage Loan Account will pay interest at the rate of 0.18% per annum and the Investment Securities held in the Revenue Fund will pay interest at the rate of 2% per annum, and (xv) Series 2009 Bonds will be redeemed as described under "Special Redemption From Mortgage Loan Principal Prepayments" above.

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.

Prepayment Speed of Mortgage Loans (SIFMA)	Projected Weighted Average Life (in Years) ⁽¹⁾						
	Term Bonds Due 7/1/2024	Term Bonds Due 7/1/2029	Term Bonds Due 7/1/2034	Premium PAC Term Bonds Due 1/1/2039	Term Bonds Due 7/1/2039	Term Bonds Due 7/1/2019	Term Bonds Due 7/1/2022
	0%	14.1	17.7	22.5	22.9	28.5	6.5
50%	14.1	17.4	21.2	6.9	25.4	5.8	9.7
75%	13.6	16.2	19.2	5.2	22.2	5.6	9.0
100%	12.6	14.8	17.0	5.2	19.2	5.3	8.3
200%	9.5	10.5	11.4	5.2	12.3	4.5	6.3
300%	7.4	7.9	8.4	5.2	9.1	3.9	5.0
400%	6.0	6.3	6.7	5.2	7.2	3.4	4.3
500%	5.0	5.3	5.6	4.9	6.0	3.1	3.9

⁽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.

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 2009 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.

Partial Redemption

In the event that a Series 2009 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2009 Bond may be redeemed at random by the Trustee, but only in a principal amount equal to \$5,000 or an integral multiple thereof. Upon surrender of any Series 2009 Bond for redemption in part, the Trustee will authenticate and deliver an exchange Series 2009 Bond or Series 2009 Bonds of the same Series, maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the surrendered Series 2009 Bond. See "THE SERIES 2009 BONDS - DTC and Book-Entry."

Notice of Redemption

The Trustee shall give notice, in the name of the Department, of the redemption of Series 2009 Bonds to the holders thereof, which notice shall specify the Series, maturities, and interest rates of the Series 2009 Bonds to be redeemed, the redemption date and the method and place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2009 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2009 Bonds so to be redeemed, and, in the case of Series 2009 Bonds to be redeemed in part only, such notices shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state any conditions that must be satisfied prior to the redemption date and that on such date there shall become due and payable upon each Series 2009 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 2009 Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, to the holders of any Series 2009 Bonds or portions thereof which are to be redeemed, at their addresses, appearing upon the registry books of the Trustee. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not received by the holder.

Conditional Notices of Redemption

The Department reserves the right to give notice of its election or direction to redeem Series 2009 Bonds conditioned upon the occurrence of subsequent events.

Payment of Redeemed Bonds

Notice having been given as provided in the Trust Indenture, the Series 2009 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. If there shall be called for redemption less than all of a Series 2009 Bond, the Department shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Series 2009 Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Series 2009 Bond so surrendered, Series 2009 Bonds of like Series, maturity, interest rate and aggregate principal amount in any Authorized Denomination. If, on the redemption date, moneys for the redemption of all the Series 2009 Bonds or portions thereof of any like Series, maturity 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 2009 Bonds or portions thereof of like Series and maturity so called for redemption shall cease to accrue and become payable. If such moneys shall not be available on the redemption date, such Series 2009 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 2009 Bonds, in the open market in lieu of redemption of Bonds. Any such purchase may be at a price not exceeding the then applicable redemption price for such Bonds.

DTC and Book-Entry

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2009 Bonds. The Series 2009 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 and series of the Series 2009 Bonds, in the aggregate principal amount of such issue, 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009 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 2009 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 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 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 2009 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 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 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 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 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 2009 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 2009 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 2009 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 2009 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 2009 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, the Trustee or the Underwriters.

SO AS LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2009 BONDS, THE DEPARTMENT WILL HAVE NO OBLIGATION OR RESPONSIBILITY TO DTC. PARTICIPANTS OR INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES, WITH RESPECT TO PAYMENT TO OR PROVIDING OF NOTICE TO SUCH PARTICIPANTS, OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES.

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 2009 Bonds. Series 2009 Bonds may be exchanged for an equal aggregate principal amount of Series 2009 Bonds in other Authorized Denominations of the same Series, maturity and interest rate 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 2009 Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender of such Series 2009 Bond to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or transfer of registration of Series 2009 Bonds, the Department and the Trustee may make a charge sufficient to reimburse 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 fee, if any, charged by the Trustee for the transfer or exchange. The Trustee will not be required to transfer or exchange any Series 2009 Bond for a period of 15 days next preceding an interest payment date on such Series 2009 Bonds or next preceding any selection of Series 2009 Bonds to be redeemed or thereafter until after mailing of any notice of redemption on any Series 2009 Bonds called for redemption, or transfer or exchange any Series 2009 Bonds called for redemption. The Department and the Trustee may treat the person in whose name a Series 2009 Bond is registered as the absolute owner thereof for all purposes of the Trust Indenture regardless of any notice to the contrary. If any Series 2009 Bond is not presented for payment when the principal or the redemption price therefor becomes due, and if moneys sufficient to pay such Series 2009 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 2009 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 2009 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.

THE 1999 TRANSFERRED MORTGAGE CERTIFICATES

Upon delivery of the Series 2009B Bonds for the purpose of refunding the Series 1999B Bonds and the Series 1999C Bonds, the 1999 Transferred Mortgage Certificates will be transferred to the 2009 A/B Mortgage Loan Account.

As of May 31, 2009, the outstanding principal amount of the 1999 Series B/C Mortgage Certificates was \$18,167,510 and the outstanding principal amount of the 1999 Series D Mortgage Certificates was \$3,230,615. Substantially all of the 1999 Transferred Mortgage Certificates were acquired between November 30, 1989 and January 30, 2003 and had original terms of thirty years. The original aggregate principal amount of the transferred 1999B/C Mortgage Certificates was \$64,318,241 and transferred 1999D Mortgage Certificates was \$84,197,738. The following table reflects information with respect to the 1999 Transferred Mortgage Certificates, as of May 31, 2009:

	<u>Outstanding Principal</u>	<u>Mortgage Rate Range</u>	<u>Weighted Average Mortgage Rate</u>	<u>Weighted Average Remaining Term (in months)*</u>
1999 Series B/C Mortgage Certificates	\$18,167,510	6.60%	6.60%	259
1999 Series D Mortgage Certificates	\$ 3,230,615	7.68-9.25%	8.91%	124

*Based on a 30/360 day count basis

The following table sets forth the estimates of approximate historic prepayment speeds for three, six and twelve month periods ending May 31, 2009 for the 1999 Transferred Mortgage Certificates with all prepayment speeds as a percentage of published SIFMA Prepayment Model:

	<u>Approx. Historic Prepayment Speed 3 Months Ending May 31, 2009</u>	<u>Approx. Historic Prepayment Speed 6 Months Ending May 31, 2009</u>	<u>Approx. Historic Prepayment Speed 12 Months Ending May 31, 2009</u>	<u>Approx. Historic Prepayment Speed Life Ending May 31, 2009</u>
1999 Series B/C Mortgage Certificates	60	71	110	244
1999 Series D Mortgage Certificates	65	87	124	236

The estimated historic prepayment speed information regarding the 1999 Transferred Mortgage Certificates in the table above has been derived by J.P. Morgan Securities Inc. from historic information supplied by the Department as of May 31, 2009. No assurance can be given that the projected weighted average remaining term or the estimated historic prepayment speed of the 1999 Transferred Mortgage Certificates at the time of transfer will resemble those characteristics of the 1999 Transferred Mortgage Certificates shown in the tables above as of May 31, 2009. Because the historic prepayment speeds in the table above are estimates, actual historic prepayment speeds may differ from these estimates, and those differences may be material.

SECURITY FOR THE BONDS

Pledge of Trust Indenture

The Bonds, including the Series 2009 Bonds, are, unless subordinated, 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.

The 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 established pursuant to the Trust Indenture, which consists primarily of the following:

- (a) Mortgage Certificates and the Revenues derived by the Department therefrom, including the scheduled principal payments thereof and interest payments thereon, principal prepayments, and payments made by Ginnie Mae, Freddie Mac or Fannie Mae, as the case may be, pursuant to their respective guaranties of the Mortgage Certificates (see "APPENDIX C-1 -- GINNIE MAE AND THE GINNIE MAE CERTIFICATES," "APPENDIX C-2 -- FREDDIE MAC AND THE FREDDIE MAC CERTIFICATES," and "APPENDIX C-3 -- FANNIE MAE AND THE FANNIE MAE CERTIFICATES");

(b) the Mortgage Loans and the Revenues derived by the Department therefrom, including the scheduled principal and interest payments, principal prepayments, and payments made with respect to FHA insurance or VA or RHS guaranty or Supplemental Mortgage Security (see "THE PROGRAM AND THE MORTGAGE LOANS");

(c) the moneys and Investment Securities held in the various Funds established by the Trust Indenture and the investment earnings thereon (see "Investment of Funds" below) but excluding the Rebate Fund and Cost of Issuance Fund; and

(d) such other Revenues and security pledged by the Department from time to time as security for the Bonds.

For purposes of the Trust Indenture, "Revenues" means (i) all amounts paid or required to be paid with respect to principal and interest or otherwise from time to time on the Mortgage Loans and Mortgage Certificates, including Mortgage Loan Principal Payments, and including any such amounts held by persons collecting such amounts on behalf of the Department, after deducting any fees required to be paid for accounting, collection and other services required in connection with servicing of the Mortgage Loans (including any servicing fees and guaranty fees of Ginnie Mae, Freddie Mac and Fannie Mae); (ii) all interest received on or profits derived from investing moneys or securities held in the Funds and paid or to be paid into the Revenue Fund; and (iii) any other income, revenues or receipts of the Department which are defined by a Supplemental Indenture as Revenues and pledged to the Trustee as part of the Trust Estate pursuant to a Supplemental Indenture. The term "Revenues," however, does not include fees paid to Mortgage Lenders to service Mortgage Loans; payments made in order to obtain or maintain primary mortgage insurance or guaranties with respect to one or more Mortgage Loans; payments made in order to obtain or maintain fire or other hazard insurance with respect to Mortgage Loans; payments required to be made with respect to Mortgage Loans for taxes, other governmental charges and other similar charges customarily required to be escrowed on mortgage loans; commitment fees; or amounts required to be paid or credited to a borrower or to the United States of America pursuant to applicable federal income tax laws and regulations.

The Department has covenanted in the Trust Indenture to enforce diligently, and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans, including the prompt payment of all amounts due the Department thereunder. The Department has further covenanted not to release the obligation of any borrower under any Mortgage Loan, except upon the execution of a valid and enforceable assumption agreement as permitted by the Trust Indenture, and at all times, to the extent permitted by law, to defend, enforce, preserve and protect the rights and privileges of the Department and of the Bondholders under or with respect to each Mortgage Loan. The Department reserves the right to settle a default on any Mortgage Loan on such terms as are consistent with the Cashflow Statement most recently filed with the Trustee. The Department may not amend or modify any Mortgage Loan if it will materially impair or materially adversely affect the rights or security of the Bondholders except for amendments and modifications made in connection with settling any default on any Mortgage Loan which are consistent with the Cashflow Statement most recently filed with the Trustee, or in connection with a refinancing of a Mortgage Loan.

The Series 2009 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 2009 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 2009 Bonds or any other obligations issued by the Department.

Mortgage Insurance

The Trust Indenture requires that all Mortgage Loans must be secured by Mortgages, subject to certain permitted encumbrances, on one-to-four family residences located in the State. Mortgage Loans (i) shall be insured by the FHA under the National Housing Act of 1934, as amended (other than Section 245 thereof), guaranteed by the RHS under the Cranston-Gonzales National Affordable Housing Act of 1990 or guaranteed by the VA under the Servicemen's Readjustment Act of 1944, as amended; or (ii) shall have (or have had at the time each was made) a principal balance not exceeding 80% of the purchase price or appraised value on the date of purchase, whichever is lower, of the mortgaged property, or be insured to the extent of any such excess by a private mortgage insurance company acceptable to each Rating Agency. See "APPENDIX B -- SUMMARY OF CERTAIN MORTGAGE INSURANCE PROGRAMS AND TEXAS FORECLOSURE LAWS."

Supplemental Mortgage Security

The Trust Indenture requires that each Mortgage Loan be further secured by Supplemental Mortgage Security, if any, as directed in the Supplemental Indenture authorizing the Series of Bonds used to purchase such Mortgage Loan. Information concerning Supplemental Mortgage Security, including Mortgage Certificates and 1987A Mortgage Loans, is contained in "APPENDIX B -- SUMMARY OF CERTAIN MORTGAGE INSURANCE PROGRAMS AND TEXAS FORECLOSURE LAWS", "APPENDIX C-1 -- GINNIE MAE AND THE GINNIE MAE CERTIFICATES" "APPENDIX C-2 -- FREDDIE MAC AND THE FREDDIE MAC CERTIFICATES" and "APPENDIX C-3 -- FANNIE MAE AND THE FANNIE MAE CERTIFICATES."

Cashflow Statement and Asset Test

The Department is required to deliver periodically a "Cashflow Statement" prepared or verified by a nationally-recognized firm experienced in preparing mortgage revenue bond cashflows, comparing estimates of Revenues with the debt service requirements and Department Expenses with respect to Outstanding Bonds, which Cashflow Statement must demonstrate the sufficiency of such Revenues to pay scheduled debt service on the Bonds and Department Expenses at their respective requirements under each of the scenarios required by the Rating Agencies. Under the terms of the Trust Indenture, such Cashflow Statements must incorporate certain assumptions concerning Mortgage Loan Principal Prepayments, reinvestment rates, expenses and certain other assumptions as required by the Rating Agencies. The Cashflow Statement is required to be prepared (i) upon the issuance of a Series of Bonds; (ii) upon the adjustment of the interest rate or rates on a Series of Bonds, unless otherwise required by the applicable Series Supplement; (iii) upon the purchase or redemption of Bonds other than as assumed in the Cashflow Statement most recently filed with the Trustee; (iv) upon the application of Mortgage Loan Principal Payments other than as assumed in the Cashflow Statement most recently filed with the Trustee; (v) upon the application of amounts in the Residual Revenues Fund other than as assumed in the Cashflow Statement most recently filed with the Trustee; (vi) at such times, if any, as may be required by a Supplemental Indenture; and (vii) not later than two and one-half years after the date of filing of the most recent Cashflow Statement. The Department, at its option, may file a revised or amended Cashflow Statement with the Trustee at any time.

The Department has covenanted in the Trust Indenture that it will not make, acquire, refinance or sell Mortgage Loans or Mortgage Certificates or purchase or redeem Bonds, including the Series 2009 Bonds, or take certain other actions permitted under the Trust Indenture, unless such actions are consistent with the assumptions set forth in its most recent Cashflow Statement.

Moneys held under the Trust Indenture in excess of the amounts required by the Asset Test (hereinafter described) may, at the written direction of the Department accompanied by a Cashflow Statement, be transferred to the Department to be used for any purpose authorized or permitted by the Act, free and clear of the pledge and lien of the Trust Indenture. In general, the Asset Test is deemed satisfied if the outstanding

principal balance of the Mortgage Loans and Mortgage Certificates and money and Investment Securities held in all Funds (other than the Cost of Issuance Fund, Expense Fund, Rebate Fund and any mortgage pool self-insurance reserve established by the Department with respect to Mortgage Loans) is at least equal to 102% of the principal amount of Bonds Outstanding. See "THE TRUST INDENTURE -- Residual Revenues Fund."

Prior Bonds

In addition to the Series 2009 Bonds to be issued, twenty-seven series of Prior Bonds have been issued pursuant to the Master Indenture and twenty-seven separate Series Supplements. As of May 31, 2009, \$267,590,000 in aggregate principal amount of such Prior Bonds were Outstanding in the following principal amounts:

Series	Original Issue Amount	Bonds Outstanding
1998 Series A/B	\$ 116,355,000	\$ 39,895,000
1999 Series A	25,615,000	4,420,000
1999 Series B/C/D	140,765,000	23,160,000
2000 Series A	50,000,000	14,765,000
2000 Series B/C/D/E	124,915,000	55,650,000
2001 Series A/B/C/D/E	155,125,000	45,495,000
2002 Series A/B	116,965,000	27,770,000
2003 Series A	73,630,000	56,435,000
TOTAL	\$ 803,370,000	\$ 267,590,000

For a more detailed description of the Prior Bonds, please refer to "APPENDIX F-1 -- ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES."

Mortgage Loans and Mortgage Certificates

Since the inception of the Department's Residential Mortgage Revenue Bond Program, the Department has foreclosed on approximately 22 Mortgage Loans having an outstanding principal balance, at the time of foreclosure, of \$1,030,530. The Department does not continue to hold title to property securing any of such Mortgage Loans. In an effort to maximize its return on real estate owned by the Department as a result of foreclosures, the Department has entered into a contract with outside contractors to manage, maintain and arrange for sales, in conjunction with real estate brokers, of such real estate owned. For a detailed examination of the Mortgage Loans and Mortgage Certificates acquired with proceeds of the Prior Bonds, please refer to "APPENDIX F-1 -- ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES." Unless otherwise specified, all information is as of May 31, 2009.

Investment of Funds

Moneys in the Mortgage Loan Fund, the Revenue Fund, the Residual Revenues Fund, and the Self-Insurance Fund will be invested by the Texas Treasury Safekeeping Trust Company pursuant to the Depository Agreement in Investment Securities. See "TEXAS TREASURY SAFEKEEPING TRUST COMPANY." Moneys in the Interest Fund, the Principal Fund, Rebate Fund, and the Special Redemption Fund will be held and invested by the Trustee, upon the direction of the Department, in Investment Securities. Moneys in the Cost of Issuance Fund, the Expense Fund and the Special Mortgage Loan Fund will be held by the Department and invested, if at all, in accordance with the Department's investment policy. Moneys held or invested in all Funds and Accounts (except for the Rebate Fund) under the Trust Indenture are for the equal and ratable benefit of all owners of the Bonds.

The following table summarizes certain information as of May 31, 2009 (except that information relating to the Series 2009 Bonds is as of the date of delivery thereof), regarding yields (calculated on the basis of stated maturity) on existing investments (valued at par) within the Float Fund (as defined in Footnote 1 below) in connection with outstanding Prior Bonds and the Series 2009 Bonds:

Fund or Account	Approximate Amount Invested (Par Value)	Interest Rate	Investment Maturity Date	Investment Security/Investment Agreement Provider ⁽²⁾
Float Fund ⁽¹⁾				
Series 1998A/B	\$ 6,941,185	5.040%	1/1/2031	CDC Funding Corp GIC
Series 1999B/C/D	4,254,770	6.400%	7/1/2032	Bayerische Landesbank GIC
Series 2000A	1,721,327	5.800%	7/1/2031	Trinity Funding GIC
Series 2000B/C/D/E	4,383,177	Variable	Daily	Paribas Corp. Repurchase Agreement
Series 2001A/B/C/D/E	3,457,675	Variable	Daily	Paribas Corp. Repurchase Agreement
Series 2002A/B	1,682,017	4.190%	4/1/2034	Transamerica Life Insurance GIC
Series 2003A	2,430,420	Variable	Daily	Paribas Corp. Repurchase Agreement

(1) Float Fund includes the Revenue Fund, Principal Fund, Interest Fund, Special Redemption Fund, Expense Fund, Service Release Premium Fund, and Residual Revenue Fund.

(2) "GIC" means guaranteed investment contract.

Proceeds of the Series 2009A Bonds deposited into the 2009A/B Mortgage Loan Account will be invested in Investment Securities.

The ability of the Department to make timely payments of principal of and interest on the Series 2009 Bonds and the Prior Bonds, could be affected if the parties to the various investment agreements for the Series 2009 Bonds or 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 cashflow 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.

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 validly issued in accordance with the Trust Indenture and the Act. The Department must also deliver to the Trustee a Cashflow Statement which gives effect to the issuance of such additional Bonds as described above under "Cashflow Statement and Asset Test" and a written confirmation from each Rating Agency that the issuance of Bonds of each Series will not adversely affect the rating then in effect on any Outstanding Bonds (determined without regard to any Credit Facility). The Department has reserved the right to adopt one or more other bond indentures and to issue other obligations payable from sources other than the Trust Estate or, payable from the Trust Estate, including the Revenues, if the pledge of and lien on the Trust Estate and the Revenues is junior to or subordinate to the pledge of and lien on the Trust Estate and the Revenues.

Sale of Mortgage Certificates and Mortgage Loans

The Department may, at its election, sell, assign, transfer or otherwise dispose of any Mortgage Loan or Mortgage Certificate, in whole or in part, or any of the rights of the Department with respect to any Mortgage Loan or Mortgage Certificate, in whole or in part, free and clear of the lien of the Trust Indenture, but only if a Cashflow Statement establishes that such sale, assignment, transfer or other disposition will not adversely affect the ability of the Department to pay when due the principal or redemption price of and interest on the Bonds and the Rating Agency shall have confirmed that such sale, assignment, transfer or other disposition will not have an adverse affect on the rating then in effect on the Bonds. The Department may also sell any Mortgage Loan, Mortgage Certificate on other obligation evidencing or securing a Mortgage Loan if it is necessary for the Department to take such action in order to maintain the exclusion of interest from gross income for federal income tax purposes on any of the Bonds.

Special Mortgage Loans

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. Special Mortgage Loans will be funded from moneys transferred from the Revenue Fund to the Special Mortgage Loan Fund in amounts, if any, specified in the Cashflow Statement and necessary to maintain the tax-exempt status of the related Bonds. Special Mortgage Loans will be pledged as additional security for the Bonds, but are not expected to satisfy the Mortgage Loan requirements under the Trust Indenture and may be forgiven upon payment of the related Bonds.

ASSUMPTIONS AND RISKS

Assumptions

On the basis of the Cashflow Statement prepared in connection with the issuance of the Series 2009 Bonds, the Department expects that the scheduled payments, together with Mortgage Loan Principal 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 2009 Bonds and all other Prior Bonds Outstanding when due. In arriving at the foregoing conclusions, the Department has included all Bonds but has not considered the issuance of additional Bonds or the application or investment of the proceeds thereof. Since obligations issued under the Trust Indenture, unless subordinated, will rank equally and ratably with the Series 2009 Bonds and the Prior 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.

The maturities of and mandatory sinking fund installments of the Series 2009 Bonds have been established on the basis of the consolidated scheduled payments of the Mortgage Loans (including Mortgage Certificates), under the Trust Indenture. The interest rates on the Mortgage Loans acquired with moneys made available upon the issuance of the Series 2009 Bonds will be established so that, together with payments of principal of and interest on the Mortgage Loans and the Mortgage Certificates outstanding under the Trust Indenture and moneys on deposit in the various funds and accounts under the Trust Indenture (as well as income derived from investments thereof), sufficient Revenues will be expected to be available to pay on a timely basis the principal of and interest on all Bonds outstanding under the Trust Indenture, including the Series 2009 Bonds and certain other amounts required to be paid under the Trust Indenture. Such expectation is based on, among others, the following assumptions:

(a) moneys held in the Mortgage Loan Fund, the Revenue Fund and the Residual Revenues Fund will be invested at the rates per annum applicable to each (a portion of the earnings from which may be subject to rebate to the United States Department of Treasury), and timely payments will be made to the Trustee of amounts due under such investments;

(b) the payments on the Mortgage Loans (including the Mortgage Certificates) will be made in full and received by or on behalf of the Department on the 30th day following their scheduled payment dates;

(c) the Mortgage Lenders, the Servicers, and the Master Servicers will perform their duties in a timely manner;

(d) all future expenses with respect to the Bonds and administering and servicing the Mortgage Loans, including the Trustee's fees and payment of Department Expenses, will be paid in full on a timely basis from interest paid on the Mortgage Loans and the Mortgage Certificates and investment income on funds held by the Trustee;

(e) all of the lendable proceeds of the Series 2009A Bonds will be used to purchase Mortgage Certificates representing Mortgage Loans with terms of thirty (30) years that will provide for payment of principal and interest in approximately equal monthly installments;

(f) the proceeds of the Series 2009A Bonds will be used to purchase Mortgage Certificates, of which 95% are projected to be GNMA Certificates; and

(g) the 2009 A Mortgage Certificates will bear a Pass-Through Rate of no less than 5.80%. The Pass-Through Rates are subject to change in connection with a modification of Servicing Fees. The Department makes no assurances that the foregoing assumptions can be realized. In particular, the Department establishes the interest rates on the Mortgage Loans (including Mortgage Certificates) on an ongoing basis as the Department deems necessary and appropriate, subject to the requirements of the Trust Indenture, including the Cashflow Statement. Interest rates are determined by reference to conventional mortgage rates, availability of mortgage funding alternatives, historical interest rate patterns and the Department's cost of funds.

Termination of Mortgage Loans and Mortgage Certificates

The maturities and sinking fund redemption installments of the Series 2009 Bonds were determined on the basis of the assumption that there will be no early terminations of the Mortgage Loans or the Mortgage Certificates relating to the Series 2009 Bonds. The Department expects Mortgage Loans and Mortgage Certificates relating to the Series 2009 Bonds will be terminated prior to final maturity as a result of Mortgage Loan Principal Prepayments. All Mortgage Loan Principal Prepayments relating to the Series 2009 Bonds will be deposited in the Revenue Fund and transferred to the Special Redemption Account for use to redeem Series 2009 Bonds or other Bonds in accordance with the Trust Indenture. **Accordingly, the Department anticipates that substantially all of the Series 2009 Bonds will be redeemed prior to their scheduled maturities.**

Federal Guarantee Limits

The dollar amount of commitments to guarantee securities that Ginnie Mae can approve and the dollar amount that FHA and VA can insure or guarantee in any federal fiscal year is limited by statute and administrative procedures. If an appropriation act is not passed in any federal fiscal year or if Ginnie Mae, FHA or VA reach the limits of their respective authority, or if Ginnie Mae, in its sole discretion, or the federal government alters or amends the Ginnie Mae Mortgage-Backed Securities Program in such a way as to

prevent the Mortgage Lenders from originating Mortgage Loans during the origination period and the Master Servicer from issuing Ginnie Mae Certificates prior to the acquisition date therefor, the Mortgage Lenders may be unable to originate Mortgage Loans and the Master Servicer may be unable to issue Ginnie Mae Certificates in the anticipated aggregate principal amount. The failure to originate Mortgage Loans, or the inability to deliver Mortgage Certificates to the Trustee in amounts contemplated by this financing would result in the early redemption of the Series 2009 Bonds prior to their maturity. See "THE SERIES 2009 BONDS - Redemption Provisions."

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.

In addition, there exists a risk of non-origination resulting from the reservation for a period of one year of 20% of the lendable proceeds of the Series 2009A Bonds for Mortgage Loans in certain federally designated targeted areas and the reservation for a period of one year (or such longer period as determined by the Department) of 30% of the lendable funds made available through the issuance of the Series 2009A Bonds for persons of families of low income (not exceeding 80% of the applicable area median family income). See "THE PROGRAM AND THE MORTGAGE LOANS -- Targeted Area Reservation," and "-- Low Income Reservation." As a result, the pool of potential mortgagors will be limited for such period and economic conditions or conventional mortgage rates may have adversely changed by the end of the set aside period.

The following chart gives information with respect to the origination status of all active programs of the Department as of July 13, 2009:

Active Program	Program Start Date	Mortgage Rate	Mortgage Funds Available	Amounts Purchased	Reservation Amounts	Remaining Funds
Program 68	11/16/2006	5.65/5.99/6.20%	132,176,924	131,391,103	785,821	—
Program 70	9/21/2007	5.75/6.50%	162,155,925	128,483,495	7,718,018	25,954,412

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 2009 Bonds prior to their maturity. See "THE SERIES 2009 BONDS -- Redemption Provisions."

Uncertainties in Financial Markets

Instability in the mortgage markets associated with downward pressure on the housing market and capital markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to: lenders, servicers, mortgage insurers, Fannie Mae and Freddie Mac. These pressures may have an adverse impact on transaction participants and their ability to conduct business. The Department can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if so how these conditions might impact the ability of such participants to perform their obligations under the Program.

The Housing and Economic Recovery Act of 2008 (the "HERA") established on July 30, 2008 the Federal Housing Finance Agency ("FHFA"), an independent agency of the federal government, as the new supervisory and general regulatory authority for Fannie Mae and Freddie Mac ("Government Sponsored Enterprises" or "GSEs"). Pursuant to authority granted under HERA, on September 7, 2008, the Director of FHFA placed Fannie Mae and Freddie Mac into conservatorship under the direction of FHFA. In addition, the United States Treasury Department ("Treasury") announced three companion initiatives. First, to ensure the likelihood that Fannie Mae and Freddie Mac maintain positive net worth, Treasury executed a senior preferred stock purchase agreement with both Fannie Mae and Freddie Mac pursuant to which Treasury agreed to purchase up to \$100 billion of preferred stock in each of Fannie Mae and Freddie Mac. Second, to improve credit availability, Treasury agreed, until December 31, 2009, to make secured short term loans to Fannie Mae and Freddie Mac. Finally, to promote stability of the mortgage market, Treasury agreed to temporarily purchase mortgage backed securities from Fannie Mae and Freddie Mac. The Department cannot predict the long term consequences of the federal takeover of these entities and the corresponding impact on the participants and the Program.

Risk of Default on Loans

Mortgage Loans originated with loan to value ratios in excess of eighty percent (80%) are required to be insured or guaranteed by a private mortgage insurer or by FHA, VA or USDA/RD. Under the Program, the 2009 A Mortgage Loans will be securitized as 2009 A Mortgage Certificates guaranteed as to timely payment of principal and interest by Ginnie Mae, Fannie Mae, or Freddie Mac. See "APPENDIX F-1 - THE DEPARTMENT'S MORTGAGE LOAN PORTFOLIO" for information relating to the Department's mortgage loan portfolio. Although a certain portion of Mortgage Loans are covered with various forms of insurance, guarantees or homeowner equity, there can be no assurance that losses incurred in connection with defaults on the Mortgage Loans will not exceed the levels of protection in place or that the providers of such insurance or guarantees will pay in accordance with their obligations under the insurance policies or guarantees. If losses result on the underlying Mortgage Loans and if the providers of guarantees under the Mortgage Certificates do not pay in accordance with their obligations, the ability of the Trustee to pay principal and interest on the Series 2009 Bonds may be adversely affected. For certain information about Ginnie Mae and the Ginnie Mae Certificates, Freddie Mac and the Freddie Mac Certificates and Fannie Mae and the Fannie Mae Certificates, see APPENDIX C-1, APPENDIX C-2 and APPENDIX C-3, respectively.

Availability of Remedies

The remedies available to the owners of the Series 2009 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 2009 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.

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THE DEPARTMENT

General

The Department, a public and official governmental agency of the State of Texas (the "State") and a body corporate and politic, 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 continues the Department in existence until September 1, 2011, at which time it will again 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:

C. KENT CONINE, Chair and Board Member. President, Conine Residential Group, Frisco, Texas. His term expires January 31, 2015.

GLORIA L. RAY, Vice Chair and Board Member. Chief of Resources Management Division, Kelly Air Force Base, Retired. Her term expires January 31, 2011.

TOM GANN, Board Member. President, Gann Medford Real Estate, a commercial and residential real estate brokerage firm. His term expires January 31, 2015.

LESLIE BINGHAM-ESCARENO, Board Member. Chief Executive Officer of Valley Baptist Medical Center-Brownsville. Her term expires January 31, 2013.

JUAN SANCHEZ MUNOZ, PhD, Board Member. Associate Professor of Education at Texas Tech University and Associate Director of the Texas Tech University College of Education, Center for Research on Leadership and Education. His term expires January 31, 2013.

TOMAS CARDENAS, Board Member. President and Chief Executive Officer of ECM International, Inc. His term expires January 31, 2013. Mr. Cardenas has submitted his resignation.

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 301 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.

MICHAEL G. GERBER, Executive Director. On April 13, 2006, the TDHCA Board selected Michael G. Gerber as Executive Director. Mr. Gerber began service at the Department on May 17, 2006. Before joining the Department, Mr. Gerber has served as an Advisor to Texas Governor Rick Perry in the Governor's Office of Budget, Policy, and Planning. From January 2003-October 2004, Mr. Gerber served in the Bush Administration at the U.S. Department of Housing and Urban Development, first as a Senior Advisor to the Assistant Secretary for Public and Indian Housing, and later as a Senior Advisor to the Assistant Secretary for Policy Development and Research. Mr. Gerber served as a Legislative Assistant to U.S. Senator Kay Bailey Hutchison from 1997-2001, and as a Special Assistant for State Projects to U.S. Senator Phil Gramm from 1990-1997. Mr. Gerber received his undergraduate degree from George Washington University and an MBA from Marymount University.

WILLIAM DALLY, Chief of Agency Administration. Mr. Dally initially joined the Department on the Internal Audit staff in May 1994. On May 1, 1999, Mr. Dally was promoted to the position of Chief Financial Officer after serving as the Department's Controller since January 1996. Mr. Dally is presently responsible for the Department's management of fiscal affairs, including budgets and financial reporting. Mr.

Dally earned a Bachelor of Business Administration degree in Accounting from the University of Texas at Austin, and is a Certified Public Accountant. Prior to his employment with the Department, Mr. Dally was a Senior Auditor with the firm of KPMG Peat Marwick and worked primarily with governmental entities.

MATTHEW M. POGOR, Director of Bond Finance. Matt Pogor joined the Department as Bond Compliance and Disclosure Manager on October 4, 1994. On February 1, 2001, Mr. Pogor was promoted to the position of Bond Finance Project Manager. Mr. Pogor assumed the position of Acting Director of Bond Finance on May 15, 2006 and became the Director of Bond Finance on November 16, 2006. He is responsible for the development and administration of the Department's Single Family Mortgage Revenue Bond Program and the Department's Commercial Paper Program. Mr. Pogor also oversees ongoing compliance monitoring and disclosure requirements related to the Department's investments and single family and multifamily bond programs. Mr. Pogor earned a Bachelor of Business Administration degree in Management with a minor in Accounting from St. Edwards University in Austin, Texas. Prior to employment with the Department, Mr. Pogor was a Project Manager for IBM in Austin.

ERIC PIKE, Director of the Texas Homeownership Program. He began his career at the Agency with the Community Development Block Grant Program (CDBG) prior to joining the Single Family Lending Division. He served as manager of the Single Family Mortgage Revenue Bond Program for 2 years, overseeing the program's primary vehicle, the Texas First Time Homebuyer Program. He was appointed director of the division in 2002. Additionally, he is responsible for the administration of the Texas Statewide Homebuyer Education Program (TSHEP) and the Department's Mortgage Credit Certificate Program. Mr. Pike received his Bachelor of Business Administration in Finance and his Masters of Business Administration in Business Management from St. Edward's University in Austin.

KEVIN HAMBY, General Counsel. Kevin Hamby was named General Counsel of the Department on September 1, 2005. As General Counsel, Mr. Hamby is responsible for coordination of all internal and external legal counsel for the Department. Previously, he was with the Office of the Attorney General of Texas in the Administrative Law Division. After graduating from Catholic University of America, Columbus School of Law, Mr. Hamby joined the Dallas office of Fulbright & Jaworski, L.L.P. where he was involved in the Public Finance and Commercial Litigation Sections. After leaving the law firm, Mr. Hamby served as General Counsel to several organizations while in private practice. Mr. Hamby received his undergraduate degree in government from the University of Texas.

THE PROGRAM AND THE MORTGAGE LOANS

The Program

The Department has established a single family mortgage purchase 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). The component of the program relating to the Series 2009 Bonds will be designated as the Department's Bond Program No. 74 ("Program 74"). In connection with the issuance of the Series 2009 Bonds, the Department purchased or will 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 2009 Bonds, the Trustee on behalf of the Department has agreed to purchase 2009 A Mortgage Certificates.

Mortgage Loans evidenced by the 2009 A Mortgage Certificates will bear interest at the rate established upon the issuance of the Series 2009 Bonds, subject to subsequent adjustment by the Department pursuant to the provisions of the Trust Indenture. The purchase price for the 2009 A Mortgage Certificates will be 98.93% of par (plus accrued interest) for Ginnie Mae Certificates, 99.59% of par (plus accrued interest) for Freddie Mac Certificates and 99.59% of par (plus accrued interest) for Fannie Mae Certificates. All purchase prices are subject to change in connection with a modification of Servicing Fees. The Department will purchase the 2009 A Mortgage Certificates during a Certificate Purchase Period which will

expire on April 1, 2010, but which may be extended to a date not later than December 17, 2012, upon compliance with the terms of the Twenty-Eighth Supplemental Indenture. The Department expects to originate approximately \$1,332,000 of 0% Mortgage Loans from funds available from prior Bonds in connection with Program 74.

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 executed or will execute origination, sale and servicing agreements or mortgage origination agreements and program supplements (collectively, the "Agreement") with the respective Mortgage Lenders. 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 or will be 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. The Program will permit the use of proceeds of the Series 2009 Bonds to refinance mortgages originally financed through "qualified subprime loans" as provided in the Housing and Economic Recovery Act of 2008.

Mortgage Lender Reservations - First-Come, First-Served

No funds made available through Program 74 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.

Second Lien Deferred Forgivable Program (DFP)

In connection with the use of Program 74 funds to finance Mortgage Loans to eligible borrowers, down payment and closing costs assistance will be available to all eligible borrowers. The amount of down payment and closing costs assistance available will be 4% of the amount of the Mortgage Loan and will require execution of a 0% forgivable ten year mortgage note and a second lien mortgage.

Targeted Area Reservation

General

For the first twelve months of Program 74 (commencing on the date proceeds are first made available to finance Mortgage Loans), unless otherwise instructed by the Department in writing, twenty percent (20%) of the lendable funds will be reserved for Mortgage Loans made in certain targeted areas (including the Rita GO Zone). See "TAX MATTERS - Federal Income Tax Requirements - Targeted Area Requirement." Such reservation will be accomplished by requiring that such amount of proceeds be used only to pay for that portion of the purchase price of a Mortgage Certificate that is applicable to the principal amount of a Mortgage Loan made to finance a residence which is located in a targeted area. After the expiration of such one-year reservation, the Trustee may use any remaining reserved funds to purchase 2009 A Mortgage Certificates representing any Mortgage Loans made to Eligible Borrowers.

Historically, in other single-family mortgage revenue bond programs of the Department which have required targeted area reservations, an average of less than two percent of the amounts available to make mortgage loans have been used to originate mortgage loans in such targeted areas. However, in its most recent programs, as of May 31, 2009, approximately ninety-nine percent (99%) set aside for the Rita GO Zone has been reserved and committed by lenders to originate mortgage loans in such targeted areas.

Gulf Opportunity Zone Act of 2005

On December 21, 2005, the President of the United States signed into law the Gulf Opportunity Zone Act of 2005 (the "GO Zone Act"). The purpose of the GO Zone Act, as stated by the Internal Revenue Service, was to provide individual and business tax breaks to help the Gulf Coast recover from a spate of hurricanes in the fall of 2005.

The GO Zone Act directed the referenced tax breaks to certain areas designated as disaster areas by the President of the United States. The "Rita GO Zone", in particular, provides tax breaks to areas of Texas declared disaster areas by the President before October 6, 2005. The Rita GO Zone includes the Texas counties of Chambers, Galveston, Hardin, Jasper, Jefferson, Liberty, Newton, Orange, Tyler, Angelina, Brazoria, Fort Bend, Harris, Montgomery, Nacogdoches, Polk, Sabine, Saint Augustine, San Jacinto, Shelby, Trinity and Walker. The GO Zone Act provides that residences located in the Rita GO Zone are treated as targeted area residences. Thus, the first-time homebuyer rule is waived. Moreover, the income and purchase price rules for targeted area residences apply to residences located in the Rita GO Zone. The provisions of the GO Zone Act apply to residences financed before January 1, 2011.

Housing and Economic Recovery Act of 2008

In August 2008, the President of the United States of America signed into law the Housing and Economic Recovery Act of 2008 (the "Recovery Act"). With respect to mortgage revenue bonds such as the Series 2009 Bonds, the Recovery Act extends mortgage revenue bond relief to certain presidentially declared disaster areas for financing provided within two years of the disaster declaration. For these areas, the first-time homebuyer rule is waived and the income and purchase price rules for targeted areas residences apply.

Low Income Reservation

For the first one-year period of Program 74 (or such longer period as determined by the Department), the Department is requiring that 30% of the funds made available through the issuance of the Series 2009 Bonds will be set aside for Mortgage Loans for individuals and families of low income (not exceeding 80% of applicable median family income). See "APPENDIX G -- APPLICABLE MEDIAN FAMILY INCOMES AND MAXIMUM ACQUISITION COST LIMITATIONS." After such one-year period, Mortgage Lenders may make Mortgage Loans to any Eligible Borrowers and the Trustee may use any remaining reserved funds to purchase 2009 A Mortgage Certificates representing Mortgage Loans made to any Eligible Borrowers.

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Community Home Buyer's Program

Pursuant to Fannie Mae requirements, in connection with Program 74, Mortgage Lenders will make available to all first time homebuyers participating in Program 74 whose Mortgage Loans are backed by Fannie Mae Certificates a comprehensive educational program known as the Community Home Buyer's Program (the "Community Home Buyer's Program"). The Community Home Buyer's Program provides more flexible loan underwriting than otherwise may be available. To qualify for the Community Home Buyer's Program, the mortgagor must first participate in home loan counseling seminars which will be made available on an on-going basis throughout Program 74. The seminars cover: (1) how to purchase a home; (2) budgeting; (3) evaluating the mortgagor's current ability to repay a mortgage; (4) homeownership planning; (5) loan closing; (6) home maintenance; and (7) avoiding a default.

Eligible Borrowers

Each Mortgage Loan is required to be made to a person whose family income does not exceed the income limits set forth above under "Targeted Area Reservation" and "Low Income Reservation" and any other limits established by the Department from time to time. 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 after financing is provided; (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. See "APPENDIX G-APPLICABLE MEDIAN FAMILY INCOMES AND MAXIMUM ACQUISITION COST LIMITATIONS."

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 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. See "APPENDIX G -- APPLICABLE MEDIAN FAMILY INCOMES AND MAXIMUM ACQUISITION COST LIMITATIONS."

Eligible Mortgage Loans

Each Mortgage Loan, or participation therein, acquired by the Department under the Program is required by the Trust Indenture to be a Conventional Mortgage Loan, an FHA Mortgage Loan, a VA Mortgage Loan, or a Mortgage Loan insured or guaranteed by another agency or instrumentality of the United States of America exercising powers similar to the FHA or VA, such as RHS, and must have met the following requirements at the date of purchase thereof:

(a) Each Mortgage Loan must be secured by a mortgage that creates a first or subordinate lien on a one-to-four family residence, subject only to those encumbrances which are permitted under the Fannie Mae FHA/VA Mortgage Selling Contract Supplement, the Fannie Mae Conventional Home Mortgage Selling Contract Supplement, the Freddie Mac Seller's Guide Conventional Mortgages, or the Freddie Mac Single Family Seller/Service Guide, FHA/VA or similar guide from a successor agency;

(b) Each Mortgage Loan must: (i) be insured or guaranteed by FHA, VA or another similar agency or instrumentality of the United States of America or the State, or (ii) have (or have had at the time it was made) a principal balance not exceeding 80% of the value of the property securing the Mortgage Loan, or (iii) be insured by a private insurance company in the amount by which the loan exceeds 80% of the value of the property;

(c) Each Mortgage Loan or participation therein must comply in all respects with the guidelines of the Department pertaining thereto;

(d) Each Mortgage Loan must be covered by a valid and subsisting title insurance policy, the benefits of which run to the Department, in an amount at least equal to the outstanding principal balance of the Mortgage Loan and the improvements on the real property securing each Mortgage Loan and must be fully covered by a hazard insurance policy and a flood insurance policy, if in the flood plain, in such amount as the Department deems advisable;

(e) Each Mortgage Loan must have a term not exceeding 30 years, must provide for substantially equal payments of principal and interest due on the first day of each month, and must be subject to prepayment at any time without penalty; and

(f) Each Mortgage Loan must be assumable only with the prior approval of the Department and FHA/VA, if applicable, and then only if all requirements relating to the tax exemption of interest on the Bonds are met and upon payment of certain assumption fees.

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 the real estate agent, if any, 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 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) preparing, executing, and delivering a

certificate relating to compliance with the requirements set forth immediately above; and (vii) 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.

Compliance Agent

The Master Servicer will act as Compliance Agent for Program 74 to review and examine, or cause to be reviewed and examined, certain documents submitted by each Mortgage Lender in connection with the Mortgage Loans and to make determinations with respect to compliance of such documents with requirements of the Department and the Program. Such requirements primarily relate to, among other things, compliance with FHA, RHS, or VA requirements, as applicable, compliance with the Ginnie Mae Guide, the Fannie Mae Guide, the Freddie Mac Guide and the applicable Program Supplement, and compliance of the Mortgage Loans with the required terms thereof.

Servicing

General

In connection with Mortgage Loans made with proceeds of the Prior Bonds and not included within Mortgage Certificates, the Mortgage Lenders service the Mortgage Loans and the Department acts as an administrator, monitoring the Mortgage Lenders' activities and remittances to the Trustee. The Department maintains a schedule of anticipated receipts which each Mortgage Lender is expected to remit to the Trustee. The Mortgage Lenders report to the Department any delinquent payments and prepayments. The Department's computerized management information system reconciles Trustee receipts with Mortgage Lender reported remittances, reconciles loan amortization, monitors delinquencies and foreclosure actions, and monitors Mortgage Lender performance. Since the lendable funds made available through the issuance of the Series D Bonds will be used to purchase Mortgage Certificates, the Department will not act as an administrator with respect to Mortgage Loans backed by Mortgage Certificates but will monitor the actions of the Master Servicer.

In connection with Mortgage Loans included in Mortgage Certificates, the Department has selected servicers for such Mortgage Loans. Such servicers are referred to herein individually as "Master Servicer" and collectively, as "Master Servicers." The Department selected Bank of America, N.A. ("BANA") to act as the Master Servicer for all Mortgage Loans under Program 74. The Department has previously contracted with CitiMortgage, Inc., formerly known as First Nationwide Mortgage Corporation, to act as the Master Servicer for Mortgage Loans financed with funds made available through the issuance of the Series 1995A-1/B-1/C-1, Series 1996A/B/C/D/E Bonds and the Series 1993 Transferred Mortgage Loans transferred to the 2004 Series E Bonds. The Department contracted with Texas State Affordable Housing Corporation ("TSAHC") to act as the Master Servicer for Mortgage Loans financed with funds made available through the issuance of the Series 1997A/B/C/D/E Bonds. TSAHC, in turn, has contracted with Bank America, as subservicer, to carry out the servicing responsibilities with respect to Mortgage Loans financed with funds made available through Series 1997A/B/C/D/E Bonds.

Servicing of Mortgage Loans Other than those Evidenced by Mortgage Certificates

Each Mortgage Lender was required to be a FHA-approved mortgagee and a Fannie Mae-, VA- or RHS-approved seller and servicer of FHA-insured mortgages. Each Mortgage Lender must service Mortgage Loans in accordance with the servicing standards set forth in the Fannie Mae Home Mortgage Servicer's Contract Supplement or the RHS Servicer's Guide as they may be in effect during the term of the Program, except as such standards are specifically modified by the Agreement, the Department or the lender's manual published by the Department. The servicing standards of the Department are applicable to its existing

Mortgage Loans except where additional services must be provided to ensure compliance with applicable federal income tax laws. Each Mortgage Lender is required to service the Mortgage Loans sold by it to the Department unless, prior to the execution of the Agreement, the Department directs the assignment of servicing to another Mortgage Lender. As compensation for such services, a Mortgage Lender is entitled to receive a monthly servicing fee of between .25 and .375 percent of the unpaid principal balance of each Mortgage Loan serviced. For Mortgage Loans delinquent 15 days or more, late charges may be collected and retained by Mortgage Lenders as permitted by law. A Mortgage Lender is required to pay all expenses incurred by it in connection with its servicing activities (including maintenance of its errors and omissions insurance policy and fidelity bond). A Mortgage Lender may, with the prior written consent of the Department, assign its servicing rights and obligations to another Mortgage Lender in good standing under the Program. The Department may maintain a list of approved standby servicers that have agreed to service Mortgage Loans originated by other Mortgage Lenders at the applicable servicing fee.

All moneys collected by the Mortgage Lender pertaining to the Mortgage Loans may be deposited to a clearing account maintained by the Mortgage Lender; however, all Revenues shall be received in trust by the Mortgage Lender and are required to be deposited promptly to a custodial account on a daily basis subject to withdrawal on the demand of the Trustee on behalf of the Department at any time. The deposits must be made into an account insured by the FDIC. The Mortgage Lender must remit to the Trustee for deposit into the Revenue Fund, after deduction of its servicing fee, on or before the fifteenth day of each calendar month all moneys deposited or held in the custodial account from the first day of such month through the tenth day of such month, and on or before the fifth Business Day of each calendar month all moneys deposited or held in the custodial account on or before the last day of the preceding calendar month which have not been remitted to the Trustee, except that (i) any insurance proceeds are to be held in the custodial account pending the determination of whether such moneys shall be applied to the repair of the related property or constitute principal prepayments, and (ii) any principal prepayment representing payment in full of a Mortgage Loan less any credit required for federal income tax purposes are to be remitted within five Business Days after receipt by the Trustee for application in accordance with the Trust Indenture. If at any time the amount on deposit in the custodial account shall exceed the lesser of \$100,000 or the amount insured by the FDIC, as the case may be, the Mortgage Lender must remit immediately to the Trustee for application in accordance with the Trust Indenture the amount on deposit in the custodial account. All moneys received as escrow payments by the Mortgage Lender are to be received in trust for the Department and the applicable eligible borrower and are to be deposited by the Mortgage Lender in such account or accounts as the Mortgage Lender is required to maintain for like payments made with respect to mortgages which are being serviced for Fannie Mae or RHS. In the event any mortgagor's escrow account is insufficient for a payment required to be made from such account, the Mortgage Lender must advance such money to make the required payment.

With respect to any Mortgage Loan it is servicing, the Mortgage Lender is responsible for determining the necessity of instituting foreclosure action. The Mortgage Lender is required to submit its foreclosure recommendation to the Department within five Business Days after a Mortgage Loan is 60 days delinquent. If the Department concurs with a recommendation to foreclose, the Mortgage Lender must conduct all foreclosure procedures in accordance with the Agreement. If the Department does not concur with a recommendation to foreclose, the Mortgage Lender is required to continue to service the Mortgage Loan in accordance with the procedures specified in the Agreement. With respect to FHA-insured Mortgage Loans, the regulations governing all of the FHA mortgage insurance programs provide that insurance benefits are payable either upon foreclosure (or other acquisition or possession) and conveyance of the mortgaged premises to the United States Department of Housing and Urban Development ("HUD") or upon assignment of the defaulted Mortgage Loan to HUD. Upon default in the payment of a Mortgage Loan guaranteed by the VA, the VA has the option to either (i) pay the holder of the Mortgage Loan an amount not in excess of the pro-rata portion of the amount originally guaranteed or (ii) pay the holder of the Mortgage Loan the unpaid balance thereon plus accrued interest and receive an assignment of the Mortgage Loan and security. See "APPENDIX B - SUMMARY OF CERTAIN MORTGAGE INSURANCE PROGRAMS AND TEXAS FORECLOSURE LAWS."

Mortgage Lenders are required to submit various reports and information to the Department, including information concerning Mortgage Loans that are delinquent or in foreclosure, audited annual financial statements and annual certifications regarding compliance by the Mortgage Lender with the Agreement.

The Department may terminate the Agreement with respect to any Mortgage Lender upon the occurrence of certain events set forth in the Agreement. Within 30 days following such termination, a Mortgage Lender is required to deliver to the Department all Mortgage Loan files, all moneys in escrow relating to the Mortgage Loans serviced by such Mortgage Lender and all Revenues received by such Mortgage Lender not previously remitted to the Trustee.

Servicing of the Mortgage Loans Evidenced by the Mortgage Certificates

Each Mortgage Lender is required to assign its rights to service the Mortgage Loans evidenced by Mortgage Certificates originated by it to the Master Servicer. As compensation for its duties as servicer of Mortgage Loans, the Master Servicer will be entitled to receive a monthly servicing fee equal to one-twelfth of 0.44% (subject to adjustment upon written notice from the Department) of the outstanding principal amount of the Ginnie Mae Certificates issued by it, one-twelfth of 0.3125% (subject to adjustment upon written notice from the Department) of the outstanding principal amount of the Freddie Mac Certificates delivered by it and one-twelfth of 0.313% (subject to adjustment upon written notice from the Department) of the outstanding principal amount of the Fannie Mae Certificates delivered by it. Since the Mortgage Loans will bear interest at a rate which will be 0.50% greater than the rate on the corresponding Ginnie Mae Certificate, the Master Servicer may deduct its servicing fees directly from amounts received on the Mortgage Loans included in a Ginnie Mae Certificate, with the remaining 0.06% paid to Ginnie Mae as its Ginnie Mae guaranty fee. See "APPENDIX C-1 - GINNIE MAE AND THE GINNIE MAE CERTIFICATES." In the case of Mortgage Loans included in a Freddie Mac Certificate, the Master Servicer may deduct its servicing fees directly from amounts received on such Mortgage Loans, with the remaining 0.1875% paid to Freddie Mac as its Freddie Mac guaranty fee. See "APPENDIX C-2 - FREDDIE MAC AND THE FREDDIE MAC CERTIFICATES." In the case of Mortgage Loans included in a Fannie Mae Certificate, the Master Servicer may deduct its servicing fees directly from amounts received on such Mortgage Loans, with the remaining 0.187% paid to Fannie Mae as its Fannie Mae guarantee fee. See "APPENDIX C-3 - FANNIE MAE AND THE FANNIE MAE CERTIFICATES."

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 Ginnie Mae 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 Ginnie Mae Certificate must be deposited into the Ginnie Mae Issuer's Primary Custodial Account and administered by the Master Servicer and the Ginnie Mae Paying Agent as more fully described herein in "APPENDIX C-1 - GINNIE MAE AND THE GINNIE MAE CERTIFICATES."

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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 or regulations, 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

Bank of America, N.A., as successor by merger to Countrywide Bank, FSB, ("BANA") is currently serving as a Master Servicer for Mortgage Loans financed pursuant to the Trust Indenture. As of May 31, 2009, BANA participates as Master Servicer for the Department for 2,965 loans which mortgage loans had an aggregate outstanding balance of \$197,726,793. BANA is engaged primarily in the mortgage banking business and, as such, originates, purchases, sells and services mortgage loans.

As of December 31, 2008, BANA (either by itself or through its subsidiary BAC Home Loans Servicing, LP) provided servicing for approximately \$1.51 trillion aggregate principal amount of mortgage loans. BANA is (i) a GNMA-approved servicer of mortgage loans, (ii) a Fannie Mae approved servicer of Fannie Mae Certificates and (iii) a Freddie Mac approved servicer of Freddie Mac Certificates.

BANA has not participated in the structuring of the Program or the Bonds or the preparation of this Official Statement, except to the extent of providing the information contained under this caption regarding BANA. Except for such information, BANA accepts no responsibility for the accuracy or completeness of this Official Statement or for the Bonds or the creditworthiness of the Bonds.

The Texas State Affordable Housing Corporation ("TSHAC") 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 May 31, 2009, TSM participates as Master Servicer for the Department for 740 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance in the amount of \$42,604,114. At present BANA is acting as sub-servicer for TSM with respect to all of such Mortgage Loans. TSM was incorporated under the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq., Vernon's Annotated Texas Civil Statutes, as amended and its purpose and mission are set forth by the 75th Texas Legislature. TSM is not a State agency. However, TSM is subject to significant state oversight by the State Auditor's Office, Texas Bond Review Board and Sunset Commission. TSM is an approved lender for FHA, a Ginnie Mae approved issuer of single family multi-family mortgage backed securities, and an approved seller/servicer for Fannie Mae and Freddie Mac.

CitiMortgage, Inc. ("CitiMortgage") is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of May 31, 2009, CitiMortgage participates as Master Servicer for the Department for 56 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$1,390,101. CitiMortgage is involved in the mortgage banking business, with a focus on a wholesale lending operation and mortgage loan servicing. CitiMortgage is an approved FHA, VA, and RHS lender, a Ginnie Mae approved issuer/servicer for mortgage-backed securities

guaranteed by Ginnie Mae and a Freddie Mac-approved seller/servicer for mortgage-backed securities guaranteed by Fannie Mae and Freddie Mac.

Amegy Mortgage, successor to Mitchell Mortgage Company, is the Master Servicer for various Mortgage Loans issued pursuant to the Trust Indenture. As of May 31, 2009, Amegy participates as Master Servicer for the Department for 596 Mortgage Loans financed with the proceeds of Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$11,272,939.

Under the terms of the servicing agreement relating to the Series 2009 Bonds (the "Servicing Agreement") certain remedies are available to the Trustee and Department upon an event of default by the Servicer. An event of default under the servicing agreement includes, but is not limited to, matters relating to the insolvency and/or bankruptcy of the Servicer. If an event of default occurs and has not been cured, if applicable, the Department or the Trustee may, with the written approval of Ginnie Mae, Fannie Mae, Freddie Mac, the Trustee and the Department, terminate the rights and obligations of the Servicer under the Program Documents. During any applicable cure period, the Servicer, for a period of 60 days after providing notice to cure, has the right to sell and assign to another Servicer that meets the requirements set forth in the Servicing Agreement. The Servicer must receive the consent of the Department, and, if required, Ginnie Mae, Fannie Mae and Freddie Mac, to assign its rights and obligations under the Servicing Agreement. At the time the Servicer receives notice of termination, the Department shall appoint any mortgage loan servicing organization that is acceptable, to FHA, VA, RHS, Fannie Mae, Freddie Mac and Ginnie Mae as the successor and shall succeed to all the rights and obligations of the Servicer under the Program Documents, including the servicing of Mortgage Loans.

The Servicing Agreement also provides that if the Servicer proposes to merge, consolidate with another entity or sell and assign its rights and obligations under the Servicing Agreement to another servicer, the Department shall have a right of first refusal to purchase such servicing rights in accordance with the terms of the Servicing Agreement.

THE TRUST INDENTURE

General

The Trust Indenture, which includes the Master Indenture and each of the Series Supplements and amendments thereto relating to the Bonds, contains various covenants and security provisions, certain of which are summarized below. In addition, the Trust Indenture contains requirements for the purchase of Mortgage Loans and certain covenants with respect to applicable provisions of federal income tax law. See "TAX MATTERS -- Federal Income Tax Requirements." 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 have been established under the Master Indenture: Mortgage Loan Fund; Cost of Issuance Fund; Revenue Fund; Interest Fund; Principal Fund; Special Redemption Fund; Residual Revenues Fund; and Expense Fund and the 1998/1999A Special Mortgage Loan Fund established under the Tenth Series Supplement. In addition, the 2009 Supplemental Indenture established an account within each Fund, a 2009 A/B Rebate Fund, a 2009 A/B Capitalized Interest Fund, and a 2009 A/B Down Payment Assistance Subaccount within the 2009 A/B Mortgage Loan Account of the Mortgage Loan Fund.

The Series Supplements create within each Fund separate accounts for each Series or related Series of Bonds. The accounts so created do not grant a priority of one Series of Bonds over that of any other Series of Bonds, but are for accounting purposes only.

Mortgage Loan Fund

The Trustee is required to apply amounts in the Mortgage Loan Fund to pay the costs of making, acquiring, or refinancing Mortgage Loans, including the acquisition of Mortgage Certificates, including accrued interest thereon, if so directed in a Letter of Instructions from the Department. Any such disbursements are required to be within the certificate purchase period relating to the particular Series of Bonds. The Trustee is required to transfer amounts in the Mortgage Loan Fund relating to an account established for each Series of the Bonds to the Special Redemption Fund at the end of each Mortgage Loan origination period for such Series to pay the redemption price of Bonds of each Series to be redeemed or the purchase price of Bonds to be purchased. To the extent required by the provisions of the Master Indenture summarized below under the subheading "Withdrawals from Funds to Pay Debt Service", amounts in the Mortgage Loan Fund may be applied to the payment of principal or redemption price of and interest on the Bonds.

Cost of Issuance Fund

Amounts credited to the Cost of Issuance Fund may be applied to pay Costs of Issuance. If at any time amounts on deposit in the Cost of Issuance Fund are in excess of the amounts reasonably required to pay Costs of Issuance, the Department may transfer such excess to the Mortgage Loan Fund or the Revenue Fund.

Revenue Fund

All Revenues are required to be deposited into the Revenue Fund promptly upon receipt by the Department. Prior to the transfer of any other amount from the Revenue Fund, the Department may transfer from the Revenue Fund an amount equal to any rebatable arbitrage to the Rebate Fund. On or before each interest payment date on the Bonds which occurs other than on a January 1 or July 1, the Trustee will transfer from the Revenue Fund to the Interest Fund an amount which, when added to any amounts already on deposit therein, will equal the amount of interest to become due and payable on the Bonds on such interest payment date.

On or before each January 1 and July 1, and each date fixed for the redemption of Bonds, the Trustee is required to transfer amounts on deposit in the Revenue Fund representing Mortgage Loan Principal Payments at the Department's direction or as required by a Series Supplement to either the Principal Fund, the Mortgage Loan Fund, or the Special Redemption Fund. Pursuant to the Master Indenture and the Series Supplements, the Trustee is required to transfer all scheduled Mortgage Loan Principal Payments relating to a Series of Bonds, to the Principal Account established for such Series of Bonds, and to transfer all Mortgage Loan Principal Prepayments relating to a Series of Bonds to the Special Redemption Account for such Series of Bonds. Notwithstanding the foregoing sentence, the Department may direct the applications of such Mortgage Loan Principal Payments and Mortgage Loan Principal Prepayments otherwise within six months of receipt of such amounts by a Letter of Instructions accompanied by a Cashflow Statement. The Trustee also must transfer from the Revenue Fund the other amounts on deposit therein in the following order of priority:

- (a) first, to the Interest Fund, an amount, if any, which, when added to any amounts already on deposit therein, will equal the amount of interest to become due and payable on the Bonds on such interest payment date or redemption date;
- (b) second, to the Principal Fund, an amount which, when added to any amounts already on deposit therein, will equal the principal amount of all Bonds maturing on such interest payment date and the redemption price of all Bonds becoming subject to scheduled mandatory redemption on such redemption date;

(c) third, to the Expense Fund, the amount or amounts specified in the Series Supplements applicable to the Bonds then Outstanding as being necessary to pay Department Expenses consisting of amounts to be paid to obtain or maintain Supplemental Mortgage Security;

(d) fourth, to the Expense Fund, the amount then required for the payment of Department Expenses (other than as described in clause (c) above), but not in excess of the maximum amount specified in the applicable Series Supplements applicable to the Bonds then Outstanding;

(e) fifth, to the Special Mortgage Loan Fund, the amount, if any, specified in the most recent Cashflow Statement as required by the Series Supplement to maintain the tax-exempt status of the Bonds; and

(f) finally, to the Residual Revenues Fund, the portion, if any, of the amount remaining in the Revenue Fund on such July 1, January 1, or redemption date after the foregoing transfers, which the Department directs to be so transferred.

Capitalized Interest Fund

The Trustee is required to apply amounts on deposit in the 2009 A/B Capitalized Interest Fund to the extent funds are not available in the applicable account of the Revenue Fund to pay interest due on the Series 2009 Bonds. In certain circumstance described in the Trust Indenture amounts on deposit in the 2009 A/B Capitalized Interest Fund may also be transferred (i) to the Mortgage Loan Fund and used to purchase 2009 A Mortgage Certificates or (ii) to the 2009 A/B Special Redemption Account and used to to redeem Series 2009 Bonds. See "THE SERIES 2009 BONDS -- Redemption Provisions -- Special Redemption from Unexpended Proceeds."

Interest Fund and Principal Fund

The Trustee is required to pay out of the Interest Fund by each interest payment date or date fixed for redemption of Bonds, the amount required for the interest payment due on such date. The Trustee is required to pay out of the Principal Fund by each date on which Bonds mature or become subject to scheduled mandatory redemption, the amount required for the payment of the principal amount of Bonds maturing and the redemption price of the Bonds subject to scheduled mandatory redemption on such date.

The Trustee, at any time at the direction of the Department in a Letter of Instructions accompanied by a Cashflow Statement, is required to apply amounts available in the Principal Fund to pay the purchase price of Bonds.

Special Redemption Fund

Amounts in the Special Redemption Fund are required to be applied by the Trustee to pay the redemption price of the Bonds becoming subject to redemption (other than by scheduled mandatory redemption) or, at the direction of the Department, may be transferred to the Revenue Fund if notice of redemption has not been given or such amounts have not been committed to the purchase of Bonds.

The Trustee, at any time at the direction of the Department in a Letter of Instructions accompanied by a Cashflow Statement, is required to apply amounts available in the Special Redemption Fund to pay the purchase price of Bonds.

Expense Fund

Amounts in the Expense Fund 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 at the direction of the Department.

Residual Revenues Fund

During such time as the Department is not meeting the asset test described in the next paragraph (the "Asset Test"), amounts in the Residual Revenues Fund are required to be retained in the Residual Revenues Fund or transferred to the Mortgage Loan Fund or the the Special Redemption Fund, as directed by a Letter of Instructions from the Department accompanied by a Cashflow Statement or, in the absence of such instructions, as may be required by the applicable Series Supplements.

The Department will be deemed to have met the Asset Test if: (i) the Department has on file with the Trustee a Cashflow Statement giving effect to a transfer and release proposed as described in the next paragraph; and (ii) as of the date of such Cashflow Statement, the sum of the outstanding principal balance of the Mortgage Loans and the Mortgage Certificates, and the money and Investment Securities (valued at their amortized values as required by the Trust Indenture) held in all Funds (other than the Cost of Issuance Fund, the Expense Fund and any mortgage pool self-insurance reserve established by the Department with respect to the Mortgage Loans) is at least equal to 102% of the aggregate principal amount of Bonds then Outstanding.

If at any time the Department meets the Asset Test, the Trustee is required to apply amounts in the Residual Revenues Fund (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) as follows: (i) the Trustee is required to transfer such amounts to the Mortgage Loan Fund or the Special Redemption Fund or remit such amounts to the Department to be used for any purpose authorized or permitted by the Act, free and clear of the pledge and lien of the Trust Indenture, if so directed by a Letter of Instructions from the Department; or (ii) in the absence of such instructions, the Trustee is required to retain such amounts in the Residual Revenues Fund.

Special Mortgage Loan Fund

As a result of the issuance of the Series 1998/1999A Bonds, the Tenth Series Supplement established a 1998/1999A Special Mortgage Loan Fund as a separate fund pledged (unless withdrawn to make Special Mortgage Loans) 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 1998/1999A Special Mortgage Loan Fund any amount necessary to provide sufficient funds to pay the amount then due and owing. Moneys on deposit in the 1998/1999A Special Mortgage Loan Fund may be withdrawn by the Department for the purpose of acquiring from mortgage lenders Special Mortgage Loans (including participations therein).

Rebate Fund

Funds on deposit in the Rebate Fund are required to be withdrawn periodically by the Department and set aside to pay any amounts required to be rebated to the United States under applicable provisions of federal income tax law.

Withdrawals from Funds to Pay Debt Service

If on any interest payment date on the Bonds, after giving effect to the transfers from the Revenue Fund described above, the amount in the Interest Fund or the Principal Fund is less than the amount required to make interest and principal payments then due, the Trustee shall transfer from the following Funds in the following order of priority the amount of such deficit and apply such amount to pay interest and principal as necessary: (i) Residual Revenues Fund; (ii) Special Redemption Fund; and (iii) Mortgage Loan Fund.

None of the following are deemed available under the Trust Indenture for the payment of debt service on the Bonds: (i) the moneys in the Special Redemption Fund 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 make, acquire, or refinance Mortgage Loans with respect to which the Department has entered into commitments with borrowers, Mortgage Lenders or others; or (iii) Mortgage Loans credited to the Mortgage Loan Fund.

Investments

Moneys held in the Mortgage Loan Fund, the Revenue Fund, the Capitalized Interest Fund, the Interest Fund, the Principal Fund, the Special Redemption Fund, and the Residual Revenues 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 Cost of Issuance Fund and 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 Funds, in accordance with instructions from the Department, to the fullest extent practicable and if permitted by the Act, in Investment Securities 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 any 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), are required to be transferred to the Revenue Fund.

Other Department Covenants

The Department is required to keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries must be made of its transactions in accordance with generally accepted accounting principles. The Department is required to file annually, within 180 days after the close of each Bond Year, 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 Bond Year; and a statement of Revenues and Department Expenses for such Bond Year. The Department at all times is required to appoint, retain and employ competent personnel for the purpose of carrying out its programs and must 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 must be qualified for their respective positions.

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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 when due; (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 10% in principal amount of the Bonds then 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

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 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 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.

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 25% in aggregate principal amount of the Bonds then Outstanding, 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 a 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.

If any Event of Default occurs and is continuing, then the Trustee may, and upon written request by the owners of not less than 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 Bondholders under the Trust Indenture.

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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 then due on the Bonds, as follows:
 - (i) unless the principal of all the Bonds has become or has been declared due and payable, to the payment to the persons entitled thereto of: first, all installments of interest then due, in order of maturity, and, if the amount available is not sufficient to pay in full any installments maturing on the same date, 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 is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amount or redemption price due on such date, without any discrimination or preference; and
 - (ii) if the principal of all the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and
- (c) to the payment of the amounts required for reasonable and necessary Department Expenses.

Trustee

The Bank of New York Mellon Trust Company, N.A., is currently the Trustee for all Series of Bonds issued under the Trust Indenture.

The Department is required to pay reasonable compensation to the Trustee, any Depositories and any paying agent (other than the Ginnie Mae Paying Agent) for all services rendered under the Trust Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and for the performance of their powers and duties under the Trust Indenture.

The Trustee may be removed, with or without cause, if so requested by the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding. In addition, the Trustee may be removed, with or without cause, at any time (unless an Event of Default has occurred and is continuing) by resolution of the Governing Board of the Department; provided, that all holders of Bonds be given notice of such action and the Department shall not have received, within 60 days after such notice, written objections to such action by the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding. The Trustee may also resign, upon appropriate notice. In either event, a successor is required to be appointed. Any successor Trustee must be a bank or trust company or national banking association doing

business and having its principal office in the State, and having capital stock and surplus aggregating at least \$75,000,000, which is willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all the duties imposed on its by the 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 (other than moneys and securities required to be held in the Interest Fund, the Principal Fund and the Special Redemption Fund). Any depository appointed by the Department must be: (i) the Comptroller of Public Accounts, as successor to the State Treasurer of the State of Texas, acting by and through the Texas Treasury Safekeeping Trust Company; or (ii) a bank or trust company organized under the laws of the United States or any state thereof and having capital stock and surplus of at least \$50,000,000 which the Department determines to be capable of properly discharging its duties in such capacity and which is acceptable to the Trustee. 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 Bondholders, and may not be applied in any manner that is inconsistent with the provisions of the Trust Indenture.

Any Depository may at any time resign and be discharged of its duties and obligations under the Trust Indenture by giving at least 60 days' written notice to the Department and the Trustee. Any Depository may be removed at any time by the Department by resolution of the Governing Board of the Department.

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 may be executed and delivered by the Department and the Trustee, without the consent of any Bondholders: (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 cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Trust Indenture; (iii) 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; (iv) to grant to or confer upon the Trustee for the benefit of the Bondholder any additional rights, remedies, powers, authority or security that may be lawfully granted to or conferred upon the Trustee; (v) to close the Trust Indenture against, or provide limitations on, the delivery of Bonds; (vi) to add to the covenants of the Department in the Trust Indenture other covenants which are not inconsistent with the Trust Indenture; (vii) 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; (viii) to surrender any right, power or privilege reserved to or conferred upon the Department by the terms of the Trust Indenture that is not inconsistent with the Trust Indenture; (ix) to confirm the subjection to any lien or pledge created by the Trust Indenture of the Trust Estate or any other moneys; (x) 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 adoption of such Supplemental Indentures shall cease to be outstanding; (xi) to amend the Trust Indenture to permit its qualification under the Trust Indenture Act of 1939 or any state blue sky law; (xii) to add to the definition of Investment Securities in accordance with the provisions of such definition; or (xiii) to make any other change in the Trust Indenture which does not, in the opinion of the Trustee, materially and adversely affect the rights of the holders of the Bonds.

Amendment of Trust Indenture with Consent of Bondholders

The Department and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to the Trust Indenture, but only with the prior written consent of the holders of at least 2/3 in aggregate principal amount of the Bonds then Outstanding at the time such consent is given, and in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least 2/3 in principal amount of the Bonds of each Series so affected 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 particular Series and maturity remain Outstanding, the consent of the holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Trust Indenture. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture may permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (i) a change in the terms of maturity or redemption of any Bond or of any installment of interest thereon; (ii) a reduction in the principal amount or redemption price of any Bond or in the rate of interest thereon; (iii) the creation of a lien on or a pledge of the Revenues or any part thereof, other than the lien and pledge of the Trust Indenture or as permitted by the Trust Indenture; (iv) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; or (v) a reduction in the aggregate principal amount or classes of Bonds of which the consent of the holders is required to effect any such modification or amendment. 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 Bonds of such Series. The Trustee is required to determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series would be affected by any modification or amendment of the Trust Indenture and any such determination will be binding and conclusive on the Department and all holders of Bonds.

Defeasance

If the Department pays irrevocably or causes to be paid irrevocably, or there otherwise is paid, to the owners of all Bonds the principal amount 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, will thereupon terminate.

Bonds or interest installments for the payment or redemption of which moneys are held in trust by the Trustee or any paying agent at the maturity or redemption date thereof will be deemed to have been paid within the meaning of the Trust Indenture. In addition, all Outstanding Bonds of any Series will be deemed to have been paid within the meaning of the Trust Indenture if: (i) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Department has given to the Trustee irrevocable instructions to give notice of redemption of such Bonds on said date; (ii) there has been deposited with the Trustee or any paying agent either moneys in an amount which are sufficient, or Government Obligations not subject to redemption prior to the maturity thereof, 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 any paying agent at the same time, are 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 to be redeemed within the next succeeding 60 days, the Department has 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 paying agent 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.

Any moneys held for the payment of any of the Bonds which remain unclaimed for three years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption must, at the written request of the Department, be repaid to the Department, free from trust, and the Bondholders thereafter may look only to the Department for the payment of such Bonds.

TEXAS TREASURY SAFEKEEPING TRUST COMPANY

The Department has entered into a Depository Agreement relating to the Bonds (the "Depository Agreement"), by and among the Department, the Trustee, and the Treasurer of the State of Texas (now, the Comptroller of Public Accounts of the State of Texas), acting by and through the Texas Treasury Safekeeping Trust Company, a limited purpose corporate 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 Fund, Interest Fund, Special Redemption Fund, Special Mortgage Loan Fund, Rebate Fund, Cost of Issuance Fund and the Expense Fund). All money and securities required by the Trust Indenture to be credited to such Funds 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 an amount sufficient to reimburse the Trust Company for its actual costs of 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 Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Series 2009 Bonds is excludable from gross income for federal income tax purposes under existing law, (ii) interest on the Series 2009A Bonds is not (A) a specific preference item subject to the alternative minimum tax on individuals and corporations, or (B) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax, and (iii) interest on the Series 2009B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX E.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Series 2009 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." Bond Counsel's opinion will assume continuing compliance with the procedures, safeguards and covenants of the Servicer and the covenants of the Department in the Trust Indenture and the Program Documents pertaining to those sections of the Code that affect the exclusion from gross income of

the interest on the Series 2009 Bonds for federal income tax purposes, and in addition, will rely on representations by the Department, the Underwriters, the Servicer, and the Mortgage Lenders with respect to matters solely within the knowledge of the Department, the Underwriters, the Servicer, and the Mortgage Lenders, respectively, which representations Bond Counsel has not independently verified. Bond Counsel has further relied on the report (the "Report") of Causey Demgen & Moore Inc., certified public accountants, regarding the mathematical accuracy of certain computations. If the Department, a Mortgage Lender, or the Servicer fails to comply with such procedures, safeguards and covenants or if such representations or the Report should be determined to be inaccurate or incomplete, interest on the Series 2009 Bonds could become includable in gross income from the date of original delivery thereof, regardless of the date on which the event causing such includability occurs.

The Code imposes an alternative minimum tax on the "alternative minimum taxable income" of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual's regular income tax. Generally, the alternative minimum tax rate for individuals is 26% of so much of such taxable excess as does not exceed \$175,000 plus 28% of so much of such taxable excess as exceeds \$175,000. The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of an individual or corporation will include items of tax preference under the Code, such as the amount of interest received on "private activity bonds," issued after August 7, 1986. Further, for tax-exempt obligations other than private activity bonds, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." However, interest on private activity bonds issued in 2009 and 2010 for new money projects or to refund tax-exempt obligations originally issued anytime between 2004 and 2008, inclusive, is not treated as an item of tax preference includable in alternative minimum taxable income. Further, interest on tax-exempt obligations other than private activity bonds issued in 2009 and 2010 for new money projects or to refund tax-exempt bonds originally issued anytime between 2004 through 2008, inclusive, is not includable in the "adjusted current earnings" of a corporation for purposes of computing its alternative minimum tax liability. Therefore, interest on the Series 2009A Bonds is not an item of tax preference includable in alternative minimum taxable income nor is it includable in the adjusted current earnings of a corporation for purposes of computing its alternative minimum tax liability. However, interest on the Series 2009B Bonds is an item of tax preference includable in alternative minimum tax liability, and it is includable in the adjusted current earnings of a corporation for purposes of computing its alternative minimum tax liability and, as such, could subject a corporation investing in the Series 2009B Bonds to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series 2009 Bonds, received or accrued during the year.

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 2009 Bonds.

Prospective purchasers of the Series 2009 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, and individuals otherwise qualifying for the earned income 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 2009 Bonds.

These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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 their 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 2009 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 2009 Bonds could adversely affect the value and liquidity of the Series 2009 Bonds regardless of the ultimate outcome of the audit.

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 (i) are "qualified mortgage bonds;" (ii) are issued in fully registered form; (iii) are not "federally guaranteed" and (iv) are not "arbitrage bonds" within the meaning of the Code. "Qualified mortgage bonds" are bonds that are part of an issue meeting 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 with mortgages that satisfy certain mortgage eligibility requirements, as set forth more fully below under the subheading "Mortgage Eligibility Requirements;" (ii) 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;" (iii) certain arbitrage limitations described more fully below under the subheading "Requirements Related to Arbitrage" must be satisfied; (iv) certain reporting requirement as set forth more fully below under the subheading "Reporting Requirements" must be satisfied; and (v) certain requirements for informing mortgagors 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" must be satisfied.

In addition, to be "qualified mortgage bonds," the costs of issuance financed by an issue of bonds cannot exceed two percent (2%) of the proceeds of such issue. Further, 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 2009 must not exceed the unified volume cap for private activity bonds imposed by the Code and applicable regulations. An allocation of the unified volume cap is not required for refunding bonds if the maturity date of the refunding bond is not later than the date 32 years after the date on which the refunded bond was issued (or in the case of a series of refundings, the date on which the original bond was issued) and to the extent that the amount of such refunding bond does not exceed the outstanding amount of the refunded bond.

The Department has covenanted in the Trust Indenture that it will take all actions necessary in order to comply with each of the foregoing requirements.

Targeted Area Requirement

The Code requires that either (a) an amount equal to at least twenty percent (20%) of the lendable proceeds of an issue of qualified mortgage bonds or (b) an amount equal to forty percent (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 the targeted area, if such amount is less, must be reserved, for at least one year from the date such proceeds are first made available to purchase mortgage loans, for the purchase of mortgage loans to provide financing for residences located within one or more targeted areas ("Targeted Area Residences"), which consist of (i) census tracts identified by the United States Treasury Department as having a substantial concentration of lower-income persons, (ii) areas of chronic economic distress designated by the State and approved by HUD or (iii) Gulf Opportunity Zones created pursuant to the Gulf Opportunity Zone Act of 2005 until December 31, 2010, unless extended and as effective with respect to the Series 2009 Bonds. 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. The Department initially has reserved 20% of the lendable proceeds of the Series 2009A Bonds for Targeted Area Residences. Further, the Department has covenanted to attempt with reasonable diligence to place such proceeds in qualified mortgages.

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 be a single-family residence which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after financing is provided.

First-time Homebuyer Requirement. The Code requires that at least ninety-five percent (95%) of the net proceeds of an issue used to provide owner-financing must be used to finance residences of mortgagors who have not had a present ownership interest in any principal residence during the three-year period prior to execution of the mortgage loan; provided, however, that the three-year requirement does not apply (i) to loans to finance 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 fifty percent (50%) of the AMFI (the "Contract for Deed Exception"), (iii) to loans to finance residences located in federal disaster areas within two years of the disaster declaration (as set forth in Section 143(k)(11) of the Code) (the "Disaster Area Residences"), (iv) to loans to certain qualified veterans, or (v) to loans to refinance a mortgage on a residence that was originally financed by the mortgagor through a qualified subprime loan, as defined in Section 143(k)(12) of the Code ("Qualified Subprime Loans"). 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.

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New Mortgage Requirement. No part of the proceeds of an issue of qualified mortgage bonds may be used to acquire or replace an existing mortgage. Thus, all of the lendable proceeds of an issue must be used to provide new mortgages to persons who did not have 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, (ii) certain residences described within the Contract for Deed Exception, and (iii) the refinancing of Qualified Subprime Loans pursuant to Section 143(k)(12) of the Code.

Purchase Price Limitations. The Code requires that the purchase price of the residence may not exceed ninety percent (90%) of the average area purchase price applicable to such residence, or, in the case of residences in certain targeted areas, one-hundred ten percent (110%) of the applicable average area purchase price. The Internal Revenue 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 Bonds. For purposes of refinancing Qualified Subprime Loans, the purchase price of the residence shall be the market value of the residence at the time of such refinancing.

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 (140% and 120%, respectively, in the case of such loans for Targeted Area Residences and Disaster Area Residences).

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.

Requirements Related to Arbitrage

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; (ii) no more than 10% of the proceeds of a series of bonds may be invested in a reserve fund; (iii) no more than the lesser of 5% of the proceeds of a series 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 a series 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 pay to the United States Treasury 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 Series 2009 Bonds to which such non-mortgage investments relate.

Requirements Related to Qualified Subprime Loans

The proceeds of qualified mortgage bonds used to refinance Qualified Subprime Loans must be so used within twelve months from the date of issue of 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.

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; provided that all proceeds of an issue of qualified mortgage bonds representing private activity bond volume cap made available pursuant to the Housing and Economic Recovery Act of 2008 in an amount of \$250,000 or more that are not expended to finance residences within 12 months of the date of issuance of such bonds must be used within such 12-month period to redeem bonds.

The Code requires that all amounts of \$250,000 or more that are received by the issuer and represent 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. This requirement does not apply to amounts received within ten years after the date of issuance of bonds.

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) made after December 31, 1990, and the payment for which indebtedness the taxpayer 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" 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 which is made more than ten 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 provided, provide a written statement to the mortgagor specifying the federally-subsidized amount with respect to such mortgage loan and the applicable income limits.

The Department, the Mortgage Lenders, and the Master Servicer have covenanted to comply with these information requirements.

Compliance with Tax Requirements

The Code provides that the arbitrage and certain other requirements are deemed to be met if the issuer attempts in good faith to meet such requirements and any failure to meet such requirements is due to inadvertent error. With respect to the mortgage eligibility requirements, however, the Code provides that such requirements are deemed to be met only if: (i) the issuer attempts in good faith to meet such requirements by establishing reasonable procedures and making reasonable investigations before the mortgage loans were executed; (ii) at least 95% of the mortgages, by aggregate principal amount, meet 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 Department has covenanted in the Trust Indenture and the Mortgage Lenders and the Master Servicer have covenanted in the Program Documents to comply with the above-described requirements of the Code as applied to the Series 2009 Bonds and to 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 2009 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 includability occurs.

CONTINUING DISCLOSURE OF INFORMATION

In the Continuing Disclosure Agreement, dated as of August 1, 2009 (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 2009 Bonds. The Department is required to observe the Disclosure Agreement for so long as it remains obligated to advance funds to pay the Series 2009 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 material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from said vendors.

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 the final Official Statement relating to the Series 2009 Bonds had such Eligible Borrower been known at the time of the offering of the Series 2009 Bonds.

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Annual Reports

The Department will provide certain updated financial information and operating data to certain information vendors annually. 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 D-1 -AUDITED FINANCIAL STATEMENTS OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS REVENUE BOND PROGRAM FOR THE FISCAL YEAR ENDED AUGUST 31, 2008" (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 F-1 --ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND MORTGAGE CERTIFICATES" and "APPENDIX F-2 --OTHER INDEBTEDNESS OF THE DEPARTMENT." The Department will update and provide this information within six months after the end of each Fiscal Year ending in or after 2009. The Department will provide the updated information to the Municipal Securities Rulemaking Board (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 D-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, 2009. 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 2010 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.

Material Event Notices

The Department will provide timely notices of certain events to certain information vendors. The Department will provide notice of any of the following events with respect to the Series 2009 Bonds, if such event is material to a decision to purchase or sell Series 2009 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009 Bonds; (7) modifications to rights of securities holders; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2009 Bonds; (11) rating changes; and (12) amendments to the Disclosure Agreement in connection with financial statements or operating data which the Department is required to disclose. In addition, the Department will provide timely notice of any failure by the Department to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Department will provide each notice described in this paragraph to the MSRB.

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 Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

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 2009 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 2009 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 2009 Bonds in the primary offering of the Series 2009 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 2009 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 2009 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 2009 Bonds in the primary offering of such Series 2009 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.

Compliance with Prior Continuing Disclosure Agreements

The Department has not failed to comply with its previous Continuing Disclosure Agreements in accordance with SEC Rule 15c2-12.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned ratings to the Series 2009 Bonds of "Aaa" and "AAA," 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 2009 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 2009 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 2009 Bonds.

UNDERWRITING

The Series 2009 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 2009 Bonds (the "Bond Purchase Agreement"), the Underwriters have agreed to purchase the Series 2009A Bonds at a total purchase price of \$81,276,200 and the Series 2009B Bonds at a total purchase price of \$22,605,000. The Underwriters will receive a fee of \$1,046,953.59 in connection with the purchase of the Series 2009 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 counsel and certain other conditions. The initial public offering prices of the Series 2009 Bonds may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Series 2009 Bonds offered to the public to certain dealers (including dealers depositing the Series 2009 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.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2009 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2009 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009 Bonds with UBS Financial Services Inc.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2009 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009 Bonds.

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.

FINANCIAL ADVISOR

RBC Capital Markets Corporation (the "Financial Advisor") is employed by the Department as an independent financial advisor in connection with the issuance of the Series 2009 Bonds and, in such capacity, has responsibility primarily for providing the Department with information on interest rates, reoffering prices and underwriting fees on similar financings being sold under current market conditions. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

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, 2008 included in Appendix D-1 in this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

The financial data as of and for the nine months ended May 31, 2009 has been derived from the unaudited internal records of the Department. The Department's independent auditors have not compiled, 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 2009 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 closing and delivery of the Series 2009 Bonds stating that there is no controversy or litigation of any nature pending or, to its knowledge, threatened to restrain or enjoin the issuance or delivery of the Series 2009 Bonds, or in any way contesting or affecting the validity of the Series 2009 Bonds, the Trust Indenture, or any proceedings of the Department taken with respect to the issuance or sale of the Series 2009 Bonds, or the existence or powers of the Department insofar as they relate to the authorization, sale and issuance of the Series 2009 Bonds or such pledge or application of moneys and security.

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 of all kinds and types, fiduciaries, trustees, guardians, and the sinking and other public funds of the State, cities, towns, villages, 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 2009 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 2009 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 2009 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 2009 Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Series 2009 Bonds for such purposes.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore, Inc., the Verification Agent, will verify the mathematical accuracy of the computations relating to (i) the sufficiency of projected cashflow receipts and disbursements on the Mortgage Loans and other funds pledged to pay the principal of and interest on the Series 2009 Bonds under certain assumptions and (ii) the computation of yield on the Series 2009 Bonds contained in the schedules provided to and used by Bond Counsel in its determination that interest on the Series 2009 Bonds is excludable from gross income for federal income tax purposes. Causey Demgen & Moore, Inc. will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Series 2009 Bonds.

APPROVAL OF LEGALITY

Legal matters incident to the issuance of the Series 2009 Bonds are subject to the approving opinion of Vinson & Elkins L.L.P., Bond Counsel. Certain legal matters incident to the issuance of the Series 2009 Bonds are subject to the approving opinion of the Attorney General of Texas. Certain legal matters will be passed upon for the Department by its General Counsel, Kevin Hamby, Esq., and by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord Bissell & Liddell LLP.

In its capacity as Bond Counsel, Vinson & Elkins L.L.P. has reviewed the information appearing in this Official Statement describing the Series 2009 Bonds, the security therefor and the federal income tax status thereof, particularly the information appearing under "THE SERIES 2009 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 "Prior Bonds," "Mortgage Loans and Mortgage Certificates" and "Investment of Funds"), "THE PROGRAM AND THE MORTGAGE LOANS" (but excluding information set forth under the subheadings "Community Home Buyer's Program," "Servicing" and "The Master Servicers"), "THE TRUST INDENTURE," "TEXAS TREASURY SAFEKEEPING TRUST COMPANY," "TAX MATTERS," "LEGALITY FOR INVESTMENT," "APPROVAL OF LEGALITY" and in APPENDIX A and APPENDIX E 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 of Texas, the Trust Indenture, the 2009 Supplemental Indenture, the Depository Agreement, the Series 2009 Bonds and the federal tax implications with respect to the Series 2009 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.

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. 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 2009 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 2009 Bonds.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: /s/ C Kent Conine
Chair and Member
Governing Board

By: /s/ Michael C. Gerber
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:

"Act" shall mean the Chapter 2306, Government Code, as amended from time to time (together with other laws of the State applicable to the Department).

"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, with respect to the Series 2009 Bonds, \$5,000 principal amount at maturity and integral multiples thereof.

"Authorized Representative of the Department" shall mean the Executive Director of the Department or any other employee or officer or member of the Governing Board of the Department authorized to perform specific acts or duties by resolution duly adopted by the Governing Board of the Department, a copy of which shall be filed with the Trustee.

"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 Year" shall mean each twelve-month period that ends on December 31.

"Bonds" shall mean, unless subordinated, any bond or bonds, as the case may be, authenticated and delivered pursuant to the Trust Indenture.

"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 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.

"Capitalized Interest Fund" shall mean the 2009 A/B Capitalized Interest Fund established in the Twenty-Eighth Supplemental Indenture.

"Cashflow Certificate" shall mean a written certificate signed by an Authorized Representative of the Department stating that the action described in the Letter of Instructions to which such certificate pertains is consistent with the assumptions used in the Cashflow Statement most recently filed with the Trustee.

"Cashflow Statement" shall mean a cashflow statement conforming to the requirements of the Trust Indenture.

"Certificate Purchase Period" shall mean the period from August 18, 2009, to and including, unless otherwise instructed by the Department, April 1, 2010 for Twelve-Month Volume Cap, and to and including April 1, 2010, but which may be extended to a date no later than December 17, 2012 for amounts in the 2009 A/B Mortgage Loan Account not representing Twelve-Month Volume Cap.

"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, to the extent applicable to the Series 2009 Bonds.

"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 the items of expense payable or reimburseable directly or indirectly by the Department and related to the authorization, sale, issuance and remarketing of Bonds, which items of expense shall include without limiting the generality of the foregoing: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Fiduciaries; bond discounts; underwriting fees and remarketing fees; legal fees and charges; consulting fees and charges; auditing fees and expense; financial advisory fees; credit rating fees; initial amounts paid to obtain Supplemental Mortgage Security or a Credit Facility; fees and charges for execution, transportation and safekeeping of Bonds; and other administrative or other costs of issuing, carrying, repaying, and remarketing Bonds and investing the Bond proceeds and costs incurred in marketing or advertising the Program.

"Credit Facility" shall mean any credit facility securing payment of Bonds described in a Series Supplement.

"Department" shall mean the Texas Department of Housing and Community Affairs and its successors and assigns.

"Department Expenses" shall mean the Department's expenses of carrying out and administering its powers, duties and functions in connection with 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 Fiduciaries; mortgage loan servicing fees; costs of issuance not paid from proceeds of bonds; payments to pension, retirement, health and hospitalization funds; amounts paid to obtain and maintain Supplemental Mortgage Security; and any other expenses required or permitted to be paid by the Department under the provisions of the Act, the Master Indenture and any Supplemental Indenture.

"Depository" shall mean the Texas Treasury Safekeeping Trust Company, acting in accordance with the Depository Agreement, and any bank or trust company appointed pursuant to the Trust Indenture and the 2009 Supplemental Indenture to act as depository of certain moneys and investments.

"DFP Loan" or "Second Lien Deferred Forgivable Loan" means a subordinated, no interest, ten year term forgivable loan for down payment and closing costs made to a Mortgagor under Program 74 in an amount initially equal to 4.0% of the principal amount of the Mortgage Loan, subject to adjustment from time to time at the direction of the Department. Unless otherwise directed by written notice from the Department, all Mortgagors receiving a Mortgage Loan originated under Program 74 shall also receive a DFP Loan.

"Eligible Borrowers" shall mean a person that meets the requirements set forth in the caption "THE PROGRAM AND MORTGAGE LOANS -- Eligible Borrowers."

"Fannie Mae" shall mean Fannie Mae, a corporation organized and existing under the laws of the United States of America, and any successor thereto.

"Fannie Mae Certificate" shall mean a guaranteed mortgage pass-through Fannie Mae Mortgage-Backed Security 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.

"FDIC" shall mean the Federal Deposit Insurance Corporation or any successor agency or instrumentality of the United States of America.

"FHA" shall mean the United States Department of Housing and Urban Development, Federal Housing Administration, or any successor federal agency or instrumentality.

"Fiduciaries" shall mean the Trustee, the Depository, and any bond depository and any paying agent.

"Freddie Mac" shall mean the Federal Home Loan Mortgage Corporation, a corporation organized and existing under the laws of the United States of America, and any successor thereto.

"Freddie Mac Certificate" shall mean a guaranteed mortgage pass-through Freddie Mac Participation Certificate 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.

"Fund" shall mean the Mortgage Loan Fund, the Cost of Issuance Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Special Redemption Fund, the Rebate Fund, the Capitalized Interest Fund, the Expense Fund, and the Residual Revenues Fund established under the Master Indenture and the Special Mortgage Loan Fund.

"Ginnie Mae" shall mean the Government National Mortgage Association, a 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. § 1716 et seq.), and any successor thereto.

"Ginnie Mae Certificate" shall mean a fully-modified, mortgage-backed, pass-through security issued by the 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 Servicer into a Ginnie Mae pool.

"Ginnie Mae Guide" shall mean the Ginnie Mae II Mortgage-Backed Securities Guide (Ginnie Mae 5500.2), as amended and 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 The Bank of New York, in its capacity as the central transfer and paying agent pursuant to the Ginnie Mae Guide, or its successors or assigns.

"Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are guaranteed by the full faith and credit of, the United States of America.

"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) Government Obligations;
- (b) FHA debentures;
- (c) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the United States of America acting pursuant to authority granted by the Congress of the United States, including, without limitation the following: Fannie Mae (excluding mortgage-backed securities valued at greater than par on the portion of unpaid principal and mortgage-backed securities representing payment of principal only or interest only with respect to the underlying loans); Freddie Mac, Ginnie Mae, Student Loan Marketing Association, or other successor agencies;
- (d) Obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- (e) Debt obligations (excluding obligations that do not have a fixed par value and/or the terms of which do not provide for payment of a fixed dollar amount at maturity or redemption) of any person, but only if such debt obligations are rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency;
- (f) Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances (in each case, having maturities not in excess of one year) of any bank the short-term unsecured debt obligations of which are rated by each Rating Agency in the highest category for short-term obligations.
- (g) Certificates of deposit and time deposits which are fully insured as to principal and interest by the FDIC;
- (h) Commercial paper having maturities not in excess of one year rated by each Rating Agency in the highest category for short-term obligations;
- (i) Money market funds rated by each Rating Agency in the highest category for money market funds;

(j) Repurchase agreements the subject of which are obligations described in clauses (a), (b), (c) or (d) above, with: (i) any Person whose long-term unsecured general indebtedness is rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency, or if the term of such repurchase agreement does not exceed one year, whose short-term unsecured general indebtedness is rated by each Rating Agency in the highest category for short-term obligations; and (ii) with any member of the Association of Primary Dealers;

(k) Investment agreements secured or unsecured as required by the Department, with any Person whose long-term unsecured general indebtedness is rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency or, if the term of such investment agreement does not exceed one year, whose short-term unsecured general indebtedness is rated by each Rating Agency in the highest category for short-term obligations; and

(l) Investment securities described in any Supplemental Indenture the inclusion of which in the definition of Investment Securities for purposes of the Trust Indenture will not adversely affect, in and of itself, any rating then assigned to the Bonds by a Rating Agency, as evidenced by a letter from each such Rating Agency.

"Letter of Instructions" shall mean any written directive or authorization to the Trustee or any Depository specifying the period of time for which such directive and authorization shall remain in effect, executed by an Authorized Representative of the Department.

"Master Indenture" shall mean the Agency's Residential Mortgage Revenue Bond Trust Indenture, dated as of November 1, 1987, pursuant to which the Bonds of each Series are authorized to be issued.

"Mortgage" shall mean any mortgage or deed of trust securing a Mortgage Loan.

"Mortgage Certificate" shall mean a mortgage-backed security that evidences beneficial ownership of a mortgage pool, that satisfies the requirements of the applicable Series Supplement and that is purchased from amounts identified in the applicable Series Supplement and pledged by the Department to the Trustee pursuant to the Trust Indenture.

"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) any loan, including a 1987A Mortgage Loan, evidenced by a Mortgage Note and secured by a Mortgage which satisfies the requirements of the Trust Indenture, which is made, acquired or refinanced, directly or indirectly, from amounts in the Mortgage Loan Fund or other moneys of the Department (including amounts derived from temporary indebtedness incurred in anticipation of the issuance of Bonds), and which is pledged by the Department to the Trustee pursuant to the Trust Indenture; and (ii) any evidence of a participation in a loan described above, including a Mortgage Certificate.

"Mortgage Loan Principal Payment" shall mean, with respect to any Mortgage Loan, all amounts representing (i) scheduled payments of principal thereof and (ii) Mortgage Loan Principal Prepayments other than portions, if any, of Mortgage Loan Principal Prepayments representing any penalty, fee, premium or other additional charge for the prepayment of principal which may be paid pursuant to the terms of a Mortgage Loan.

"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 borrower, (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), (iii) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department, (iv) in the event of a default thereon by the borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department or by any other proceedings take by the Department, (v) from any special hazard insurance policy or standard hazard insurance policy covering mortgaged premises, (vi) from any Supplemental Mortgage Security, (vii) from any proceeds received from any private mortgage insurer, the FHA, the VA, the RHS or any other agency or instrumentality of the United States of America in respect of any primary mortgage insurance or guaranty of a Mortgage Loan, or (viii) from any payments on a Mortgage Certificate.

"Mortgage Note" shall mean any note, bond or other instrument evidencing borrower's obligation to repay 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 by such Mortgage Certificate, as described in the schedule of pooled Mortgage Loans pertaining to such Mortgage Certificate.

"1987A Mortgage Loans" shall mean those FHA-insured Mortgage Loans which are owned by the Department and which were acquired with the proceeds of the Series 1987A Bonds.

"1999 Transferred Mortgage Certificates" shall mean the 1999B/C/D Mortgage Certificates transferred to the Series 2009 Bonds.

"1999B/C/D Mortgage Certificates" shall mean those Mortgage Certificates which are owned by the Department and which were acquired with the proceeds of its Residential Mortgage Revenue Bonds, Series 1999B, its Residential Mortgage Revenue Refunding Bonds, Series 1999C and its Residential Mortgage Revenue Refunding Bonds, Series 1999D.

"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:

- (a) Bonds canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;
- (b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Trust Indenture; and
- (c) Bonds deemed to have been paid as provided in the Trust Indenture.

"Pass-Through Rate" shall mean, initially 5.80% with respect to 2009 A Mortgage Certificates, subject to adjustment upon written notice from the Department.

"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.

"Program" shall mean the several programs established by the Department pursuant to which the Department makes, acquires or refinances, directly or indirectly, Mortgage Loans or Mortgage Certificates.

"Program Documents" shall mean the Mortgage Origination Agreement, the Compliance Agreement relating to Bond Program No. 74, dated as of August 1, 2009, by and between the Department and BANA, the Program Administration and Servicing Agreement relating to Bond Program No. 74, dated as of August 1, 2009, by and among the Department, the Trustee and BANA, and the Program Guidelines for the Department's Program No. 74.

"Rating Agency" shall mean, as of any particular date, any nationally-recognized credit rating agency whose rating is then in effect with respect to the Bonds.

"Rebate Fund" shall mean, collectively, the Rebate Funds established pursuant to the Series Supplements into which amounts to be paid to the United States of America will be deposited until disbursed.

"Rita GO Zone" includes the following Texas counties: Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Harris, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler and Walker.

"RHS" shall mean the United States Department of Agriculture, Rural Housing Service, formerly known as Farmers Home Administration, and any successor thereto.

"Series" shall mean all Bonds designated as a Series in a Series Supplement and which are authenticated and delivered on original issuance in a simultaneous transaction, and all Bonds delivered in exchange for or in lieu of such Bonds.

"Series 1987A Bonds" shall mean the Agency's Residential Mortgage Revenue Bonds, Series 1987A.

"Series 1999B Bonds" shall mean the Department's Residential Mortgage Revenue Bonds, Series 1999B.

"Series 1999C Bonds" shall mean the Department's Residential Mortgage Revenue Refunding Bonds, Series 1999C.

"Series 2009 Bonds" shall mean, collectively, the Series 2009A Bonds and the Series 2009B Bonds.

"Series 2009A Bonds" shall mean the Department's Residential Mortgage Revenue Bonds, Series 2009A to be issued under the Trust Indenture and the Twenty-Eighth Series Supplement.

"Series 2009A Cumulative Applicable Amount" shall mean the amounts based on the assumed receipt of Mortgage Loan Principal Prepayments received with respect to Mortgage Loans financed with the proceeds of the Series 2009A Bonds at 400% of the SIFMA Prepayment Model and redemption of the Series 2009A Bonds in accordance with the Trust Indenture. Any special redemption of the Series 2009A Bonds from unexpended proceeds will reduce the Series 2009A Cumulative Applicable Amount for the Series 2009A Bonds for the current and each future semiannual period by an amount equal to the product of such Series 2009A Cumulative Applicable Amount and a fraction (a) the numerator of which equals the sum of the amount of moneys disbursed from the 2009 A/B Mortgage Loan Account to redeem Series 2009A Bonds and (b) the denominator of which equals the sum of the amount of moneys initially deposited by the Trustee in the

2009 A/B Mortgage Loan Account for the purchase of 2009 A Mortgage Certificates. The "Series 2009A 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 Series 2009A Cumulative Applicable Amounts set forth in Twenty-Eighth Supplemental Indenture (subject to adjustments as described above). Thereafter, the Series 2009A Cumulative Applicable Amount shall be the remaining balance, if any, of the Series 2009A Cumulative Applicable Amount as adjusted from prior periods.

"Series 2009B Bonds" shall mean the Department's Residential Mortgage Revenue Refunding Bonds, Series 2009B to be issued under the Trust Indenture and the Twenty-Ninth Series Supplement.

"Series Supplement" shall mean the Supplemental Indenture providing for the issuance of a Series of Bonds, as the same may be amended from time to time.

"Special Mortgage Loan Fund" shall mean the 1998/1999A Special Mortgage Loan Fund established under the Tenth Series Supplement.

"State" shall mean the State of Texas.

"Supplemental Indenture" shall mean any trust indenture supplemental to or amendatory of the Trust Indenture, executed and delivered by the Agency or the Department and the Trustee in accordance with the Master Indenture.

"Supplemental Mortgage Security" shall mean (a) a mortgage pool insurance policy or any other form of credit enhancement with respect to all or any portion of the Mortgage Loans (including any mortgage pool self-insurance reserve established by the Department with respect to Mortgage Loans), other than insurance from the FHA, a guaranty from the VA, or private mortgage insurance on the portion of the principal balance of a Mortgage Loan which exceeds 80% of the lesser of the purchase price or appraised value of the mortgaged property or (b) any other form of credit enhancement, collateral or cashflow test specified as the Supplemental Mortgage Security for each Series in the respective Series Supplement authorizing such Series.

"Tenth Series Supplement" shall mean the Tenth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1988 between the Department and the Trustee.

"2009 A Mortgage Certificates" shall mean the Ginnie Mae Certificates, Freddie Mac Certificates or Fannie Mae Certificates that evidence beneficial ownership of and a 100% participation in a Mortgage Pool, that satisfy the requirements of the Trust Indenture and the 2009 Supplemental Indenture which are purchased by the Trustee from amounts available in the 2009A/B Mortgage Loan Account and pledged by the Department to the Trustee pursuant to the Trust Indenture and the 2009 Supplemental Indenture.

"2009 A Mortgage Loans" shall mean the loans included in each Mortgage Pool represented by a 2009A Mortgage Certificate.

"2009 A/B Capitalized Interest Fund" shall mean the 2009 A/B Capitalized Interest Fund.

"2009 A/B Cost of Issuance Account" shall mean the 2009 A/B Cost of Issuance Account of the Cost of Issuance Fund.

"2009 A/B Down Payment Assistance Subaccount" shall mean the 2009 A/B Down Payment Assistance Subaccount of the 2009 A/B Mortgage Loan Account.

"2009 A/B Mortgage Certificates" shall mean the 2009 A Mortgage Certificates and the 1999 Transferred Mortgage Certificates.

"2009 A/B Mortgage Loan Account" shall mean the 2009 A/B Mortgage Loan Account of the Mortgage Loan Fund.

"2009 A/B Mortgage Loans" shall mean the loans included in each Mortgage Pool represented by a 2009 A/B Mortgage Certificate.

"2009 A/B Revenue Account" shall mean the 2009 A/B Revenue Account of the Revenue Fund.

"2009 A/B Residual Revenues Account" shall mean the 2009 A/B Residual Revenues Account of the Residual Revenues Fund.

"2009 A/B Special Redemption Account" shall mean the 2009 A/B Special Redemption Account of the Special Redemption Fund.

"Underwriters" shall mean J.P. Morgan Securities Inc. and the other underwriters named on the signature page of the Bond Purchase Agreement.

"Zero Percent Loan Pool" shall mean 0% loan funds available in the 1998/1999A Special Mortgage Loan Fund and any other 0% funds as specified by the Department from time to time in a Letter of Instructions.

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APPENDIX B

SUMMARY OF CERTAIN MORTGAGE INSURANCE PROGRAMS AND TEXAS FORECLOSURE LAWS

Introduction

The United States Department of Housing and Urban Development ("HUD"), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various Federal programs authorized under the National Housing Act of 1934, as amended, and the United States Housing Act of 1937, as amended. The Department of Veterans Affairs (formerly the Veterans Administration) ("VA") administers the mortgage guaranty program authorized under the Servicemen's Readjustment Act of 1944, as amended. These programs may be financed by annual appropriations from Congress, as well as by mortgage insurance premiums and fees. Subsidies and insurance payments are in some cases made from trust funds established under the various programs.

Following is a summary of certain of these Federal programs and private mortgage insurance programs as they affect insurance on Mortgage Loans acquired by the Department from proceeds of the Bonds. This summary does not purport to summarize or describe all of the provisions of these programs. For a more detailed description regarding these programs, reference is made to specific provisions of the master insurance contracts and such other such information relating to the various mortgage insurers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ in some respects depending primarily upon whether the premises contains five or more dwelling units or less than five such units. Insurance benefits are payable only upon foreclosure (or other acquisition or possession) and conveyance of the premises to HUD or upon assignment of the defaulted loan to HUD. Assignment is allowed only with HUD approval if the premises contains less than five dwelling units. Assignment is at the option of the lender if the premises contains five or more dwelling units, but HUD may decrease the insurance payment by an amount equal to 1% of the unpaid principal amount of the loan if the mortgage lender chooses to assign such a loan.

With respect to the assignment of defaulted loans to HUD, the insured must first make a determination as to whether or not the default is caused by a circumstance or set of circumstances beyond the borrower's control which temporarily renders the family financially unable to cure the delinquency within a reasonable time or make full payments. If a determination is made that the default is caused by such circumstances, HUD must be requested to accept assignment, and must have rejected the request in order for the insured to initiate foreclosure proceedings.

Under some of the FHA insurance programs, insurance claims are paid by HUD in cash unless the insured specifically requests payment in debentures issued by HUD. Under others, HUD has the option at its discretion to pay insurance claims in cash or in such debentures. The current HUD policy, subject to change at any time, is to make insurance payments on mortgages covering less than five dwelling units in cash with respect to all programs covering such units as to which it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debenture interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the loan, whichever rate is higher.

When entitlement to insurance benefit results from foreclosure (or other acquisition or possession) and conveyance, the insurance payment is computed as of the date of default by the borrower, as defined in HUD regulations, and the insured generally is not compensated for interest accrued and unpaid prior to that date. When entitlement to insurance benefits results from assignment of the loan to HUD, the insurance payment is computed as of the date of the assignment and includes full compensation of interest accrued and unpaid to the assignment date. The regulations under all insurance programs described above provide that the insurance payment itself bears interest from the date of default or, where applicable, assignment, to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

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

Department of Veterans Affairs Mortgage Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the spouse of a veteran) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit. The program has no mortgage loan limits, requires no down payment from the purchaser and permits the guaranty of mortgage loans with terms limited by the estimated economic life of the property, up to approximately thirty (30) years.

The VA uses a three-tier guaranty system. The maximum VA guaranty for mortgage loans of \$45,000 or less is a guaranty of fifty percent (50%) of the loan. The maximum VA guaranty for mortgage loans of more than \$45,000 to \$56,250 is \$22,500. The maximum VA guaranty for mortgage loans of more than \$56,250 is a guaranty of forty percent (40%) of the loan or \$36,000, whichever is less. Under the Program, a VA Mortgage Loan would be guaranteed in an amount which, together with the down payment by or on behalf of the mortgagor, will at least equal twenty-five percent (25%) of the lesser of the sales price or the appraised value of the single-family dwelling. The actual guaranty may be less than the maximum guaranty as described above in the event a veteran's guaranty entitlement previously used for a guaranteed loan has not been restored by the VA.

The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of the mortgaged premises is greater than the original guaranty, as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a mortgagee of unsatisfied indebtedness on a mortgage upon its assignment to the VA. Under certain circumstances, a mortgagee is required to accept partial payments on a loan that is more than thirty (30) days overdue.

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

United States Department of Agriculture, Rural Development Guaranteed Rural Housing Loan Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 authorized the establishment of the RHS Guaranteed Rural Housing Loan Program. Households with annual incomes at or below one hundred fifteen percent (115%) of median area income are eligible for these loans, subject to the geographic restrictions described below. Households with annual incomes at or below eighty percent (80%) of the area median income may be eligible for interest assistance, in addition to the loan guaranty. The interest assistance paid monthly by RHS to the loan servicer reduces the borrower's effective interest rate. The amount of interest rate reduction is dependent upon the households' annual income, which is re-certified by the loan servicer annually. No funds currently are available for interest assistance.

The RHS Guaranteed Rural Housing Loan program is limited to only certain rural areas of the State. Any city, place, town or village classified as rural prior to October 1, 1990, with a population exceeding 10,000 but not in excess of 25,000, which is rural in character, was considered rural until the year 2000. Any city, place, town or village with a population in excess of 10,000 and determined to be urban prior to August 2, 1991 was not considered an eligible rural area.

The RHS guaranty covers the lesser of (a) any loss equal to ninety percent (90%) of the original principal amount of the loan or (b) any loss in full up to thirty-five percent (35%) of the original principal amount of the loan plus any additional loss on the remaining sixty-five percent (65%) to be shared approximately eight-five percent (85%) by RHS and approximately fifteen percent (15%) by the mortgagee.

RHS does not accept conveyance of the property, but rather pays the lender's claim upon foreclosure. The claim payment includes certain actual costs incurred by the lender prior to foreclosure, including interest expense, and an allowance for the costs associated with liquidating the property. The claim payment amount is based on the net sales proceeds if the property is sold within six (6) months, or if no sale occurs within six (6) months, the claim payment amount is determined according to a formula based upon an appraisal of the property performed by RHS. The lender's actual disposition costs may be higher than the RHS claim payment.

Private Mortgage Insurance Programs

The Department requires that each private mortgage insurer approved for insuring Mortgage Loans (i) shall be approved to issue policies of private mortgage insurance by the Board of Insurance of the State, (ii) be approved to insure mortgages purchased by Fannie Mae or Freddie Mac, and (iii) shall assure the Department in writing that foreclosure of a Mortgage Loan solely on the basis of non-compliance of such Mortgage Loan with provisions of Section 103A of the Code of 1954 and its successor provisions will be an insured event under the terms of its policy of private mortgage insurance. The Freddie Mac eligibility requirements for approving private mortgage insurers presently provide that not more than 10% of the insurers' mortgage insurance risk may be represented by mortgage insurance covering property other than real property.

The maximum amounts insurable by private insurers must conform to applicable Federal and State regulations. Such amounts are often further limited by whether the home is to be owner-occupied. The maximum amounts insurable for owner-occupied dwellings range from 90% to 95% of the appraised value or selling price, whichever is lower. Requirements of borrower equity vary according to the percentage of the mortgage to be insured. Certain companies will credit toward a specified percentage of this amount the value of the land to be improved, trade-in property or work equity, if at least a minimum cash equity is met and the home is to be owner-occupied. Although there may be variations among companies, available coverage by private mortgage insurers is generally limited to first mortgage loans or contracts on improved real estate, with amortization over the term of the contract in substantially equal monthly payments, including accruals for taxes and insurance.

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

The amount of loss payable generally includes the principal balance due under the mortgage agreement, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced and expenses incurred in the recovery proceedings.

Mortgage Pool Insurance

In lieu of establishing a mortgage pool self-insurance reserve with respect to any Bonds issued pursuant to the Master Indenture which are not secured by Mortgage Certificates, the Department may provide a mortgage pool insurance policy. The following is a general description of some of the pertinent provisions of the more common mortgage pool insurance now available. This description is only a brief outline and does not purport to summarize or describe all of the provisions of such policies.

In general, the mortgage pool insurance policies provide insurance coverage on the full amount of any loss which is covered by each policy and realized as a result of a default by a mortgagor on a Mortgage Loan insured thereunder. Payment will be made after foreclosure, payment under the primary mortgage insurance policy insuring the Mortgage Loan, if any, and sale of the foreclosed property approved by the insurer, subject to a limitation on aggregate claims of the applicable aggregate initial principal amount of all Mortgage Loans insured under the policy.

As a condition precedent to the payment of any loss under a mortgage pool insurance policy, mortgage insurance approved by the Department and acceptable to the insurer must generally be maintained by or on behalf of the Department on each Mortgage Loan that has a loan-to-value ratio in excess of the applicable percentage at the time of origination of the Mortgage Loan. Such mortgage insurance, at a minimum, must provide coverage on the amount of the Mortgage Loan in excess of 80% of original fair market value of the property, defined as the lesser of either the sale price or the appraised value at the time of origination. Such mortgage insurance must remain in force until the unpaid principal balance of the Mortgage Loan is reduced to the applicable percentage of the original fair market value.

Each mortgage pool insurance policy usually requires, as a condition to payment of a claim, that (i) all hazard insurance premiums, real estate taxes, property protection and preservation expenses, property sale expenses and foreclosure costs (including court costs and reasonable attorneys' fees) have been advanced by or on behalf of the Department, as approved by the insurer, (ii) the Department must have acquired good and merchantable title to the property, free and clear of all encumbrances, except permitted encumbrances, including any right of redemption by the mortgagor, and (iii) the Department must have sold the property with the approval of the insurer. In the event of default by the mortgagor, if there is any physical loss or damage to the property from any cause, whether by accidental means or otherwise, it is usually a condition to payment that the insured restore the property to its condition at the time of the issuance of the policy, except for reasonable wear and tear. The mortgage pool insurance policies generally will not insure against a loss sustained by reason of a default arising from or involving certain matters including (i) fraud or negligence in origination or servicing of the Mortgage Loans, including misrepresentation by the Mortgage Lender, borrower or other persons involved

in the origination or servicing of the Mortgage Loans; (ii) failure to construct a property subject to a Mortgage Loan in accordance with specified plans; or (iii) physical damage to a property.

The insurer generally has the option either to pay (i) an amount equal to the unpaid principal balance of the defaulted Mortgage Loan at the time of the approved sale, as provided in the applicable policy, plus accrued and delinquent interest at the mortgage rate to the date of payment of the claim plus advances required to be made by or on behalf of the Department as set forth above, conditioned upon the insurer's being provided good and merchantable title to the mortgaged property (unless the property has been conveyed pursuant to the terms of the applicable primary mortgage insurance policy), or (ii) the amount by which the sum of the unpaid principal balance of the defaulted Mortgage Loan at the time of the approved sale, as provided in the policy, plus accrued and delinquent interest at the mortgage rate to the date of payment of the claim plus advances requiring to be made by or on behalf of the Department as set forth above, exceeds the net proceeds received from a sale of the property which the insurer approved. Under either option, the amount of any payment is reduced by the amount of the loss paid under any private mortgage insurance.

A claim under the applicable mortgage pool insurance policy (except for a claim under the advance claims coverage endorsement, described below) must generally be filed (i) in the case when a private mortgage insurance policy is in force, within a specified period after the claim for loss has been settled or paid or within such time after a sale approved by the insurer, whichever is later, or (ii) in the case when a private mortgage insurance policy is not in force, within a specified period after the Department has conveyed title to the property pursuant to an approved sale.

Premiums on any mortgage pool insurance policies will be paid by the Department. Failure to pay a premium will terminate any such policy. If the aggregate recoveries under a policy reach the applicable pool limit of the aggregate initial principal amount of Mortgage Loans insured, coverage under the policy will be exhausted and further losses due to the foreclosure will be borne by the Department.

The amount of coverage under any mortgage pool insurance policy will be reduced over the life of the Bonds covered by such policy by the dollar amount of claims paid less amounts realized by the insurer upon disposition of mortgaged properties. The amount of claims paid generally includes certain expenses incurred by the Department as well as accrued interest on delinquent Mortgage Loans insured under each policy including interest accrued through completion of foreclosure proceedings (excluding applicable charges and penalty interest). See "Foreclosure Laws" herein. Accordingly, if aggregate recoveries under a mortgage pool insurance policy reach the policy limit, coverage under such mortgage pool insurance policy will be exhausted and any further losses will be borne by Bondholders to the extent remaining moneys held under the Master Indenture are inadequate to pay principal of and interest on the Bonds. Subject to the payment of the applicable premium, an insurer is generally obligated to provide coverage under a mortgage pool insurance policy so long as the Bonds covered by the policy are outstanding.

Some insurers have delivered endorsements to certain mortgage pool insurance policies which provide that they will make advance claims payments in amounts equal to delinquent regular monthly payments of principal of and interest on each Mortgage Loan that is delinquent in three or more monthly payments after receipt of ten days prior written notice thereof. Such advance claims payments will generally be made only if the Mortgage Loan servicer has initiated foreclosure proceedings as required by the mortgage pool insurance policy and diligently pursues such proceedings. The insurer will continue to make such advance claims payments until the insured files, or should have filed, a claim with respect to the Mortgage Loan for which such payments have been made. Advance claims payments must be repaid after payments on the Mortgage Loan have been received (either from the mortgagor, FHA, VA, RHS, private mortgage insurance or through foreclosure) for which advances were previously made or if a claim under the policy is not filed. Claim settlements under a mortgage pool insurance policy will usually be reduced by the sum of unreimbursed claims advances.

The coverage available under the advance claims payment procedure usually equals the limit of coverage provided under the mortgage pool insurance policy. Advance claims payments for which the insurer is ultimately reimbursed are not charged against the limit of coverage under the mortgage pool insurance policy. To the extent foreclosure or other disposition of the property subject to a Mortgage Loan does not result in sufficient liquidation proceeds to reimburse the insurer for all claims advances made under the advance claims payment procedure, aggregate remaining coverage under the mortgage pool insurance policy will be reduced. Upon reaching the applicable aggregate loss limitation under the mortgage pool insurance policy, whether through payments of advances under the advance claims payment procedure or payments as a result of foreclosure losses with respect to Mortgage Loans, coverage under the advance claims procedure also will be exhausted.

Standard Hazard Insurance Policies

Each Mortgage Lender acting as a servicer will cause to be maintained by the mortgagor for each Mortgage Loan fire insurance with extended coverage on the mortgaged property (a "Standard Hazard Insurance Policy") in an amount which is not less than the maximum insurable value of the property or the principal balance owing on the Mortgage Loan, whichever is less. Subject to the laws of the State, any amounts collected by a Mortgage Lender under any such policy will be deposited in a custodial account subject to reimbursement. Such insurance shall be with insurers approved by Fannie Mae or Freddie Mac.

In general, a Standard Hazard Insurance Policy covers physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike or civil commotion, subject to the conditions and exclusions particularized in each policy. If a residence is located in a designated flood area, flood insurance shall be required to be maintained, and if not covered by other insurance, insurance shall be required to be maintained for wind damage on each residence to the extent deemed advisable by the supervising agent from time to time.

Although policies relating to different Mortgage Loans may be issued by different insurance companies and, therefore, may have minor differences in coverage, the basic terms are dictated by State law. Policies typically exclude physical damage resulting from the following: war, revolution, governmental actions, floods and other water-related causes, earth movement (including earthquakes, landslides and mudflows), nuclear hazard and, in certain cases, vandalism.

In lieu of a Standard Hazard Insurance Policy, each Mortgage Lender acting as a servicer may maintain and keep a "Mortgagee Single Interest Hazard Insurance Policy" throughout the term of the applicable servicing agreement. The Mortgagee Single Interest Insurance Policy provides insurance against losses sustained by a Mortgage Lender or other insured in the event the mortgagor fails to maintain a Standard Hazard Insurance Policy and physical damage occurs. Each Mortgage Lender agrees to pay the premium for the Mortgagee Single Interest Hazard Insurance Policy on the basis prescribed by the policy. Any amounts collected by the Mortgage Lender under such policy relating to the Mortgage Loans will be deposited in a custodial account maintained by the Mortgage Lender subject to withdrawal by the Trustee.

Foreclosure Laws

If a mortgagor defaults on a Mortgage Loan and foreclosure or other recovery proceedings are instituted there will probably be time delays in collection. The following is intended to be a general description of foreclosure laws in the State of Texas and is not intended to be a legal opinion with respect to such laws.

Mortgage instruments utilized in the State generally and the Mortgages to be used in the Department's programs take the form of deeds of trust containing the power of out-of-court foreclosures and sale. Nonjudicial foreclosure proceedings are governed by Chapter 51, Texas Property Code, which authorizes sales under deeds of trust or other contractual liens if such instruments so provide and sets the minimum standards of notice and

procedure for the conduct of non-judicial foreclosure sales. Sales under such Chapter may only be made in the event of a default under the note or deed of trust and acceleration of the debt which is secured, must be conducted by the trustee appointed in the deed of trust or other lien instrument or his successor, and may be conducted only after posting written notice at least 21 days preceding the date of the sale at the courthouse door(s) of the county or counties in which the property to be sold is located. Additionally, the holder of the debt to which the power of sales relates must serve written notice of the proposed sale by certified mail on each debtor obligated to pay the debt, according to the most recent records of such holder, at least 21 days preceding the date of the sale (the "Twenty-One Day Notice"). In addition, if the mortgagor resides on the mortgaged property, twenty (20) days notice of intent to accelerate the Mortgage Loan must be given to the mortgagor prior to the Twenty-One Day Notice. The sale may be conducted only between certain hours on the first Tuesday of the month, as designated in the posted notice of sale. After the foreclosure sale has properly been held in accordance with both the provisions of Chapter 51, Texas Property Code and the provisions of the deed of trust or other lien instrument by which a power of sale is granted, any right to reinstate the debt and all rights of redemption, except rights of the United States, if any, under federal tax lien laws, are extinguished. A nonjudicial foreclosure sale which has not been conducted in accordance with Chapter 51, Texas Property Code and the provisions of the lien instrument granting the power of sale is invalid.

State courts have in the past strictly construed the power of sale created by deeds of trust or other lien instruments and, where both contractual and statutory provisions for nonjudicial foreclosure have not been precisely followed, have declared nonjudicial foreclosure sales to be invalid. In addition, although the State statute providing standards for nonjudicial foreclosures has previously survived challenges that it is unconstitutional, there can be no assurance that such a challenge in the future will not be successful. A foreclosure sale of property on which the United States claims a lien for federal income tax collection, will be made subject to and without disturbing the federal tax lien unless notice of the foreclosure sale is given to the Internal Revenue Service at least 25 days before the sale. Without this prior notice, the sale is made subject to the federal tax lien. Even when such notice is properly given, the United States may redeem such property within 120 days from the date of the sale, upon payment of the amount paid or credited at the sale, and interest from the date of the sale, and any cost in owning property in excess of the derived income. The remedy of nonjudicial foreclosure may be limited, restricted or denied, not only by bankruptcy or other debtor relief proceedings, but also by the death of a mortgagor either without leaving a will or with probate proceedings that are not independent of the probate court or by the appointment of a receiver by the court in a divorce action involving mortgages to which the spouses in such divorce proceedings are parties. The remedies afforded the holder of the mortgage debt in the events set forth in the preceding sentence require judicial action either as a prerequisite to the valid exercise of nonjudicial foreclosure or in the nature of a judicial foreclosure proceeding or sale through the legal representative involved with the sanction of the court.

Under State law, foreclosure of mortgage liens on real property also may be accomplished by judicial proceedings. In foreclosure pursuant to judicial proceedings, a right to make full payment exists prior to the sale of the property, and, except for federal tax liens as discussed above, the redemption rights of all parties are extinguished by a properly conducted foreclosure sale.

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APPENDIX C-1

GINNIE MAE AND THE GINNIE MAE CERTIFICATES

This summary of the Ginnie Mae Mortgage Backed Securities Program, the Ginnie Mae Certificates and the documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the Ginnie Mae Mortgage Backed Securities Guide published by Ginnie Mae and to said documents for full and complete statement of their provisions. The following summary is of the Ginnie Mae I Program and the Ginnie Mae II Program.

Government National Mortgage Association ("Ginnie Mae") 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 Ginnie Mae Certificates, the Master Servicer must first apply to and receive from Ginnie Mae the Commitment to Guarantee Mortgage Backed Securities (the "MBS Agreement"). The MBS Agreement authorizes the Master Servicer to apply to Ginnie Mae for the issuance of Mortgage-Backed Securities to be eligible for guaranty by Ginnie Mae up to a stated date and issue Ginnie Mae 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 Ginnie Mae 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 Ginnie Mae). Each Ginnie Mae 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 "Ginnie Mae 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 Ginnie Mae 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 Ginnie Mae II Certificate will require the Master Servicer to pass through to the Ginnie Mae Paying Agent for the Ginnie Mae 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 Ginnie Mae 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 Ginnie Mae 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. Ginnie Mae guarantees timely payment of principal of and interest with respect to the Ginnie Mae Certificate.

Ginnie Mae 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 RHS 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 Ginnie Mae and "would constitute general obligations of the United States backed by its full faith and credit."

Ginnie Mae, upon execution of the Ginnie Mae Guaranty appended to the Ginnie Mae Certificate and upon delivery of the Ginnie Mae Certificate to the Master Servicer, will have guaranteed to the Trustee as holder of the Ginnie Mae Certificate the timely payment of principal of and interest on the Ginnie Mae Certificate. In order to meet its obligations under such guaranty, Ginnie Mae, 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 Ginnie Mae, 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 Ginnie Mae Certificate. The Treasury is authorized to purchase any obligation so issued by Ginnie Mae 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 Ginnie Mae, if needed, to implement the aforementioned guaranty.

Ginnie Mae is required to warrant to the Trustee as the holder of the Ginnie Mae 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 Ginnie Mae 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 Ginnie Mae Mortgage Backed Securities Guide (the "Guide").

The monthly remuneration for the Master Servicer for its servicing and administrative functions, and the Guaranty Fee charged by Ginnie Mae are based on the total aggregate unpaid principal balance of Mortgage Loans outstanding. The Ginnie Mae Certificates carry an interest rate that is fixed at .50% (subject to adjustment) below the interest rate on the Mortgage Loans; the Master Servicer's servicing fee and the Ginnie Mae Guaranty Fee are deducted from payments on the Mortgage Loans before payments are passed through to the holder of the Ginnie Mae Certificates.

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 Ginnie Mae 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 Ginnie Mae Certificates. Ginnie Mae 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 Ginnie Mae in advance of any impending default on scheduled payments so that Ginnie Mae 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 Ginnie Mae.

The Ginnie Mae Guaranty Agreement to be entered into by Ginnie Mae and the Master Servicer upon issuance of the Ginnie Mae Certificates (the "Ginnie Mae Guaranty Agreement") will provide that, in the event of a default by the Master Servicer, Ginnie Mae 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 Ginnie Mae, subject only to the unsatisfied rights of the holder of the Ginnie Mae Certificate. In such event, the Ginnie Mae Guaranty Agreement will provide that Ginnie Mae will be the successor in all respects to the Master Servicer in its capacity under the Ginnie Mae Guaranty Agreement and the transaction and arrangements set forth or arranged for therein. At any time, Ginnie Mae may enter into an agreement with an institution approved by Ginnie Mae 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 Ginnie Mae in its capacity as guarantor.

Payment of principal and interest on the Ginnie Mae 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 Ginnie Mae Certificate.

Each installment on the Ginnie Mae Certificate is required to be applied first to interest and then in reduction of the principal balance then outstanding on the Ginnie Mae Certificate. Interest is to be paid at the specified rate on the unpaid portion of the principal of the Ginnie Mae Certificate. The amount of principal due on the Ginnie Mae 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 Ginnie Mae Certificate, monthly installments of not less than the interest due on the Ginnie Mae Certificate at the rate specified in the Ginnie Mae 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 Ginnie Mae Certificate.

The Office of Inspector General (OIG) is required to conduct an annual audit of Ginnie Mae 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 Ginnie Mae prepared pursuant to the CFO Act which is available upon request from Ginnie Mae at Government National Mortgage Association, 451 Seventh Street, SW, Washington, D.C. 20410-9000.

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APPENDIX C-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 – 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.

Treasury and Federal Housing Finance Agency Action

The Housing and Economic Recovery Act of 2008 ("HERA") established on July 30, 2008 the Federal Housing Finance Agency ("FHFA"), an independent agency of the federal government, as the new supervisory and general regulatory authority for Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac are subject to the supervision and regulation of FHFA to the extent provided in HERA, and the Director of FHFA has general regulatory authority over Fannie Mae and Freddie Mac to ensure that the purposes of HERA, the authorizing statutes and any other applicable laws are carried out.

On September 7, 2008, the U.S. Treasury released a statement (the "Statement") by the Secretary of the United States Treasury (the "Treasury") entitled "Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers." According to the Statement, Fannie Mae and Freddie Mac were both placed into conservatorship by the FHFA, and certain other actions were taken by the Treasury and FHFA. The Department cannot predict the long term consequences of the conservatorship of these entities and the corresponding impact on the participants and the Department's various bond programs. For the full text of the Statement and related documents, see www.treas.gov. The Statement, as it existed on the Treasury website on September 7, 2008, is incorporated into this Reoffering Circular by reference, but the Department assumes no responsibility for maintaining the Statement, or for any other content of the website and assumes no responsibility for the accuracy of statements made therein.

APPENDIX C-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.

On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 that included government-sponsored enterprises ("GSE") regulatory reform legislation. The legislation established the Federal Housing Finance Agency ("FHFA") as Fannie Mae's new safety, soundness and mission regulator, replacing the Office of Federal Housing Enterprise Oversight and the U.S. Department of Housing and Urban Development for this purpose. In general, the legislation strengthened the existing safety and soundness oversight of the GSEs, providing FHFA with safety and soundness authority that was comparable to and in some respects broader than that of the federal bank regulatory agencies.

In addition, the legislation included provisions that (i) authorized the U.S. Treasury to buy Fannie Mae's debt, equity and other securities, subject to Fannie Mae's agreement; and (ii) gave the Chairman of the Board of Governors of the Federal Reserve System a consultative role in FHFA's process for setting capital requirements and other safety and soundness standards. Both of the foregoing provisions lapse at the end of 2009.

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 www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

Fannie Mae is incorporating by reference in this Reoffering Circular 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 Reoffering Circular and any applicable supplement, and you should rely only on the most current information.

Fannie Mae incorporates by reference the following documents Fannie Mae has filed, or may file with the SEC:

- Fannie Mae's Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on February 27, 2008;

- Fannie Mae's Form 10-Qs for the quarterly periods ended March 31, 2008 and June 30, 2008, filed with the SEC on May 6, 2008 and August 8, 2008, respectively; and

- Fannie Mae's Definitive Proxy Statement filed with the SEC on April 4, 2008; and

- all other proxy statements that Fannie Mae files with the SEC, and all documents Fannie Mae files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Reoffering Circular and prior to the termination of the offering of securities under the Reoffering Circular, excluding any information "furnished" to the SEC on Form 8-K.

Fannie Mae makes no representation as to the contents of this Reoffering Circular, 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.

Treasury and Federal Housing Finance Agency Action

On September 7, 2008, the U.S. Treasury released a statement (the "Statement") by the Secretary of the United States Treasury (the "Treasury") entitled "Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers." According to the Statement, Fannie Mae and Freddie Mac were both placed into conservatorship by the FHFA, and certain other actions were taken by the Treasury and FHFA. The Department cannot predict the long term consequences of the conservatorship of these entities and the corresponding impact on the participants and the Department's various bond programs. For the full text of the Statement and related documents, see www.treas.gov. The Statement, as it existed on the Treasury website on September 7, 2008, is incorporated into this Reoffering Circular by reference, but the Department assumes no responsibility for maintaining the Statement, or for any other content of the website and assumes no responsibility for the accuracy of statements made therein.

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.

Under the Pool Purchase Contract, Fannie Mae will purchase both mortgage loans eligible under the guidelines set forth in the Fannie Mae Guides and mortgage loans insured under the Community Home Buyer's Program which conform to the conditions set forth in the Pool Purchase Contract. See "THE PROGRAM AND THE MORTGAGE LOANS –Community Home Buyer's Program."

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.

APPENDIX D-1
AUDITED FINANCIAL STATEMENTS
OF THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REVENUE BOND PROGRAM
FOR THE FISCAL YEAR ENDED
AUGUST 31, 2008

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Texas Department of Housing and Community Affairs — Revenue Bond Program

Financial Statements as of and for the
Year Ended August 31, 2008, and
Independent Auditors' Report

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

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INDEPENDENT AUDITORS' REPORT

To The Honorable Rick Perry, Governor, and the Governing Board
Texas Department of Housing and Community Affairs:

We have audited the accompanying statement of net assets of Texas Department of Housing and Community Affairs — Revenue Bond Enterprise Fund (the “Fund”) as of August 31, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended and supporting schedules 3 through 7. These financial statements and supporting schedules are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and supporting schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Revenue Bond Enterprise Fund of the Texas Department of Housing and Community Affairs (the “Department”) and are not intended to present fairly the financial position of the Department or the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Texas Department of Housing and Community Affairs — Revenue Bond Enterprise Fund at August 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, supporting schedules 3 through 7 present fairly, in all material respects, the information set forth therein in accordance with guidelines issued by the Texas Comptroller of Public Accounts.

Management’s Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information by bond program, included as Schedules 1 and 2, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. These schedules are also the responsibility of the Fund's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

December 18, 2008

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS –
REVENUE BOND PROGRAM
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2008**

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, 2008. Please read it in conjunction with the Department’s Bond Program financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Bond Program’s net assets increased by \$4.8 million. This was primarily because of the change in fair value of investments as explained below.
- The Bond Program had a higher Operating Income of \$8.5 million, an improvement of \$20 million over the prior year. The change in operating income was a result of the following factors. The change in fair value of investments increased from an unrealized loss of \$7.3 million in fiscal year 2007 to an unrealized gain of \$6.5 million in fiscal year 2008, or \$13.8 million, which accounted for the majority of the increase in operating results. In addition, interest and investment income increased by \$4.6 million.
- The Bond Program’s debt outstanding of \$2.7 billion as of August 31, 2008, increased \$86.7 million. Debt issuances and debt retirements totaled \$213 million and \$126.3 million, respectively.
- Loan originations for the year totaled \$56.8 million in the Bond Program.
- The Department currently has five outstanding swaps with three different counterparties at combined notional amount of \$359.9 million and a fair value of (\$13.9 million) as of August 31, 2008.
- Subprime lending continues to receive significant attention in the financial market. A rise in the number of borrowers who are unable to pay debt obligations has led to increased foreclosures causing uncertainty in the housing market. According to Standard and Poor’s, Housing Finance Agencies (HFAs) face lower risk from defaults on their loans. Homebuyer education programs, conservative underwriting, generous reserves, and ongoing HFA asset management have resulted in strong portfolio performance which is expected to continue for the long-term. Since 1988, the Department has had its single family mortgage loans guaranteed by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC).

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 assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes or debt service.

FINANCIAL ANALYSIS OF THE REVENUE BOND PROGRAM

Bond Program — Condensed Schedule of Net Assets

	Bond Program		Increase (Decrease)	
	2008	2007	Amount	Percentage
ASSETS:				
Cash and investments	\$ 1,684,002,058	\$ 1,604,601,447	\$ 79,400,611	4.95 %
Loans, contracts, and notes receivable	1,262,313,072	1,258,715,642	3,597,430	0.29 %
Interest receivable	14,900,890	20,024,161	(5,123,271)	(25.59)%
Capital assets		89,062	(89,062)	(100.00)%
Real estate owned	341,169	294,919	46,250	15.68 %
Deferred issuance cost	11,991,756	11,655,758	335,998	2.88 %
Other assets	283,629	438,349	(154,720)	(35.30)%
Total assets	2,973,832,574	2,895,819,338	78,013,236	2.69 %
LIABILITIES:				
Bonds/notes payable	2,742,521,154	2,615,242,505	127,278,649	4.87 %
Interest payable	38,307,372	40,093,198	(1,785,826)	(4.45)%
Deferred revenue	8,541,937	4,631,000	3,910,937	84.45 %
Other liabilities	148,794,858	205,015,216	(56,220,358)	(27.42)%
Total liabilities	2,938,165,321	2,864,981,919	73,183,402	2.55 %
NET ASSETS:				
Invested in capital assets		89,062	(89,062)	(100.00)%
Restricted	17,304,914	11,349,640	5,955,274	52.47 %
Unrestricted	18,362,339	19,398,717	(1,036,378)	(5.34)%
Total net assets	\$ 35,667,253	\$ 30,837,419	\$ 4,829,834	15.66 %

Net assets of the Bond Program increased \$4.8 million, or 15.7%, to \$35.7 million. The net increase primarily resulted from an increase in fair value of the Bond Program's investments, an increase in interest and investment income, and a transfer of certain general and administrative expenses now accounted for in the Department's Administrative Program and not reflected in the Operating Fund of Bond Program beginning in fiscal year 2008. Restricted net assets of the Bond Program increased \$6 million, or 52.5%. Unrestricted net assets decreased \$1 million, or 5.3%.

Cash and investments increased \$79.4 million, or 5%, to \$1.7 billion, due to the investments of new bond proceeds from single family and multifamily bond issues. The Bond Program loans receivable (current and non-current) increased \$3.6 million, or 0.3%, to \$1.3 billion, due primarily to \$56 million worth of mortgage loans originated and \$48.3 million paid down under the Multi-Family Program. Total bonds and notes payable (current and non-current) increased \$127.3 million, or 4.9%, due to new debt issuances associated with the Bond Program's Single Family and Multi-Family Programs.

A comparison between 2008 and 2007 for the Schedule of Revenues, Expenses, and Changes in Net Assets is as follows:

Bond Program - Schedule of Revenues, Expenses, and Changes in Net Assets

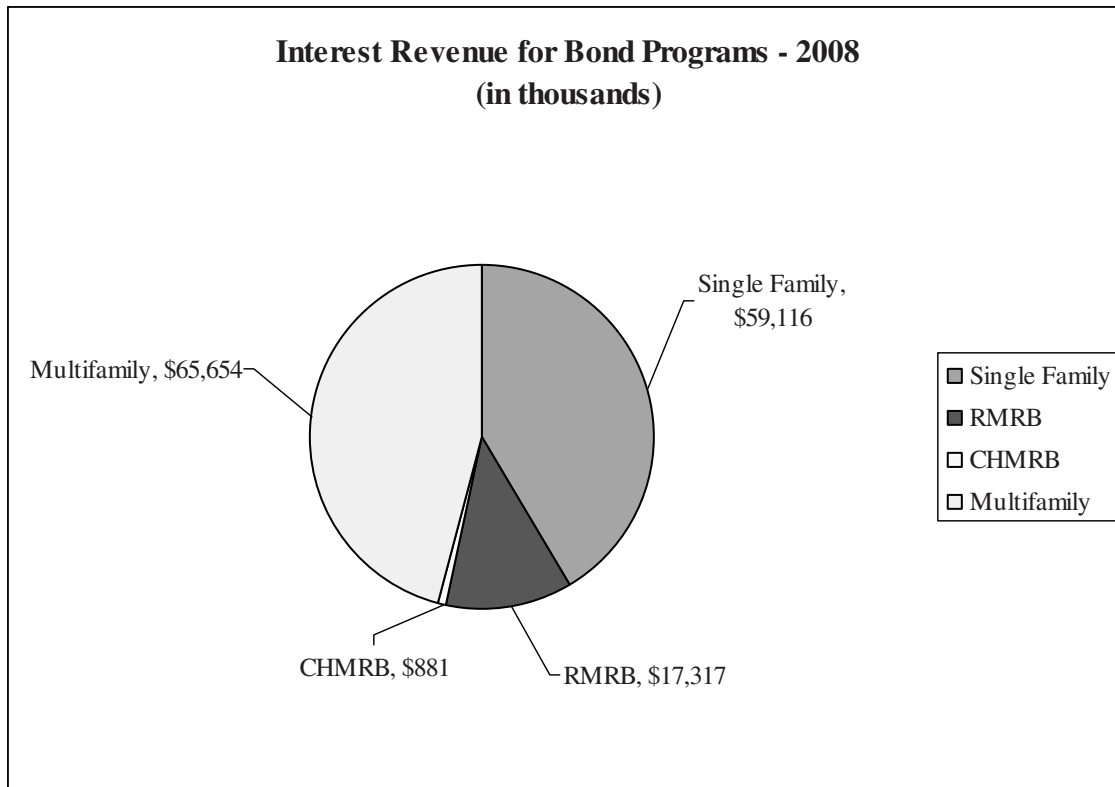
	2008	2007	Increase (Decrease)	
			Amount	Percentage
OPERATING REVENUES:				
Interest and investment income	\$144,584,681	\$ 140,011,272	\$ 4,573,409	3.27 %
Net (decrease) in fair value	6,488,245	(7,271,532)	13,759,777	(189.23)%
Other operating revenues	<u>2,597,291</u>	<u>4,204,419</u>	<u>(1,607,128)</u>	(38.22)%
Total operating revenues	<u>153,670,217</u>	<u>136,944,159</u>	<u>16,726,058</u>	12.21 %
OPERATING EXPENSES:				
Salaries and wages		3,878,630	(3,878,630)	(100.00)%
Payroll-related costs		852,761	(852,761)	(100.00)%
Professional fees and services	1,133,870	684,758	449,112	65.59 %
Travel		81,612	(81,612)	(100.00)%
Materials and supplies		136,373	(136,373)	(100.00)%
Communications and utilities		69,016	(69,016)	(100.00)%
Repairs and maintenance		115,797	(115,797)	(100.00)%
Rentals and leases		33,175	(33,175)	(100.00)%
Printing and reproduction		7,575	(7,575)	(100.00)%
Depreciation expense	882,289	943,856	(61,567)	(6.52)%
Interest	136,892,908	131,807,514	5,085,394	3.86 %
Bad Debt Expense	116,512	249,370	(132,858)	(53.28)%
Down Payment Assistance	5,144,249	8,555,264	(3,411,015)	(39.87)%
Other operating expenses	<u>1,009,871</u>	<u>1,097,974</u>	<u>(88,103)</u>	(8.02)%
Total operating expenses	<u>145,179,699</u>	<u>148,513,675</u>	<u>(3,333,976)</u>	(2.24)%
OPERATING INCOME (LOSS)	8,490,518	(11,569,516)	20,060,034	(173.39)%
NONOPERATING REVENUES (EXPENSES)	<u>(3,660,684)</u>	<u>2,142,374</u>	<u>(5,803,058)</u>	(270.87)%
CHANGE IN NET ASSETS	<u>4,829,834</u>	<u>(9,427,142)</u>	<u>14,256,976</u>	(151.23)%
BEGINNING NET ASSETS	<u>30,837,419</u>	<u>40,264,561</u>	<u>(9,427,142)</u>	(23.41)%
ENDING NET ASSETS	<u>\$ 35,667,253</u>	<u>\$ 30,837,419</u>	<u>\$ 4,829,834</u>	15.66 %

The Bond Program's general and administrative expenses are now accounted for in the Department's Administrative Program, which resulted in a decrease in operating expenses of \$5.2 million from 2007. Net assets of the Bond Program increased from the August 31, 2008 amount by \$4.8 million, or 15.7%, to \$35.7 million.

Earnings within the Bond Program's various bond indentures were \$153.7 million, of which \$151.6 million is classified as restricted and \$2.1 million, as unrestricted. Restricted earnings are composed of \$144.1 million in interest and investment income, \$6.5 million increase in fair value of investments, and \$1 million in other

revenue. Interest and investment income is restricted per bond covenants for debt service, fair value in investments is an unrealized gain due to the fact that the Bond Program holds investments until maturity, and other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time. Unrestricted earnings are composed of \$0.5 million in interest and investment income and \$1.6 million in other operating revenue.

The graph below will illustrate the composition of interest revenue for the various bond indentures that make up the Bond Program:



Interest earned on program loans decreased by \$2.6 million, or 3.8%, due primarily to a decrease of \$2.1 million, or 3.1%, within the Bond Program's Multi-Family Program, due to lower loan amounts outstanding throughout the year and a decrease in the Single Family Program due to decreasing loan balances.

Investment income increased \$7.3 million, or 10.4%, and reflected higher investment yields. The primary changes in investment income were within the Single Family Bond Program funds, which increased \$8.9 million, or 18.4%, and the Residential Mortgage Revenue Bond Program funds, which decreased \$1.8 million, or 9.6%.

Expenses of the Bond Program consist primarily of interest expense of \$136.9 million, which increased \$5.1 million, or 3.9%, on the Bond Program's debt incurred to fund its various lending programs.

The Bond Program also generated \$.5 million of unrestricted investment income, which was used primarily to partially offset its administrative costs.

The changes in net assets by bond indenture for the Bond Program for fiscal years 2008 and 2007 are as follows:

**Changes in Net Assets by Fund Groups, Year Ended August 31,
(Amounts in thousands)**

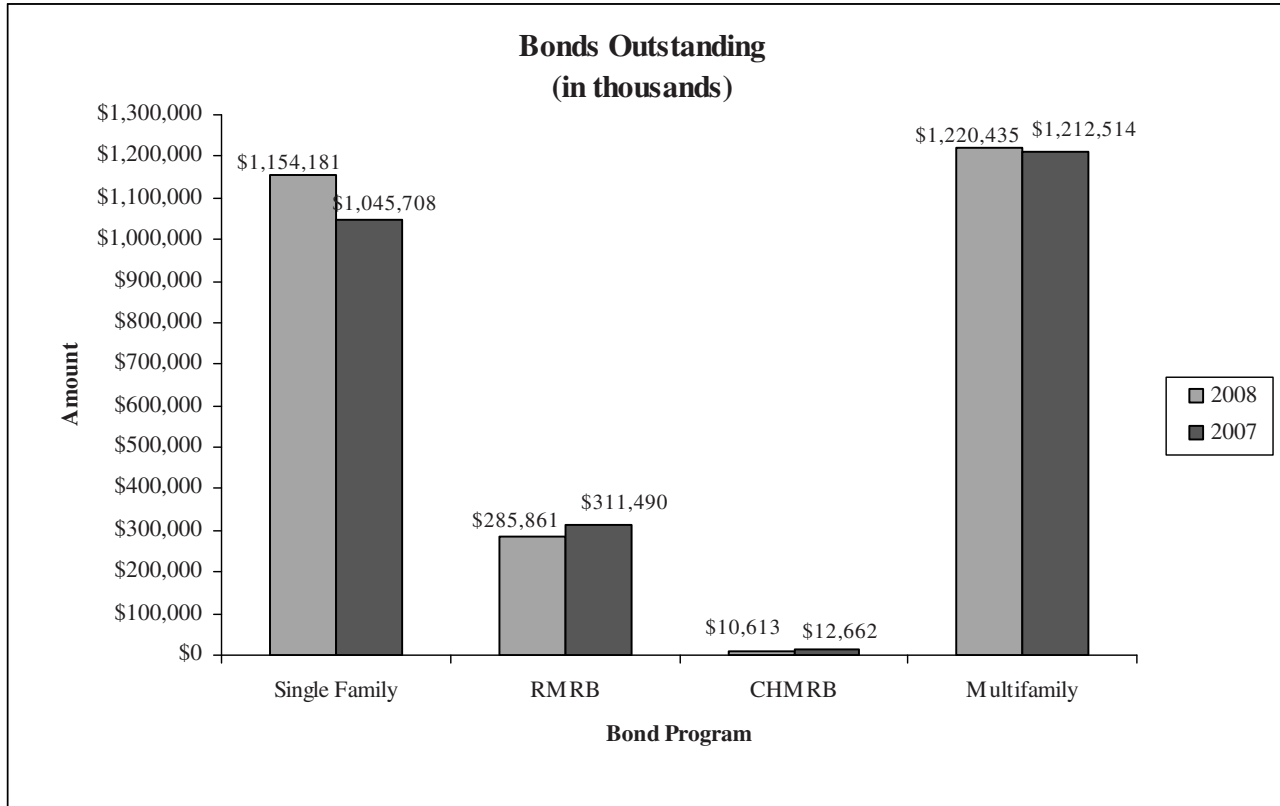
Fund	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
Single Family	\$ 5,693	\$ 4,616	\$ 1,077	23.3 %
RMRB	9,800	5,253	4,547	86.6 %
CHMRB	1,915	1,587	328	20.7 %
Multifamily	(135)	(158)	23	(14.6)%
Commercial paper	32	51	(19)	(37.3)%
General funds	<u>18,362</u>	<u>19,488</u>	<u>(1,126)</u>	<u>(5.8)%</u>
Total	<u>\$35,667</u>	<u>\$30,837</u>	<u>\$ 4,830</u>	<u>15.7 %</u>

Net assets of the Single Family Bond Programs increased by \$1.1 million, or 23.3%, primarily due to an increase of \$9.5 million to the fair value of investments and an increase in interest expense of \$8.6 million. Net assets of the RMRB Bond Programs increased \$4.5 million or 86.6% primarily due to an increase of \$4.1 million to the fair value of investments.

BOND PROGRAM DEBT

The Bond Program's new debt issuances excluding commercial paper during fiscal year 2008 totaled \$213.1 million. The Single Family Program issued \$157.1 million in bonds, and the Multi-Family Bond Program issued \$56 million. The Bond Program also had \$126 million in debt retirement during the year primarily due to consumer refinancing and paying off original loans. The net result was an increase in bonds payable of \$86.7 million to \$2.7 billion of which \$41.3 million is due within one year. For additional information, see Note 8, Bonds Payable, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2008 and 2007 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 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, Director of Financial Administration, P.O. Box 13941, Austin, Texas, 78711-3941.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF NET ASSETS AS OF AUGUST 31, 2008

ASSETS:

Current assets:

Cash and cash equivalents:

Cash in bank	\$ 61,200
Cash equivalents	14,455,869

Restricted assets:

Cash and cash equivalents:

Cash in bank	547,555
Cash equivalents	163,068,583
Short-term investments	159,097,490
Loans and contracts	12,655,872
Interest receivable	14,898,360

Receivables:

Interest receivable	2,530
Accounts receivable	181,728
Loans and contracts	137,665
Other current assets	<u>101,900</u>

Total current assets 365,208,752

Noncurrent assets:

Loans and contracts 3,410,973

Restricted assets:

Investments	1,346,771,361
Loans and contracts	1,246,108,562

Other noncurrent assets:

Deferred bond issuance cost — net	11,991,756
Real estate owned — net	<u>341,170</u>

Total noncurrent assets 2,608,623,822

Total assets 2,973,832,574

See notes to financial statements.

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

**STATEMENT OF NET ASSETS
AS OF AUGUST 31, 2008**

LIABILITIES:

Current liabilities:

Payables:

Accounts payable	\$ 7,637
Accrued bond interest payable	38,307,372
Deferred revenues	8,541,937
Revenue bonds payable	41,276,426
Other current liabilities	<u>9,009,373</u>

Total current liabilities 97,142,745

Noncurrent liabilities:

Notes payable	71,431,000
Revenue bonds payable	2,629,813,728
Other noncurrent liabilities	<u>139,777,848</u>

Total noncurrent liabilities 2,841,022,576

Total liabilities 2,938,165,321

NET ASSETS:

Restricted	17,304,914
Unrestricted	<u>18,362,339</u>

TOTAL NET ASSETS \$ 35,667,253

See notes to financial statements.

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2008

OPERATING REVENUES:

Interest and investment income	\$ 144,584,681
Net increase in fair value of investments	6,488,245
Other operating revenues	<u>2,597,291</u>

Total operating revenues 153,670,217

OPERATING EXPENSES:

Professional fees and services	1,133,870
Depreciation and amortization	882,289
Interest	136,892,908
Bad debt expense	116,512
Down payment assistance	5,144,249
Other operating expenses	<u>1,009,871</u>

Total operating expenses 145,179,699

OPERATING INCOME 8,490,518

OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS — Transfers to General Fund

(3,660,684)

CHANGE IN NET ASSETS 4,829,834

NET ASSETS — September 1, 2007 30,837,419

NET ASSETS — August 31, 2008 \$ 35,667,253

See notes to financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AUGUST 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Proceeds from loan programs	\$ 66,536,955
Proceeds from other revenues	2,486,263
Payments to suppliers for goods/services	(4,161,454)
Payments for loans provided	<u>(56,795,337)</u>
Net cash provided by operating activities	<u>8,066,427</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from debt issuance	254,674,363
Payments to other costs of debt	(1,646,137)
Payments to Other Funds	(4,405,572)
Payments of principal on debt	(126,342,397)
Payments of interest	<u>(139,304,200)</u>
Net cash used for noncapital financing activities	<u>(17,023,943)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	620,189,369
Proceeds from interest and investment income	82,549,745
Payments to acquire investments	<u>(654,572,613)</u>
Net cash provided by investing activities	<u>48,166,501</u>
INCREASE IN CASH AND CASH EQUIVALENTS	39,208,985
CASH AND CASH EQUIVALENTS — Beginning of year	<u>138,924,222</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 178,133,207</u>

See notes to financial statements.

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AUGUST 31, 2008

RECONCILIATION OF CASH FROM OPERATING ACTIVITIES TO OPERATING LOSS:

Operating Income	\$ 8,490,518
Adjustments to reconcile operating income to net cash used in operating activities:	
Amortization and depreciation	882,289
Provision for estimated losses	116,512
Operating income and cash flow categories — classification differences	51,578,535
Changes in assets and liabilities:	
Decrease in accrued interest receivable	5,123,271
Increase in loans	(3,597,430)
Increase in property owned	(46,251)
Increase in mortgage loan acquisition costs	(335,998)
Increase in deferred revenues	3,910,937
Decrease in other assets and liabilities	(56,270,130)
Decrease in accrued interest payable	<u>(1,785,826)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 8,066,427</u>
 NONCASH TRANSACTIONS — Net Change in Fair Value of Investments	 <u>\$ 6,488,246</u>

See notes to financial statements.

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008

1. GENERAL STATEMENT AND 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 (the “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 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)* — Eleven series (three of which have been refunded) of these bonds have been issued pursuant to the RMRB master indenture and 10 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 six series of bonds pursuant to the CHMRB Trust Indenture with 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.
- *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.
- *Collateralized Home Mortgage Revenue Bond Program — Series 1994 and 1995 (COBs)* — On November 1, 1994, the Department issued Single-Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994, in the amount of \$84,140,000. This bond program was issued as a Private Placement Memorandum with Federal National Mortgage Association (FNMA). The Series 1994 and 1995 COBs were issued to provide funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying FHA-insured, VA-guaranteed, FMHA-guaranteed mortgage loans, or conventional mortgage loans acceptable for pooling by FNMA, made to eligible borrowers for single-family residences.
- *Commercial Paper Notes* — By resolution adopted November 10, 1994, the Department’s Board has authorized the issuance of two series of commercial paper notes: its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (collectively, the “Notes”). Pursuant to the resolution, the Department is authorized to issue the Notes in an aggregate principal amount not to exceed \$75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department’s single-family mortgage revenue bonds (the “Refunded Bonds”), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. The Notes are being issued in anticipation of the issuance of refunding bonds that will refund the Notes.
- *Housing Trust Fund* — The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. The Housing Trust Fund will be used to provide assistance for low- and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The Housing Trust Fund will be made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

Continuance Subject to Review — Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011, unless it is continued in existence as provided in the Texas Sunset Act. If abolished, the Department may continue in existence until September 1, 2012, to close out its operations.

Significant Accounting Policies — The significant accounting policies of the Program are as follows:

Fund Accounting — The Program’s financial statements have been prepared on the basis of the governmental proprietary fund concept as set forth by the Governmental Accounting Standards Board (GASB). The governmental 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 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 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 balance sheet. The Program utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The 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 Program’s securitized mortgage loans (GNMA/FNMA) has been estimated by each bond issue’s trustee using a pricing service.

The Program has reported all investment securities at fair value as of August 31, 2008, 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 3).

In accordance with GASB Statement No. 31, changes in the fair value of investments are reported in the statement of revenues, expenses, and changes in net assets as net increase (decrease) in fair value of investments.

Loans Receivable — Loans receivable are carried at the unpaid principal balance outstanding less the allowance for estimated loan losses and deferred commitment fees. 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. Deferred commitment fees are recognized using the interest method over the estimated lives of the single-family loans and the contractual lives, adjusted for actual repayments, of the multifamily loans.

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.

Allowance for Estimated Losses on Loans and Foreclosed Properties — The allowance for estimated losses on loans is available for future chargeoffs on single-family and multifamily loans. The allowance for estimated losses on real estate owned is available for future chargeoffs on foreclosed single-family 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.

Commitment Fees — Commitment fees received in connection with the origination of loans are deferred and recognized using the interest method over the estimated life of the related loans and mortgage-backed securities, or if the commitment expires unexercised, it is credited to income upon expiration of the commitment.

Deferred Issuance Costs — Deferred issuance costs on bonds are amortized using the interest method over the contractual life of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of deferred issuance costs.

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.

General and Administrative Expenses — Beginning in 2008, certain General and Administrative expenses are accounted for in the Department's Administrative Program and are no longer reflected in the Operating Fund section of the Bond Program.

Restricted Net Assets — The net assets of the Program are restricted for various purposes of the bond trust indentures.

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.

Interfund Transactions — The 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.

Gain/Loss on Refundings of Debt — Any gain/loss on refunding of bonds is deferred and amortized as a component of interest expense using the interest method.

Loss on Early Extinguishment of Debt — Any loss on extinguishment of debt prior to its stated maturity is recorded in the period the debt is retired.

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 balance sheet 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 and in determination of the assumptions with respect to prepayments on loans and mortgage-backed securities in the recognition of deferred commitment fees to income.

2. CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2008, is presented below:

Program Activities	Balance September 1, 2007	Additions	Transfer to Other Fund	Balance August 31, 2008
Depreciable assets:				
Furniture and equipment	\$ 1,246,514	\$	\$ (1,246,514)	\$
Other capital assets	62,954		(62,954)	
Less accumulated depreciation:				
Furniture and equipment	(1,197,579)		1,197,579	
Other capital assets	(22,827)		22,827	
Depreciable assets — net *	\$ 89,062	\$	\$ (89,062)	\$

* Capital Assets are not reported in the Operating Funds beginning in fiscal year 2008.

3. CASH AND CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES

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 — As of August 31, 2008, the carrying amount of deposits was \$609 (in thousands).

Program funds — current assets — cash in bank:	
Texas Treasury Safekeeping Trust (TTSTC)	\$ 61
Demand deposits	
Program funds — current assets — restricted cash in bank:	
Texas Treasury Safekeeping Trust	243
Demand deposits	<u>305</u>
Cash in bank	<u>\$ 609</u>

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

in accordance with the Public Funds Investment Act. 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; commercial paper; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

At August 31, 2008, the fair values of investments as of the balance sheet date (including both short term and long term) are shown below (in thousands).

Program Activities	Carrying Value	Fair Value
U.S. government Treasury securities	\$ 939	\$ 1,014
U.S. government agency obligations	1,332,487	1,308,774
Repurchase agreements (TTSTC)	106,305	106,305
Fixed income money markets	71,219	71,219
Miscellaneous (investment agreements/guaranteed investment contracts)	<u>196,081</u>	<u>196,081</u>
Total	<u>\$1,707,031</u>	<u>\$1,683,393</u>

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.
- Prequalifying 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, 2008, the Program's credit quality distribution for securities with credit risk exposure was as follows (in thousands):

Standard & Poor's

Investment Type	Not Rated	AAA	Aa	A
U.S. government agency obligations	\$ -	\$ 231,004	\$ -	\$ -
Repurchase agreements (TTSTC)	106,305			
Miscellaneous (investment agreements/ GICs)	196,081			
	Not Rated	AAA-M	AA-M	A-M
Fixed income money markets	\$ -	\$ 71,219	\$ -	\$ -

A total of \$1,078,784 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. government, which is composed of \$1,014 in U.S. Treasury securities and \$1,077,770 in 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, 2008, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value (In thousands)	% of Total Portfolio
Paribas Corporation	\$ 106,305	6.22 %
Transamerican Life	88,071	5.16

Interest Rate Risk — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. Longer 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 Program’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Program’s investments by maturity (in thousands):

Program Activities	Fair Value	12 months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury securities	\$ 1,014	\$	\$	\$	\$ 1,014
U.S. government agency obligations	1,308,774	11,317		12,086	1,285,371
Repurchase agreements (TTSTC)	106,305	106,305			
Fixed income money markets	71,219	71,219			
Miscellaneous (investment agreements/GICs)	196,081	147,780	19,385		28,916
Total	<u>\$1,683,393</u>	<u>\$336,621</u>	<u>\$19,385</u>	<u>\$ 12,086</u>	<u>\$1,315,301</u>

Highly Sensitive Investments — U.S. government agency obligations held in the form of 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. Any fluctuation in fair value generates an unrealized gain or loss. The fair value of these investments is inversely affected by national mortgage interest rates. In an environment of rising interest rates, the Department would recognize an unrealized loss in fair market value and vice versa. Since the end of the 2008 fiscal year, the national mortgage rates have begun to decrease; as such, the Department does not believe that the value of these assets has been impaired. As of August 31, 2008, the Department holds \$1,308,774 in mortgage-backed securities.

4. SUMMARY OF LONG-TERM LIABILITIES

Commercial Paper Notes Payable — The Department is authorized to issue the Notes in an aggregate principal amount not to exceed \$75,000,000 outstanding. Proceeds of the initial issuance of the Notes and future issues not issued to refund outstanding Notes will be used to redeem certain of the Department’s single family mortgage revenue bonds (the “Refunded Bonds”), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

Other Noncurrent Liabilities — Other noncurrent liabilities totaling \$139,777,848 primarily account for funds due to developers as a result of Multifamily bond proceeds. 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 variables related to the balance, the current portion cannot be reasonably estimated.

5. RESTRICTED ASSETS

Cash in bank, cash equivalents, short-term investments, loans and contracts, interest receivable, and investments (which include mortgage-backed securities) totaling \$2.9 billion are restricted by the trust indentures of the related bonds and collateralized mortgage obligations. The trust indentures of the Department also require the establishing of accounts for the segregation of assets and restricting the use of bond proceeds, and other funds in connection with each bond program. Such restricted assets, primarily investments, at August 31, 2008, are as follows (in thousands):

Program	Mortgage and Debt Service Reserve	Unspent Bond Proceeds	Revenue Account	Self- Insurance	Rebate Account
Single-family	\$ 1,066	\$ 92,600	\$ 61,065	\$ 1,606	\$ 635
RMRB			11,942	401	323
CHMRB			649		
Multifamily	1,282	90,164	4,903		
Commercial paper					227
Total	<u>\$ 2,348</u>	<u>\$ 182,764</u>	<u>\$ 78,559</u>	<u>\$ 2,007</u>	<u>\$ 1,185</u>

Additionally, deferred issuance costs and real estate owned totaling \$12 million and \$341,000, respectively, are also restricted.

6. LOANS RECEIVABLE

Loans receivable as of August 31, 2008, consisted of the following (in thousands):

Single-family loans	\$ 40,094
Multifamily loans	1,220,784
RMRB (1987 Series A) single-family loans	1,036
Miscellaneous loans	3,875
Total loans	1,265,789
Deferred commitment fees — net of accumulated amortization of \$ 39,509 in 2008	(888)
Allowance for estimated loan losses	(2,588)
Total	<u>\$ 1,262,313</u>

All of the loans made directly by the Department are secured by real estate properties located in the state.

Single-family loans are collateralized by first-lien mortgages on the applicable real estate and (i) are federally insured or guaranteed or (ii) are insured by a private mortgage insurer approved by the Department for the amount by which the loan exceeds 80% of the original appraised value.

Certain properties acquired through foreclosure are covered by mortgage pool insurance. The mortgage pool insurance covers the unpaid principal balance of the loan at the ultimate date of sale, delinquent interest up to the claim settlement date, and certain other expenses.

The single-family trust indenture requires the Department to obtain and maintain mortgage pool insurance on loans collateralizing each series of bonds issued under that trust indenture. Except with respect to four series, the requirement has been satisfied by purchasing and maintaining a mortgage pool insurance policy for each bond series. For loans collateralizing the other four series of bonds, the Department has entered into Mortgage Pool Self-Insurance Fund Agreements (“Agreements”) with the trustee. The funding requirements of these Agreements have been met as of August 31, 2008.

Multifamily mortgage and lender loans are collateralized by first-lien mortgages on the applicable housing developments, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The activity in the allowance for estimated loan losses is as follows (in thousands):

Balance — beginning of year	\$ 2,595
Provision for estimated losses on loans	<u>(7)</u>
Balance — end of year	<u>\$ 2,588</u>

7. REAL ESTATE OWNED

Real estate owned for the Program was as follows (in thousands):

Real estate owned	\$ 872
Allowance for estimated losses	<u>(531)</u>
Real estate owned — net	<u>\$ 341</u>

The activity in the allowance for estimated losses was as follows (in thousands):

Balance — beginning of year	\$ (514)
Amounts charged off	<u>(17)</u>
Balance — end of year	<u>\$ (531)</u>

8. BONDS PAYABLE

Bonds payable activity for the year ended August 31, 2008, consisted of the following (in thousands):

	Original Face Amount	Balance September 1, 2007	Additions/ Accretions	Maturities/ Prepayments	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
Single-family:							
2002 Series A — 7.01%	\$10,000	\$ 5,400		\$ 1,260	\$ 4,140	2026	
2002 Series A — 5.45% to 5.55%	38,750	37,485		950	36,535	2034	
2002 Series B — 5.35% to 5.55%	52,695	39,135		5,690	33,445	2033	\$ 20
2002 Series C — 2.80% to 5.20%	12,950	11,180		765	10,415	2017	497
2002 Series D — 2.0% to 4.5%	13,605	5,740		1,110	4,630	2012	839
2004 Series A — 2.0% to 4.7%	123,610	116,865		12,835	104,030	2035	3,832
2004 Series B — variable rate	53,000	53,000			53,000	2034	
2004 Series A — variable rate	4,140	4,140		285	3,855	2036	
2004 Series C — 4.3% to 4.8%	41,245	36,805		5,020	31,785	2036	342
2004 Series D — variable rate	35,000	35,000			35,000	2035	
2004 Series E — 2.45% to 4.3%	10,825	9,195		1,270	7,925	2013	1,039
2005 Series A — variable rate	100,000	98,145		3,285	94,860	2036	
2005 Series B — 4.38%	25,495	20,705		3,270	17,435	2026	573
2005 Series C — 4.31% to 5.39%	8,970	8,010		795	7,215	2017	
2005 Series D — 5.0%	3,730	3,225		185	3,040	2035	
2006 Series A — 5.0%	59,555	59,105		1,275	57,830	2037	517
2006 Series B — 5.0%	70,485	69,950		1,960	67,990	2034	1,524
2006 Series C — 5.13%	105,410	104,610		2,600	102,010	2037	1,791
2006 Series D — 4.50%	29,685	27,630		3,510	24,120	2028	(65)
2006 Series E — 4.06%	17,295	16,560		1,285	15,275	2017	1,181
2006 Series F — 4.65% to 5.75%	81,195	81,195		695	80,500	2038	648
2006 Series G — 3.75% to 4.60%	15,000	15,000		735	14,265	2019	1,110
2006 Series H — variable rate	36,000	36,000			36,000	2037	2,571
2007 Series A — variable rate	143,005	143,005		1,935	141,070	2038	10,014
2007 Series B — 3.90% to 5.63%	157,060		\$ 157,060	5	157,055	2039	148
Total principal amount		1,037,085	\$157,060	\$ 50,720	1,143,425		\$26,581
Unamortized premium		12,649			14,121		
Unamortized discount and losses on refundings		(4,026)			(3,365)		
Total single-family		\$1,045,708			\$1,154,181		

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
RMRB:							
1998 Series A — 4.05% to 5.35%	\$ 102,055	\$ 40,105	\$	\$ 3,815	\$ 36,290	2031	\$ 1,115
1998 Series B — 5.30%	14,300	7,125		775	6,350	2022	
1999 Series A — 4.80% to 5.50%	25,615	5,865		980	4,885	2021	(11)
1999 Series B-1 — 6.32% to 5.50%	52,260	22,415		1,590	20,825	2032	14
1999 Series C — 5.05% to 6.25%	12,150	3,500		15	3,485	2024	(1)
2000 Series A — 5.10% to 6.30%	50,000	16,330		1,025	15,305	2031	237
2000 Series B — 5.70%	82,975	48,165		3,830	44,335	2033	9
2000 Series C — 5.85% to 5.82%	13,675	8,530			8,530	2025	
2000 Series D — 4.55% to 5.85%	18,265	6,695		555	6,140	2020	595
2001 Series A — 3.15% to 5.70%	52,715	33,500		2,820	30,680	2033	602
2001 Series B — 5.0% to 5.25%	15,585	12,300		120	12,180	2022	
2001 Series C — 2.55% to 4.63%	32,225	9,690		1,945	7,745	2015	976
2001 Series D — 5.35%	300	235		5	230	2033	10
2002 Series A — 2.25% to 5.35%	42,310	31,470		2,305	29,165	2034	536
2003 Series A — 1.70% to 5.00%	73,630	64,765		5,480	59,285	2034	954
Total principal amount		310,690	\$	\$ 25,260	285,430		\$ 5,036
Unamortized premium		2,000			1,423		
Unamortized discount and loss on refundings		(1,200)			(992)		
Total RMRB		<u>\$311,490</u>			<u>\$285,861</u>		
CHMRB:							
1992 Series C — linked rate averaging 6.90%	\$ 72,700	\$ 12,400	\$	2,000	\$ 10,400	2024	\$ 8
Total principal		12,400	\$	\$ 2,000	10,400		\$ 8
Plus unamortized premium		262			213		
Total CHMRB		<u>\$ 12,662</u>			<u>\$ 10,613</u>		

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
1987 Series (South Texas Rental Housing) — 9.5%	\$ 1,400	\$ 612	\$	\$ 93	\$ 519	2012	\$ 102
1996 Series A and B (Brighton's Mark) — 6.13%	10,174	8,075			8,075	2026	
1996 Series A and B (Marks of Las Colinas) — 5.56%	15,469	12,670		12,670		2026	
1996 Series A and B (Braxton's Mark) — 5.81%	14,867	14,274			14,274	2026	
1998 Series (Pebble Brook) — 4.95% to 5.60%	10,900	9,895		225	9,670	2030	205
1998 Series A, B, and C (Residence Oaks) — 5.98% to 7.18%	8,200	7,408		151	7,257	2030	159
1998 Series (Greens) — 5.2% to 6.03%	13,500	12,325		240	12,085	2030	250
1999 Series (Mayfield) — 5.7% to 7.25%	11,445	10,406		209	10,197	2031	222
1999 Series (Woodglen Village) — 7.38% to 8.25%	10,660	10,505		10,505		2039	
2000 Series (Timber Point) — variable rate	8,100	7,670		100	7,570	2032	
2000 Series (Oaks @ Hampton) — 7.20% to 9.00%	10,060	9,754		75	9,679	2040	82
2000 Series (Deerwood) — 5.25% to 6.40%	6,435	6,075		95	5,980	2032	95
2000 Series (Creek Point) — variable rate	7,200	6,585		115	6,470	2032	
2000 Series A/B (Parks @ Westmoreland) — 7.20% to 9.00%	9,990	9,704		73	9,631	2040	80
2000 MF Series A-C (Highland Meadow Apts) — 6.75% to 8%	13,500	8,565		121	8,444	2033	130
2000 MF Series A/B (Greenbridge) — 7.4% to 10%	20,085	19,735		178	19,557	2040	113
2000 MF Series A-C (Collingham Park) — 6.72% to 7.72%	13,500	12,943		182	12,761	2033	208
2000 MF Series A/B (Williams Run) — 7.65% to 9.25%	12,850	12,566		149	12,417	2040	204
2001 MF Series (Bluffview Senior Apts) — 7.65%	10,700	10,489		59	10,430	2041	64
2001 MF Series (Knollwood Villas Apts) — 7.65%	13,750	13,478		76	13,402	2041	82
2001 MF Series (Skyway Villas) — 6.0% to 6.5%	13,250	8,185		745	7,440	2034	120

(Continued)

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
2001 MF Series A/B (Cobb Park) — 6.77%	\$ 7,785	\$ 7,649	\$	\$ 42	\$ 7,607	2041	\$ 46
2001 MF Series A (Greens Road Apts) — 5.3% to 5.4%	8,375	8,060		120	7,940	2034	130
2001 MF Series A (Meridian Apts) — 5.45% to 6.85%	14,310	13,885		185	13,700	2034	200
2001 MF Series A (Wildwood Apts) — 5.45% to 6.75%	14,365	13,940		190	13,750	2034	205
2001 MF Series A-C (Fallbrook Apts) — 6.06% to 6.78%	14,700	14,241		206	14,035	2034	220
2001 MF Series A (Oak Hollow Apts) — 7.0% to 7.9%	8,625	6,381		40	6,341	2041	43
2001 MF Series A/B (Hillside Apts) — 7.0% to 9.25%	12,900	12,599		43	12,556	2041	47
2002 MF Series A (Millstone Apts) — 5.35% to 5.86%	12,700	10,575		165	10,410	2035	175
2002 MF Series A (Sugar Creek Apts) — 6.0%	11,950	11,750		115	11,635	2042	76
2002 MF Series A (West Oaks Apts) — 7.15% to 7.5%	10,150	9,573		57	9,516	2042	62
2002 MF Series A (Park Meadows Apts) — 6.53%	4,600	4,335		60	4,275	2034	70
2002 MF Series A (Clarkridge Villas Apts) — 7.0%	14,600	13,790		81	13,709	2042	87
2002 MF Series A (Hickory Trace Apts) — 7.0%	11,920	11,401		67	11,334	2042	71
2002 MF Series A (Green Crest Apts) — 7.0%	12,500	11,428		143	11,285	2042	71
2002 MF Series A/B (Ironwood Crossing) — 5.5% to 8.75%	16,970	16,852		73	16,779	2042	79
2002 MF Series A/B (Woodway Village Apts) — 4.9% to 5.2%	9,100	7,645		110	7,535	2023	115
2003 MF Series A/B (Reading Road Apts) — Variable not to exceed 12%	12,200	12,180		220	11,960	2036	20
2003 MF Series A/B (North Vista Apts) — 4.1% to 5.41%	14,000	13,800		1,090	12,710	2036	210
2003 MF Series A/B (West Virginia Apts) — 4.15% to 5.41%	9,450	9,315		145	9,170	2036	150
2003 MF Series A/B (Sphinx @ Murdeaux) — 3.55% to 5.0%	15,085	14,715		165	14,550	2042	170
2003 MF Series A/B (Primrose Houston School) — 5.5% to 8.0%	16,900	16,551		79	16,472	2036	85
2003 MF Series A/B (Timber Oaks Apts) — 6.75 to 8.75%	13,200	13,098		56	13,042	2043	61
2003 MF Series A/B (Ash Creek Apts) — 5.6% to 15.0%	16,375	16,278		80	16,198	2036	86
2003 MF Series A/B (Peninsula Apts) — 4.25 to 5.3%	12,400	12,130		165	11,965	2024	160
2003 MF Series A/B (Evergreen @ Mesquite) — 6.6% to 8.0%	11,000	10,856		110	10,746	2043	117
2003 MF Series A/B (Arlington Villas Apts) — Variable rate	17,100	17,054		74	16,980	2036	80
2003 MF Series A/B (Parkview Twnhms Apts) — 6.6% to 8.5%	16,600	16,482		79	16,403	2043	86
2003 MF Series A (NHP-Asmara Apts) Refunding — Variable rate	31,500	21,290		360	20,930	2033	371

(Continued)

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
2004 MF Series A/B (Timber Ridge Apts) — 5.75% to 8.0%	\$ 7,500	\$ 6,668	\$	\$ 34	\$ 6,634	2037	\$ 37
2004 MF Series A/B (Century Park Apts) — Variable rate	13,000	12,920		465	12,455	2037	170
2004 MF Series A (Addison Park Apts) — Variable rate	14,000	14,000		14,000		2044	
2004 MF Series A/B (Veterans Memorial Apts) — 6.6% to 8.5%	16,300	16,193		79	16,114	2044	86
2004 MF Series A (Rush Creek Apts) — 5.38% to 6.7%	10,000	9,944		1,173	8,771	2044	52
2004 MF Series A (Humble Park Apts) — 5.38% to 6.7%	11,700	11,610		100	11,510	2041	110
2004 MF Series A (Chisholm Trail Apts) — Variable rate	12,000	12,000		100	11,900	2037	
2004 MF Series A (Evergreen @ Plano Apts) — 5.25% to 6.55%	14,750	14,737		80	14,657	2044	85
2004 MF Series A (Montgomery Pines Apts) — Variable rate	12,300	12,300			12,300	2037	
2004 MF Series A (Bristol Apts) — Variable rate	12,625	12,625		325	12,300	2037	
2004 MF Series A (Pinnacle Apts) — Variable rate	14,500	14,500		235	14,265	2044	
2004 MF Series A (Tranquility Bay Apts) — Variable rate	14,350	14,253		84	14,169	2044	90
2004 MF Series A (Sphinx @ Delafield Apts) — 5.05% to 5.35%	11,380	11,236		100	11,136	2044	110
2004 MF Series A (Churchill @ Pinnacle Apts) — 5.25% to 6.55%	10,750	10,095		67	10,028	2044	72
2004 MF Series A/B (Post Oak East Apts) — Variable rate	13,600	13,600			13,600	2037	
2004 MF A Series (Village Fair Apts) — 5.0% to 6.5%	14,100	14,050		80	13,970	2044	85
2005 MF A Series (Pecan Grove Apts) — 5.0% to 6.5%	14,030	13,986		79	13,907	2045	84
2005 MF Series A (Prairie Oaks Apts) — 4.75% to 6.5%	11,050	11,016		62	10,954	2045	66
2005 MF Series A (Port Royal Apts) — 5.0% to 6.5%	12,200	12,168		68	12,100	2045	73
2005 MF Series A (Del Rio Apts) — 5.0% to 6.5%	11,490	11,459		64	11,395	2045	69
2005 MF Series A (Atascocita Pines Apts) — Variable rate	11,900	11,900			11,900	2037	143
2005 MF Series A (Tower Ridge Apts) — Variable rate	15,000	15,000			15,000	2038	100
2005 MF Series A (Alta Cullen Apts) — 5.89% to 6.6%	14,000	14,000			14,000	2045	
2005 MF Series A (Prairie Ranch Apts) — 4.85%	12,200	12,195		145	12,050	2045	115
2005 MF Series A (St. Augustine Apts) — Variable rate	7,650	7,650			7,650	2038	47
2005 MF Series A (Park Manor Apts) — 5.0% to 6.4%	10,400	10,400			10,400	2045	58

(Continued)

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
2005 MF Series A (Mockingbird Apts) — 6.4%	\$14,360	\$ 14,360	\$	\$ 80	\$ 14,280	2045	\$ 85
2005 MF Series A (Chase Oaks Apts) — 5.05%	14,250	14,250		137	14,113	2035	215
2006 MF Series A (Canal Place Apts) — Variable rate	16,100	16,100			16,100	2039	
2006 MF Series A (Coral Hills) — 5.05%	5,320	5,320		250	5,070	2038	75
2006 MF Series A (Harris Branch) — Variable rate	15,000	15,000			15,000	2039	
2006 MF Series A (Bella Vista) — 6.15%	6,800	6,800		15	6,785	2046	45
2006 MF Series A (Village Park) — 4.75% to 5.13%	13,660	13,660			13,660	2026	105
2006 MF Series A (Oakmoor) — 5.50% to 6.00%	14,635	14,635			14,635	2046	75
2006 MF Series A (Sunset Pointe) — Variable rate	15,000	15,000			15,000	2039	
2006 MF Series A (Hillcrest) — -5.25%	12,435	12,435			12,435	2039	
2006 MF Series A (Pleasant Village) — -6.00%	6,000	6,000		29	5,971	2023	74
2006 MF Series A (Grove Village) — -6.00%	6,180	6,180		30	6,150	2023	77
2006 MF Series A (Red Hills Villas) — Variable rate	5,015	5,015			5,015	2023	
2006 MF Series A (Champion Crossing) — Variable rate	5,125	5,125		100	5,025	2036	
2006 MF Series A (Stonehaven) — -5.80%	11,300	11,300			11,300	2026	60
2006 MF Series A (Center Ridge) — -5.00%	8,325	8,325			8,325	2039	
2006 MF Series A (Meadowlands) — -6.00%	13,500	13,500			13,500	2046	1,780
2006 MF Series A (East Tex Pines) — -4.95%	13,500	13,500			13,500	2046	
2006 MF Series A (Villas at Henderson) — Variable rate	7,200	7,200			7,200	2039	
2006 MF Series A (Aspen Park Apts) — -5.00%	9,800	9,800			9,800	2039	
2006 MF Series A (Idlewilde Apts) — Variable rate	14,250	14,250			14,250	2040	
2007 MF Series A (Lancaster Apts) — Variable rate	14,250	14,250			14,250	2040	
2007 MF Series A (Park Place) — -5.80%	15,000	15,000			15,000	2047	
2007 MF Series A (Terrace at at Cibolo) — Variable rate	8,000	8,000			8,000	2040	
2007 MF Series A (Santora Villas) — Variable rate	13,072	13,072			13,072	2047	
2007 MF Series A (Villas @ Mesquite Creek) — 5.00 - 5.81%	16,860	16,860			16,860	2047	

(Continued)

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
2007 MF Series A (Summit Point) — 4.80 - 5.25%	11,700	11,700			11,700	2047	
2007 MF Series A (Costa Rialto) — -5.35%	12,385	12,385			12,385	2047	
2007 MF Series A (Windshire) — Variable rate	14,000	14,000			14,000	2041	
2007 MF Series A (Residences at Onion Creek) — Variable rate	15,000		15,000		15,000	2040	
2007 MF Series A (West Oaks) — Variable rate	13,125		13,125		13,125	2041	
2007 MF Series A (Costa Ibiza) — Variable rate	13,900		13,900		13,900	2041	
2007 MF Series A (Addision Park) — Variable rate	14,000		14,000		14,000	2044	
Total principal amount		1,213,299	<u>\$ 56,025</u>	<u>\$48,362</u>	<u>\$1,220,962</u>		<u>\$ 9,652</u>
Net deferred amount on refunding		(239)					
Unamortized discount		<u>(546)</u>			<u>(527)</u>		
Total multifamily		<u>1,212,514</u>			<u>1,220,435</u>		
Total		<u>\$2,582,374</u>			<u>\$2,671,090</u>		

(Concluded)

Proceeds from the issuance of bonds under the single-family and RMRB Series 1987A programs were used to acquire loans. Proceeds from the issuance of bonds under CHMRB and remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Pass-through certificates were purchased with proceeds from the multifamily 1985 Series G. Proceeds from the remaining multifamily bond issues were used to finance mortgage loans. Interest on bonds 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 Department is authorized to issue the Notes in an aggregate principal amount not to exceed \$75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

The trust indentures contain positive and negative covenants. Events of default include 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 nonperformance or nonobservance of any other covenants, agreements, or conditions contained in the indentures. Management believes that it is in compliance with the covenants of the indentures.

Bond contractual maturities (principal only) at August 31, 2008, are as follows (in thousands):

Description	2009	2010	2011	2012	2013	2014 to 2018	2019 to 2023
Single-family	\$ 26,192	\$ 41,721	\$ 43,706	\$ 44,581	\$ 46,301	\$ 187,389	\$ 137,505
RMRB	5,005	4,935	4,185	4,375	4,655	28,725	45,125
CHMRB							
Multifamily	<u>9,671</u>	<u>9,706</u>	<u>10,612</u>	<u>11,305</u>	<u>11,909</u>	<u>70,354</u>	<u>111,240</u>
Total	<u>\$ 40,868</u>	<u>\$ 56,362</u>	<u>\$ 58,503</u>	<u>\$ 60,261</u>	<u>\$ 62,865</u>	<u>\$ 286,468</u>	<u>\$ 293,870</u>

Description	2024 to 2028	2029 to 2033	2034 to 2038	2039 to 2043	2044 to 2048	Total
Single-family	\$ 186,890	\$ 213,065	\$ 201,160	\$ 14,915	\$ -	\$ 1,143,425
RMRB	52,875	130,505	5,045			285,430
CHMRB	10,400					10,400
Multifamily	<u>174,733</u>	<u>178,799</u>	<u>262,873</u>	<u>270,700</u>	<u>99,060</u>	<u>1,220,962</u>
Total	<u>\$ 424,898</u>	<u>\$ 522,369</u>	<u>\$ 469,078</u>	<u>\$ 285,615</u>	<u>\$ 99,060</u>	<u>\$ 2,660,217</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.

Bond maturities (principal and interest) at August 31, 2008, are as follows (in thousands):

Description	2009	2010	2011	2012	2013	2014 to 2018	2019 to 2023
Single-family	\$ 70,435	\$ 86,737	\$ 87,455	\$ 87,018	\$ 87,338	\$ 371,718	\$ 292,802
RMRB	20,398	20,103	19,141	19,132	19,211	98,218	103,538
CHMRB	718	718	718	720	718	3,592	3,592
Multifamily	<u>75,476</u>	<u>74,540</u>	<u>74,877</u>	<u>74,964</u>	<u>74,909</u>	<u>368,720</u>	<u>384,264</u>
Total	<u>\$ 167,027</u>	<u>\$ 182,098</u>	<u>\$ 182,191</u>	<u>\$ 181,834</u>	<u>\$ 182,176</u>	<u>\$ 842,248</u>	<u>\$ 784,196</u>

Description	2024 to 2028	2029 to 2033	2034 to 2038	2039 to 2043	2044 to 2048	Total
Single-family	\$ 304,538	\$ 288,446	\$ 222,352	\$ 15,313	\$ -	\$ 1,914,152
RMRB	97,279	154,095	5,184			556,299
CHMRB	10,991					21,767
Multifamily	<u>406,958</u>	<u>362,847</u>	<u>392,247</u>	<u>330,415</u>	<u>107,529</u>	<u>2,727,746</u>
Total	<u>\$ 819,766</u>	<u>\$ 805,388</u>	<u>\$ 619,783</u>	<u>\$ 345,728</u>	<u>\$ 107,529</u>	<u>\$ 5,219,964</u>

Deferred issuance costs at August 31, 2008, consist of the following (in thousands):

Deferred issuance costs	\$ 41,273
Less accumulated amortization	<u>(29,281)</u>
	<u>\$ 11,992</u>

9. EMPLOYEE BENEFITS

Plan Description — The Department contributes to the Employees Retirement System of Texas (the “System”), a cost-sharing, multiple-employer, defined benefit plan. The Department has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which standardizes financial reporting for pensions by state and local government employers. The System provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Subtitle B, which is subject to amendment by the Texas Legislature. The System’s annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207 or by calling (512) 476-6431.

Funding Policy — Under provisions in State law, plan members are required to contribute 6% of their annual covered salary, and the Department contributes an amount equal to 6.45% of the Department’s covered payroll. The Department and the employees’ contributions to the System for the years ending August 31, 2008, 2007, and 2006, were \$1,002,741, \$947,383, and \$874,775, respectively, equal to the required contributions for each year.

10. SEGMENT FINANCIAL DATA

Segment financial data of the Program's direct-debt activities at August 31, 2008, and for the year then ended are as follows (in thousands):

	Single-Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Condensed statement of net assets:			
Restricted assets:			
Current assets	\$ 167,908	\$ 8,137	\$ 790
Other assets	<u>1,032,469</u>	<u>293,541</u>	<u>12,117</u>
Total assets	<u>1,200,377</u>	<u>301,678</u>	<u>12,907</u>
Liabilities:			
Current liabilities	67,054	11,053	387
Long-term liabilities	<u>1,127,630</u>	<u>280,825</u>	<u>10,605</u>
Total liabilities	<u>1,194,684</u>	<u>291,878</u>	<u>10,992</u>
Net assets — restricted net assets	<u>\$ 5,693</u>	<u>\$ 9,800</u>	<u>\$ 1,915</u>
Condensed statement of revenues, expenses, and changes in net assets:			
Operating revenues:			
Interest and investment income	\$ 59,116	\$ 17,317	\$ 881
Net increase in fair value	2,746	3,574	168
Other operating revenues	547	384	45
Operating expenses	59,972	16,279	768
Depreciation and amortization	<u>685</u>	<u>180</u>	<u>3</u>
Operating income (loss)	1,752	4,816	323
Non-operating revenues (expenses) — other non-operating revenues (expenses):			
Special and extraordinary items			
Transfers out	<u>(675)</u>	<u>(269)</u>	<u>5</u>
Change in net assets	1,077	4,547	328
Net assets — September 1, 2007	<u>4,616</u>	<u>5,253</u>	<u>1,587</u>
Net assets — August 31, 2008	<u>\$ 5,693</u>	<u>\$ 9,800</u>	<u>\$ 1,915</u>
Condensed statement of cash flows:			
Net cash provided by (used in):			
Operating activities	\$ 769	\$ 276	\$ (8)
Noncapital financing activities	57,435	(41,953)	(2,761)
Investing activities	(36,350)	40,437	2,697
Cash and cash equivalents — September 1, 2007	<u>62,334</u>	<u>7,417</u>	<u>792</u>
Cash and cash equivalents — August 31, 2008	<u>\$ 84,188</u>	<u>\$ 6,177</u>	<u>\$ 720</u>

11. BONDED INDEBTEDNESS

The Department has 125 bond issues outstanding at August 31, 2008. 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 3–7.)

Proceeds from the issuance of bonds under the Single Family 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 RMRB programs were used to acquire pass-through certificates 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, except for capital appreciation bonds, on which interest is compounded semiannually and payable at maturity or upon redemption.

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 nonperformance or nonobservance of any other covenants, agreements, or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

Changes in Bonds Payable (amounts in thousands)

Description	Bonds Outstanding September 1, 2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2008	Amounts Due Within One Year
Single family	\$1,037,085	\$157,060	\$ 10,550	\$ 40,170	\$ 1,143,425	\$ 26,581
RMRB	310,690		5,205	20,055	285,430	5,036
CHMRB	12,400			2,000	10,400	8
Multifamily	<u>1,213,299</u>	<u>56,025</u>	<u>6,780</u>	<u>41,582</u>	<u>1,220,962</u>	<u>9,652</u>
Total principal	2,573,474	<u>\$213,085</u>	<u>\$ 22,535</u>	<u>\$103,807</u>	2,660,217	<u>\$41,277</u>
Net deferred amount — due to refunding	(239)					
Unamortized premium	14,365				15,230	
Unamortized refunding (loss)	<u>(5,226)</u>				<u>(4,357)</u>	
Total	<u>\$2,582,374</u>				<u>\$2,671,090</u>	

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 five 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 a 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 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 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. Each swap agreement includes 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.

Terms and Fair Value — The terms, including the fair value of the outstanding swaps as of August 31, 2008, are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
UBS AG	\$ 53,000,000	\$ (2,510,824)	September 1, 2004	3.84 %	63% of LIBOR + .30%	9/1/2034 (a)
Goldman Sachs Capital Markets, LP	35,000,000	(1,343,868)	January 1, 2005	3.61	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/2035 (b)
Bear Stearns Financial Products, Inc.	94,860,000	(3,327,212)	August 1, 2005	3.99	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/2036 (c)
UBS AG	36,000,000	(1,829,278)	November 15, 2006	3.86	63% of LIBOR + .30%	9/1/2025 (d)
Bear Stearns Financial Products, Inc. (e)	<u>141,070,000</u>	<u>(4,926,319)</u>	June 5, 2007	4.01	Lesser of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	9/1/2038 (c)
Total	<u>\$ 359,930,000</u>	<u>\$ (13,937,501)</u>				

- Swap agreement has an optional early termination date of March 1, 2014, and every March and September thereafter. The maximum notional amount subject to early termination is equal to 60% of the current notional amount.
- Swap agreement has an optional early termination date of September 1, 2014, and every March and September thereafter.
- Swap agreement is subject to an early termination date at any time with a 10 business day notice.
- Swap agreement has an optional early termination date of March 1, 2016, and every March and September thereafter. The maximum notional amount subject to early termination is current notional amount per the amortization schedule.
- Bear Stearns Financial Products, Inc. was formerly a subsidiary of The Bear Stearns Companies, Inc. As a result of Bear Stearns' acquisition by JP Morgan Chase & Co. on 3/16/2008, Bear Stearns Financial Products, Inc. operates as a subsidiary of JP Morgan Chase & Co.

Credit Risk — As of August 31, 2008, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. 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 agreements and insurance policies with the counterparties. The credit ratings for the counterparties are as follows:

Counterparty	Standard & Poor's	Moody's	Fitch
UBS AG	AA -	Aa2	AA+
Goldman Sachs Capital Markets, LP	A	Not Rated	AA-
Bear Stearns Financial Products, Inc.	AAA	Aaa	Not Rated

Basis Risk — The Department's variable-rate bond coupon payments are equivalent to the Bond Market Association Municipal Swap Index (BMA) 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 BMA converge. The swap agreements provide an option to terminate as stated above.

Basis Risk — Rollover 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 which mature or may be terminated prior to the maturity of the associated debt. 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 optional termination rights which are listed below. They are intended to allow the Department to keep the notional amount in line with bonds outstanding to the extent the Department experiences prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	May be terminated as early as March 2014
2004D Single Family	March 2035	May be terminated as early as September 2014
2005A Single Family	September 2036	May be terminated at anytime giving 10-day notice
2006H Single Family	September 2037	May be terminated as early as March 2016
2007A Single Family	Septebmer 2038	May be terminated at anytime giving 10-day notice

Swap Payments and Associated Debt — Using rates as of August 31, 2008, 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 Years Ending August 31	Variable-Rate Bonds		Interest Rate Swaps — Net	Total
	Principal	Interest		
2009	\$ 515,000	\$ 7,485,423	\$ 7,408,843	\$ 15,409,266
2010	4,000,000	7,457,227	7,379,018	18,836,245
2011	4,755,000	7,366,041	7,284,980	19,406,021
2012	4,990,000	7,264,207	7,180,317	19,434,524
2013	5,220,000	7,157,443	7,070,539	19,447,982
2014–2018	43,800,000	33,573,795	33,133,761	110,507,556
2019–2023	62,505,000	27,882,390	27,544,377	117,931,767
2024–2028	77,485,000	20,560,946	20,344,511	118,390,457
2029–2033	86,070,000	11,843,341	11,762,883	109,676,224
2034–2038	69,990,000	3,154,100	3,229,756	76,373,856
2039–2042	600,000	6,090	6,554	612,644
Total	<u>\$ 359,930,000</u>	<u>\$ 133,751,003</u>	<u>\$ 132,345,539</u>	<u>\$ 626,026,542</u>

Demand Bonds

The Department currently holds seven single family bond series in the amount \$371,000,000 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 which are pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements					
Single Family Bond Series	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of 8/31/08	Bank Bonds Remaining with Liquidity Provider as of 11/14/08	Liquidity Facility Expiration Date
2007A	DEPFA Bank plc	0.09%	\$ 141,070,000	\$ 139,380,000	06/5/2012
2006H	DEPFA Bank plc	0.09%	36,000,000	36,000,000	11/15/2009
<i>Total DEPFA Bank plc</i>			<i>\$ 177,070,000</i>	<i>\$ 175,380,000</i>	
2005A	Dexia Credit Local	0.275%	\$ 94,860,000	\$ 15,000,000	04/28/2011
2004D	Dexia Credit Local	0.275%	35,000,000	22,000,000	04/28/2011
2004B	Dexia Credit Local	0.275%	53,000,000	52,900,000	04/28/2011
2005C	Dexia Credit Local	0.1225%	7,215,000	4,515,000	12/15/2015
2004A Jr. Lien	Dexia Credit Local	0.315%	3,855,000	600,000	04/28/2011
<i>Total Dexia Credit Local</i>			<i>\$ 193,930,000</i>	<i>\$ 95,015,000</i>	
Total Demand Bonds			<u>\$ 371,000,000</u>	<u>\$ 270,395,000</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). If bonds purchased by the liquidity facility are not remarketed according to the terms of the liquidity agreement, the Department will be subject to term out provisions with the corresponding liquidity provider to convert the bonds to an installment loan payable over seven years.

The 2007A series in the amount of \$139,380,000 and 2006H series in the amount of \$36,000,000 are subject to term out provisions effective within six months of the purchase of the bonds by DEPFA, currently April 2009. If these bonds are not remarketed by April 2009, the Department will be subject to 14 semi-annual payments over 7 years. The Department could potentially pay in principal and interest a total of \$160,287,000 and \$82,800,000 related to the 2007A and 2006H Series, respectively. Interest was computed using the prime lending rate of 4.00% effective during November 2008 (See Note 14 for related information).

The 2004A Jr. Lien, 2004B, 2004D, 2005A and 2005C variable rate demand bonds currently owned by DEXIA are not subject to term out provisions until six months following the expiration of the liquidity agreement.

Refunding Bonds

On August 22, 2008, the Department issued \$14,000,000 in variable rate debt (Series 2008 Addison Park Apartments Multifamily) with a maximum rate of 12% to refund \$14,000,000 of outstanding 2004 Multifamily (Addison Park Apartments) bonds. The purpose of the refunding was to establish a new financing structure establishing Freddie Mac as the credit enhancer which would guarantee payments to the bondholders and make the bonds AAA rated. In addition, the refunding transaction would establish a new letter of credit which would satisfy the expiring letter of credit under the original bond issue. The refunding transaction resulted in a cash flow loss of \$247,989, and an economic loss of \$153,684. Because the new debt is variable rate debt, the economic and cash differences were calculated using the current rate as of August 31, 2008 which is 2.05%. The cash flow and economic impact will fluctuate with the prevailing interest rates. Using the maximum rate allowable by the trust indenture of 12%, the Department could incur a maximum of additional \$49,470,502 in debt service payments and an economic loss of \$11,482,294 on the refunding.

Pledged and Other Sources (amounts in thousands)

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 2-D.

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Total Single Family Bonds	\$ 96,251	\$ 6,695	\$ 10,550	\$ 53,660
Total Residential Mtg Revenue Bonds	37,764	388	5,205	16,165
Total 1992 CHMRB	2,909	11		787
Total Multifamily Bonds	107,246	9	6,780	65,369
Total	\$ 244,170	\$ 7,103	\$ 22,535	\$ 135,981

12. COMMITMENTS AND CONTINGENCIES

The Department is a defendant in legal actions arising from transactions and activities conducted in the ordinary course of business. Management, after consultation with legal counsel, believes that the aggregate liabilities, if any, will not be material to the financial statements.

13. RISK FINANCING AND RELATED INSURANCE ISSUES

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. Currently there is no purchase of commercial insurance, nor is the Department involved in any risk pools with other government entities. The Department carries Public Official Liabilities Insurance coverage in the amount of \$10,000,000; automobile liability insurance in the amount of \$500,000, errors and omissions insurance of \$300,000 related to loan servicing for others and a \$350,000 Public Employee Fidelity Bond.

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. The Department incurred no claims liability during fiscal years 2007 and 2008 related to these policies.

14. SUBSEQUENT EVENTS

The recent credit and liquidity crisis precipitated by the failure of Wall Street investment bank Lehman Brothers among others began a cascading effect of rating downgrades. The current crisis affected counterparties which ultimately impacted the Department in various ways as listed below.

On September 8, 2008 the Federal Housing Finance Agency (FHFA) placed FNMA and FHLMC into conservatorship. In addition, the U.S. Department of the Treasury agreed to provide up to \$100 billion of capital as needed to FNMA and established a Preferred Stock Purchase Agreement with FHLMC to ensure they can continue to provide stability and liquidity to the U.S. mortgage market. As of August 31, 2008, the Department carried \$217,235,754 and \$13,768,065 in mortgage backed securities guaranteed by FNMA and FHLMC, respectively. Upon the conservatorship, these mortgage backed securities acquired the explicit guarantee of the U.S. Government.

On September 15, 2008, American Insurance Group, Inc. was downgraded by all credit rating agencies. Upon the downgrade, the Department decided to opt out of the investment agreements and on October 10, 2008 the standing agreements were terminated. As of August 31, 2008, the Department carried three investment agreements of \$3,323,523 for the 2001 A-E RMRB bond issue, \$1,220,015 for the 2003A RMRB bond issue and \$3,161,147 for the 2000 BCDE RMRB bond issue. Upon the termination, the Department will invest repayments into overnight repurchase agreement held by Texas Treasury Safekeeping Trust Company.

On September 29, 2008, DEPFA Bank was downgraded to a BBB rating by the rating agencies. DEPFA Bank is the liquidity provider for the 2006H Single Family and 2007A Single Family variable rate demand bonds. On October 2, 2008, these bonds were downgraded from A-1 to A-2 by Standard & Poor's rating agency due to DEPFA's downgrade. Upon the downgrade these bonds were no longer eligible investments in tax-exempt money market funds, therefore, the Department began to receive tender notices on these bonds. Once the remarketing of the bonds was unsuccessful, DEPFA Bank acquired temporary ownership of the "bank bonds" until the Department is able to get a new liquidity provider and subsequently have the bonds upgraded in rating.

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SUPPLEMENTAL SCHEDULES

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 1

**SUPPLEMENTAL SCHEDULE — STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED)
AS OF AUGUST 31, 2008**

ASSETS	Single- Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
CURRENT ASSETS:							
Cash and cash equivalents:							
Cash in bank	\$	\$	\$	\$	\$	\$ 61,200	\$ 61,200
Cash equivalents						14,455,869	14,455,869
Restricted assets:							
Cash and cash equivalents:							
Cash in bank	228,536			319,019			547,555
Cash equivalents	83,959,062	6,177,047	719,617	71,985,736	227,121		163,068,583
Short-term investments	76,345,895			11,320,595	71,431,000		159,097,490
Loans and contracts	2,892,465	92,407		9,671,000			12,655,872
Interest receivable	4,445,106	1,867,700	70,282	8,422,354	92,918		14,898,360
Receivable:							
Interest receivable						2,530	2,530
Accounts receivable						181,728	181,728
Loans and Contracts						137,665	137,665
Other current assets	37,130					64,770	101,900
Total current assets	167,908,194	8,137,154	789,899	101,718,704	71,751,039	14,903,762	365,208,752
NONCURRENT ASSETS:							
Loans and Contracts						3,410,973	3,410,973
Restricted assets:							
Investments	988,477,057	290,261,558	12,043,174	55,989,572			1,346,771,361
Loans, contracts, and notes receivable	34,647,741	916,149		1,210,544,672			1,246,108,562
Other noncurrent assets:							
Deferred issuance cost — net	9,075,003	2,365,563	74,129	477,061			11,991,756
Real estate owned — net	269,277	(2,206)				74,099	341,170
Total noncurrent assets	1,032,469,078	293,541,064	12,117,303	1,267,011,305	71,751,039	3,485,072	2,608,623,822
TOTAL ASSETS	\$ 1,200,377,272	\$ 301,678,218	\$ 12,907,202	\$ 1,368,730,009	\$ 71,751,039	\$ 18,388,834	\$ 2,973,832,574

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 1

**SUPPLEMENTAL SCHEDULE — STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED)
AS OF AUGUST 31, 2008**

LIABILITIES	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
CURRENT LIABILITIES:							
Payables:							
Accounts payable	\$ 6,633	\$ 1,004	\$	\$	\$	\$	\$ 7,637
Accrued bond interest payable	26,932,419	2,583,878	49,143	8,680,866	61,066		38,307,372
Deferred revenues	5,086,014	3,125,107	330,816				8,541,937
Revenue bonds payable	26,580,871	5,035,774	7,607	9,652,174			41,276,426
Other current liabilities	<u>8,448,669</u>	<u>307,088</u>			<u>227,121</u>	<u>26,495</u>	<u>9,009,373</u>
Total current liabilities	<u>67,054,606</u>	<u>11,052,851</u>	<u>387,566</u>	<u>18,333,040</u>	<u>288,187</u>	<u>26,495</u>	<u>97,142,745</u>
NONCURRENT LIABILITIES:							
Notes and Loans Payable					71,431,000		71,431,000
Revenue bonds payable	1,127,600,617	280,825,334	10,604,935	1,210,782,842			2,629,813,728
Other noncurrent liabilities	<u>28,937</u>			<u>139,748,911</u>			<u>139,777,848</u>
Total noncurrent liabilities	<u>1,127,629,554</u>	<u>280,825,334</u>	<u>10,604,935</u>	<u>1,350,531,753</u>	<u>71,431,000</u>		<u>2,841,022,576</u>
TOTAL LIABILITIES	<u>\$ 1,194,684,160</u>	<u>\$ 291,878,185</u>	<u>\$ 10,992,501</u>	<u>\$ 1,368,864,793</u>	<u>\$ 71,719,187</u>	<u>\$ 26,495</u>	<u>\$ 2,938,165,321</u>
NET ASSETS							
RESTRICTED	\$ 5,693,112	\$ 9,800,033	\$ 1,914,701	\$ (134,784)	\$ 31,852	\$	\$ 17,304,914
UNRESTRICTED						<u>18,362,339</u>	<u>18,362,339</u>
TOTAL NET ASSETS	<u>\$ 5,693,112</u>	<u>\$ 9,800,033</u>	<u>\$ 1,914,701</u>	<u>\$ (134,784)</u>	<u>\$ 31,852</u>	<u>\$ 18,362,339</u>	<u>\$ 35,667,253</u>

(Concluded)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 2

**SUPPLEMENTAL SCHEDULE — STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2008**

	Single- Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
OPERATING REVENUES:							
Interest and investment income	\$ 59,116,300	\$ 17,317,425	\$ 880,910	\$ 65,653,720	\$ 1,130,357	\$ 485,969	\$ 144,584,681
Net increase in fair value	2,745,879	3,574,123	168,243				6,488,245
Other operating revenues	<u>547,837</u>	<u>400,518</u>	<u>44,471</u>	<u>11,212</u>		<u>1,593,253</u>	<u>2,597,291</u>
Total operating revenues	<u>62,410,016</u>	<u>21,292,066</u>	<u>1,093,624</u>	<u>65,664,932</u>	<u>1,130,357</u>	<u>2,079,222</u>	<u>153,670,217</u>
OPERATING EXPENSES:							
Professional fees and services	722,274	144,926	2,000			264,670	1,133,870
Depreciation and amortization	685,346	179,739	2,812	14,392			882,289
Interest	53,342,715	16,012,678	759,761	65,626,886	1,150,868		136,892,908
Bad debt expense	27,176	(900)				90,236	116,512
Down Payment Assistance	5,144,249						5,144,249
Other operating expenses	<u>735,976</u>	<u>139,762</u>	<u>6,612</u>	<u>300</u>	<u>9,115</u>	<u>118,106</u>	<u>1,009,871</u>
Total operating expenses	<u>60,657,736</u>	<u>16,476,205</u>	<u>771,185</u>	<u>65,641,578</u>	<u>1,159,983</u>	<u>473,012</u>	<u>145,179,699</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS							
	1,752,280	4,815,861	322,439	23,354	(29,626)	1,606,210	8,490,518
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS —							
Transfers in (out)	<u>(674,722)</u>	<u>(268,968)</u>	<u>5,242</u>	<u>300</u>	<u>9,114</u>	<u>(2,731,650)</u>	<u>(3,660,684)</u>
CHANGE IN NET ASSETS	1,077,558	4,546,893	327,681	23,654	(20,512)	(1,125,440)	4,829,834
NET ASSETS — September 1, 2007	<u>4,615,554</u>	<u>5,253,140</u>	<u>1,587,020</u>	<u>(158,438)</u>	<u>52,364</u>	<u>19,487,779</u>	<u>30,837,419</u>
NET ASSETS — August 31, 2008	<u>\$ 5,693,112</u>	<u>\$ 9,800,033</u>	<u>\$ 1,914,701</u>	<u>\$ (134,784)</u>	<u>\$ 31,852</u>	<u>\$ 18,362,339</u>	<u>\$ 35,667,253</u>

SUPPORTING SCHEDULES

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS — REVENUE BOND PROGRAM**

SCHEDULE 3

**MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description of Issue	Original Principal Bonds Issued to Date	Range of		Schedule Maturities		First Call Date
		Interest	Rates	First Year	Last Year	
1995 Single Family Series A	\$ 85,760	4.15%	6.15%	1997	2027	09/01/2005
1995 Single Family Series C	71,760	6.44%	7.76%	2006	2017	09/01/2005
1996 Single Family Series A	15,000	4.50%	6.30%	2001	2028	09/01/2006
1996 Single Family Series D	70,760	5.45%	6.25%	2021	2028	09/01/2006
1996 Single Family Series E	98,730	3.90%	6.00%	1997	2017	09/01/2006
1997 Single Family Series A	44,465	5.25%	5.80%	2013	2029	09/01/2007
1997 Single Family Series B	9,510	5.45%	5.45%	2019	2019	09/01/2007
1997 Single Family Series D	44,795	5.65%	5.70%	2029	2029	09/01/2007
1997 Single Family Series F	20,000	6.77%	6.77%	2029	2029	09/01/2007
2002 Single Family Series A (Jr. Lien)	10,000	7.01%	7.01%	2025	2026	09/01/2012
2002 Single Family Series A	38,750	5.45%	5.55%	2023	2034	03/01/2012
2002 Single Family Series B	52,695	5.35%	5.55%	2033	2033	03/01/2012
2002 Single Family Series C	12,950	2.80%	5.20%	2004	2017	03/01/2012
2002 Single Family Series D	13,605	2.00%	4.50%	2003	2012	03/01/2012
2004 Single Family Series A	123,610	2.00%	4.70%	2006	2035	03/01/2013
2004 Single Family Series B	53,000	VAR - Weekly		2015	2034	03/01/2015 (f)
2004 Single Family Series A (Jr. Lien)	4,140	VAR - Weekly		2036	2036	09/01/2036 (f)
2004 Single Family Series C	41,245	4.30%	4.80%	2019	2036	09/01/2014
2004 Single Family Series D	35,000	VAR - Weekly		2035	2035	(g)
2004 Single Family Series E	10,825	2.45%	4.30%	2006	2013	09/01/2014
2005 Single Family Series A	100,000	VAR - Weekly		2007	2036	03/01/2006
2005 Single Family Series B	25,495	4.38%	4.38%	2006	2026	03/01/2006
2005 Single Family Series C	8,970	VAR - Weekly		2017	2017	03/01/2006
2005 Single Family Series D	3,730	5.00%	5.00%	2025	2035	03/01/2006
2006 Single Family Series A	59,555	5.00%	5.00%	2008	2037	09/01/2006
2006 Single Family Series B	70,485	5.00%	5.00%	2008	2034	09/02/2006
2006 Single Family Series C	105,410	5.13%	5.13%	2008	2037	09/03/2006
2006 Single Family Series D	29,685	4.50%	4.50%	2018	2028	09/04/2006
2006 Single Family Series E	17,295	4.06%	4.06%	2007	2017	09/05/2006
2006 Single Family Series F	81,195	4.65%	5.75%	2008	2038	03/01/2016
2006 Single Family Series G	15,000	3.75%	4.60%	2012	2019	03/01/2016
2006 Single Family Series H	36,000	VAR - Weekly		2016	2037	03/01/2016 (f)
2007 Single Family Series A	143,005	VAR - Weekly		2008	2038	03/01/2008 (f)
2007 Single Family Series B	157,060	3.90%	5.63%	2008	2039	03/01/2008
1998 RMRB Series A	102,055	4.05%	5.35%	2002	2031	01/01/2009
1998 RMRB Series B	14,300	5.30%	5.30%	2022	2022	01/01/2009
1999 RMRB Series A	25,615	4.80%	5.50%	2018	2021	01/01/2009
1999 RMRB Series B-1	52,260	6.32%	7.10%	2021	2032	07/01/2009
1999 RMRB Series C	12,150	5.05%	6.25%	2003	2024	07/01/2009
2000 RMRB Series A	50,000	5.10%	6.30%	2003	2031	07/01/2010
2000 RMRB Series B	82,975	5.70%	5.70%	2005	2033	07/01/2010
2000 RMRB Series C	13,675	5.82%	5.85%	2011	2025	07/01/2010
2000 RMRB Series D	18,265	4.55%	5.85%	2003	2020	07/01/2010
2001 RMRB Series A	52,715	3.15%	5.70%	2004	2033	07/01/2011
2001 RMRB Series B	15,585	5.00%	5.25%	2011	2022	07/01/2011
2001 RMRB Series C	32,225	2.55%	4.63%	2003	2015	07/01/2011
2001 RMRB Series D	300	5.35%	5.35%	2008	2033	07/01/2011
2002 RMRB Series A	42,310	2.25%	5.35%	2004	2034	07/01/2012
2003 RMRB Series A	73,630	1.70%	5.00%	2005	2034	01/01/2013
1992 Coll Home Mtg Rev Bonds, Series C	72,700	3.48%	10.27%	2024	2024	05/04/1995
1994 SF MRB CHMRB Series C	15,360	6.25%	6.25%	2026	2026	06/27/2005
TOTAL SINGLE FAMILY & RMRB BONDS	<u>\$2,385,605</u>					

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS — REVENUE BOND PROGRAM**

SCHEDULE 3

**MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description of Issue	Original Principal Bonds Issued to Date	Range of		Schedule Maturities		First Call Date
		Interest	Rates	First Year	Last Year	
1987 MF Series (South Texas Rental Housing)	\$ 1,400	9.50%	9.50%	1988	2012	02/01/1988
1993 MF Series A/B (RemHill/HighPt)	26,370	VAR - Weekly		2023	2023	02/01/2000
1996 MF Series A/B (Brighton's Mark)	10,174	6.13%	6.13%	2026	2026	01/01/2003
1996 MF Series A/B (Las Colinas)	15,469	5.65%	5.65%	2026	2026	01/01/2003
1996 MF Series A/B (Braxton's Mark)	14,867	5.81%	5.81%	2026	2026	01/01/2003
1998 MF Series A (Pebble Brook)	10,900	4.95%	5.60%	2001	2030	06/01/2001
1998 MF Series A-C (Residence Oaks)	8,200	5.98%	7.18%	2001	2030	05/01/2001
1998 MF Series A (Volente Project)	10,850	5.00%	5.63%	2001	2031	07/01/2001
1998 MF Series A (Dallas Oxford Refndg)	10,300	7.25%	7.25%	2018	2018	01/01/2004
1998 MF Series A/B (Greens of Hickory Trial)	13,500	5.20%	6.03%	2001	2030	09/01/2008
1999 MF Series A-C (Mayfield)	11,445	5.70%	7.25%	2001	2031	05/01/2002
1999 MF Series A (Woodglen Village)	10,660	7.38%	8.25%	2002	2039	12/01/2016
2000 MF Series A (Timber Point Apts)	8,100	VAR - Weekly		2003	2032	07/01/2000 (a)
2000 MF Series A/B (Oaks at Hampton)	10,060	7.20%	9.00%	2002	2040	03/01/2017 (a)
2000 MF Series A (Deerwood Apts)	6,435	5.25%	6.40%	2003	2032	06/01/2010
2000 MF Series A (Creek Point Apts)	7,200	VAR - Weekly		2004	2032	07/01/2000 (a)
2000 MF Series A/B (Parks @ Westmoreland)	9,990	7.20%	9.00%	2002	2040	07/01/2017 (a)
2000 MF Series A (Honeycreek)	20,485	7.63%	8.15%	2004	2035	06/30/2007
2000 MF Series A-C (Highland Meadow Apts)	13,500	6.75%	8.00%	2004	2033	05/01/2019
2000 MF Series A/B (Greenbridge)	20,085	7.40%	10.00%	2003	2040	03/01/2014
2000 MF Series A-C (Collingham Park)	13,500	6.72%	7.72%	2004	2033	05/01/2019
2000 MF Series A/B (Williams Run)	12,850	7.65%	9.25%	2002	2040	01/01/2011
2000 MF Series A/B (Red Hills Villas)	10,300	8.40%	9.50%	2003	2040	12/01/2017
2001 MF Series A (Bluffview Senior Apts)	10,700	7.65%	7.65%	2003	2041	05/01/2018
2001 MF Series A (Knollwood Villas Apts)	13,750	7.65%	7.65%	2003	2041	05/01/2018
2001 MF Series A (Skyway Villas)	13,250	6.00%	6.50%	2005	2034	12/01/2011
2001 MF Series A/B (Cobb Park)	7,785	6.77%	6.77%	2003	2041	07/01/2018
2001 MF Series A (Greens Road Apts.)	8,375	5.30%	5.40%	2004	2034	12/01/2011
2001 MF Series A/B (Meridian Apts.)	14,310	5.45%	6.85%	2004	2034	12/01/2011
2001 MF Series A/B (Wildwood Apts.)	14,365	5.45%	6.75%	2004	2034	12/01/2011
2001 MF Series A-C (Fallbrook Apts.)	14,700	6.06%	6.78%	2005	2034	01/01/2012
2001 MF Series A (Oak Hollow Apts.)	8,625	7.00%	7.90%	2003	2041	11/01/2018
2001 MF Series A/B (Hillside Apts.)	12,900	7.00%	9.25%	2003	2041	11/01/2018
2002 MF Series A (Millstone Apts.)	12,700	5.35%	5.86%	2005	2035	06/01/2012
2002 MF Series A (Sugar Creek Apts.)	11,950	6.00%	6.00%	2004	2042	01/01/2016
2002 MF Series A (West Oaks Apts.)	10,150	7.15%	7.50%	2004	2042	12/01/2018
2002 MF Series A (Park Meadows Apts)	4,600	6.53%	6.53%	2004	2034	05/01/2012
2002 MF Series A (Clarkridge Villas Apts)	14,600	7.00%	7.00%	2004	2042	08/01/2019
2002 MF Series A (Hickory Trace Apts)	11,920	7.00%	7.00%	2004	2042	12/01/2019
2002 MF Series A (Green Crest Apts)	12,500	7.00%	7.00%	2004	2042	11/01/2019
2002 MF Series A/B (Ironwood Crossing)	16,970	5.50%	8.75%	2005	2042	10/01/2027
2002 MF Series A (Woodway Village Apts)	9,100	4.95%	5.20%	2006	2023	01/01/2013
2003 MF Series A/B (Reading Road)	12,200	VAR-Weekly		2007	2036	01/01/2004 (a)
2003 MF Series A/B (North Vista Apts)	14,000	4.10%	5.41%	2006	2036	06/01/2013
2003 MF Series A/B (West Virginia Apts)	9,450	4.15%	5.41%	2006	2036	06/01/2013
2003 MF Series A/B (Sphinx @ Murdeaux)	15,085	3.55%	5.00%	2005	2042	06/20/2013
2003 MF Series A/B (Primrose Houston School)	16,900	5.50%	8.00%	2006	2036	07/01/2003 (a)
2003 MF Series A/B (Timber Oaks Apts)	13,200	6.75%	8.75%	2005	2043	06/01/2020
2003 MF Series A/B (Ash Creek Apts)	16,375	5.60%	15.00%	2006	2036	10/01/2003 (a)
2003 MF Series A/B (Peninsula Apts)	12,400	4.25%	5.30%	2007	2024	10/01/2013

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS — REVENUE BOND PROGRAM**

SCHEDULE 3

MISCELLANEOUS BOND INFORMATION

AS OF AUGUST 31, 2008

(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of		Schedule Maturities		First Call Date
		Interest	Rates	First Year	Last Year	
2003 MF Series A (Evergreen @ Mesquite)	\$ 11,000	6.60%	8.00%	2006	2043	09/01/2020
2003 MF Series A/B (Arlington Villas)	17,100	6.75%	8.00%	2007	2036	01/01/2007 (a)
2003 MF Series A/B (Parkview Twnhms)	16,600	6.60%	8.50%	2006	2043	12/01/2020
2003 MF Series A (NHP-Asmara) Refunding	31,500	VAR - Weekly		2007	2033	07/01/2007 (a)
2004 MF Series A/B (Timber Ridge)	7,500	5.75%	8.00%	2007	2037	03/01/2007 (a)
2004 MF Series A/B (Century Park)	13,000	5.75%	5.75%	2007	2037	05/01/2007 (a)
2004 MF Series A (Addison Park)	14,000	VAR - Weekly (c)		2007	2044	01/01/2007 (a)
2004 MF Series A/B (Veterans Memorial)	16,300	6.60%	8.50%	2006	2044	03/01/2006 (a)
2004 MF Series A (Rush Creek)	10,000	5.38%	6.70%	2006	2044	03/01/2021
2004 MF Series A (Humble Park)	11,700	6.60%	6.60%	2007	2041	07/01/2021
2004 MF Series A (Chisholm Trail)	12,000	VAR - Weekly (b)		2006	2037	10/15/2006 (a)
2004 MF Series A (Evergreen @ Plano)	14,750	5.25%	6.55%	2007	2044	06/01/2021
2004 MF Series A (Montgomery Pines)	12,300	VAR - Weekly		2006	2037	12/15/2006 (a)
2004 MF Series A (Bristol)	12,625	VAR - Weekly		2007	2037	06/15/2007 (a)
2004 MF Series A (Pinnacle)	14,500	VAR - Weekly (c)		2007	2044	09/01/2007 (a)
2004 MF Series A (Tranquility Bay)	14,350	VAR - Weekly (c)		2007	2044	06/01/2021 (e)
2004 MF Series A (Sphinx @ Delafield)	11,380	5.05%	5.35%	2006	2044	07/20/2014
2004 MF Series A (Churchill @ Pinnacle)	10,750	5.25%	6.55%	2007	2044	09/01/2021 (e)
2004 MF Series A/B (Post Oak East)	13,600	VAR - Weekly		(d)	2037	(d)
2004 MF Series A (Village Fair)	14,100	5.00%	6.50%	2007	2044	12/01/2021
2005 MF Series A (Pecan Grove)	14,030	5.00%	6.50%	2007	2045	01/01/2022
2005 MF Series A (Prairie Oaks)	11,050	4.75%	6.50%	2007	2045	01/01/2022
2005 MF Series A (Port Royal)	12,200	5.00%	6.50%	2007	2045	02/01/2022
2005 MF Series A (Del Rio)	11,490	5.00%	6.50%	2007	2045	02/01/2022
2005 MF Series A (Atascocita Pines)	11,900	VAR - Weekly (c)		2007	2037	(f)
2005 MF Series A (Tower Ridge)	15,000	VAR - Weekly (b)		2009	2038	(f)
2005 MF Series A (Alta Cullen)	14,000	5.89%	6.60%	2007	2045	06/01/2022
2005 MF Series A (Lafayette Village)	14,100	VAR - Weekly		2008	2038	n/a
2005 MF Series A (Prairie Ranch)	12,200	4.85%	4.85%	2007	2045	12/20/2015
2005 MF Series A (St Augustine)	7,650	VAR - Weekly		2009	2038	n/a
2005 MF Series A (Park Manor)	10,400	5.00%	6.40%	2008	2045	09/01/2022
2005 MF Series A (Mockingbird)	14,360	6.40%	6.40%	2007	2045	08/01/2022
2005 MF Series A (Chase Oaks)	14,250	5.05%	5.05%	2007	2035	(h)
2005 MF Series A/B (Canal Place)	16,100	3.45%	8.00%	2019	2039	(i)
2005 MF Series A (Coral Hills)	5,320	5.05%	5.05%	2038	2038	08/01/2015
2006 MF Series A (Harris Branch)	15,000	VAR - Weekly		2009	2039	(j)
2006 MF Series A (Bella Vista)	6,800	6.15%	6.15%	2008	2046	04/01/2016
2006 MF Series A (Village Park)	13,660	4.75%	5.13%	2009	2026	06/01/2021
2006 MF Series A (Oakmoor)	14,635	5.50%	6.00%	2008	2046	03/01/2023
2006 MF Series A (Sunset Pointe)	15,000	VAR - Weekly		2039	2039	(i)
2006 MF Series A (Hillcrest)	12,435	5.25%	5.25%	2009	2039	04/01/2021
2006 MF Series A (Pleasant Village)	6,000	6.00%	6.00%	2008	2023	(k)
2006 MF Series A (Grove Village)	6,180	6.00%	6.00%	2008	2023	(k)
2006 MF Series A (Red Hills Villas)	5,015	VAR - Weekly		2036	2036	(j)
2006 MF Series A (Champion Crossing)	5,125	VAR - Weekly		2036	2036	(j)
2006 MF Series A (Stonehaven)	11,300	5.80%	5.80%	2008	2026	(h)
2006 MF Series A (Center Ridge)	8,325	5.00%	5.00%	2009	2039	05/01/2021
2006 MF Series A (Meadowlands)	13,500	6.00%	6.00%	2009	2046	09/01/2023
2006 MF Series A (East Tex Pines)	13,500	4.95%	4.95%	2010	2046	(l)
2006 MF Series A (Villas at Henderson)	7,200	VAR - Weekly		2010	2039	(m)
2006 MF Series A (Aspen Park Apts)	9,800	5.00%	5.00%	2010	2039	07/01/2021

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS — REVENUE BOND PROGRAM**

SCHEDULE 3

**MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description of Issue	Original Principal Bonds Issued to Date	Range of		Schedule Maturities		First Call Date
		Interest	Rates	First Year	Last Year	
2006 MF Series A (Idlewilde Apts)	14,250	VAR - Weekly		2010	2040	(j)
2007 MF Series A (Lancaster Apts)	14,250	VAR - Weekly		2010	2040	(j)
2007 MF Series A (Park Place)	15,000	5.80%	5.80%	2010	2047	03/01/2024
2007 MF Series A (Terrace at Cibolo)	8,000	VAR - Weekly		2010	2040	(m)
2007 MF Series A (Santora Villas)	13,072	5.80%	5.80%	2010	2047	06/01/2024
2007 MF Series A (Villas @ Mesquite Creek)	16,860	5.00%	5.81%	2010	2047	01/20/2017
2007 MF Series A (Summit Point)	11,700	4.80%	5.25%	2009	2047	06/20/2017
2007 MF Series A (Costa Rialto)	12,385	5.35%	5.35%	2010	2047	08/01/2025
2007 MF Series A (Windshire)	14,000	VAR - Weekly		2010	2041	(j)
2007 MF Series A (Residences @ Onion Creek)	15,000	VAR - Weekly		2011	2040	(j)
2008 MF Series A (West Oaks)	13,125	VAR - Weekly		2011	2041	(n)
2008 MF Series A (Costa Ibiza)	13,900	VAR - Weekly		2011	2041	(f)
2008 MF Series A (Addison Park)	14,000	VAR - Weekly		2008	2044	(n)
TOTAL MULTIFAMILY BONDS	<u>\$1,411,622</u>					
TOTAL BONDS ISSUED	<u>\$3,797,227</u>					

(Concluded)

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) No set amortization, per trustee, amortization will occur in \$100,000 denominations when the amount in the principal reserve fund exceeds 20% of the issue.
- (e) 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.
- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) The bonds are subject to optional redemption in whole or in part upon optional prepayment of the loan by the borrower as permitted by the loan documents.
- (k) The Bonds are subject to optional redemption at the direction of the borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the Exhibit H plus accrued and unpaid interest, if any, to the redemption date. Optional redemptions may be made only in denominations of \$100,000 plus integral multiples of \$5,000 or for the entire amount of the bonds outstanding.
- (l) 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.
- (m) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior consent of the Bank, in whole or in part, at a redemption price equals to the principal amount, without premium, plus accrued interest to the date of redemption.
- (n) 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.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 4

**CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2008**

Description of Issue	Bonds Outstanding September 1, 2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2008	Amounts Due Within One Year
2002 SERIES A (Jr Lien)	\$ 5,400,000			\$ 1,260,000	\$ 4,140,000	
2002 SERIES A	37,485,000			950,000	36,535,000	
2002 SERIES B	39,135,000			5,690,000	33,445,000	\$ 19,506
2002 SERIES C	11,180,000		\$ 500,000	265,000	10,415,000	497,192
2002 SERIES D	5,740,000		875,000	235,000	4,630,000	839,175
2004 SERIES A	116,865,000		3,320,000	9,515,000	104,030,000	3,831,898
2004 SERIES B	53,000,000				53,000,000	
2004 SERIES A (Jr Lien)	4,140,000			285,000	3,855,000	
2004 SERIES C	36,805,000		405,000	4,615,000	31,785,000	341,941
2004 SERIES D	35,000,000				35,000,000	
2004 SERIES E	9,195,000		1,070,000	200,000	7,925,000	1,038,970
2005 SERIES A	98,145,000		165,000	3,120,000	94,860,000	
2005 SERIES B	20,705,000		705,000	2,565,000	17,435,000	572,574
2005 SERIES C	8,010,000			795,000	7,215,000	
2005 SERIES D	3,225,000			185,000	3,040,000	
2006 SERIES A	59,105,000		230,000	1,045,000	57,830,000	516,712
2006 SERIES B	69,950,000		720,000	1,240,000	67,990,000	1,523,826
2006 SERIES C	104,610,000		750,000	1,850,000	102,010,000	1,790,938
2006 SERIES D	27,630,000			3,510,000	24,120,000	(65,284)
2006 SERIES E	16,560,000		1,240,000	45,000	15,275,000	1,181,463
2006 SERIES F	81,195,000			695,000	80,500,000	648,318
2006 SERIES G	15,000,000		570,000	165,000	14,265,000	1,110,000
2006 SERIES H	36,000,000				36,000,000	2,571,428
2007 SERIES A	143,005,000			1,935,000	141,070,000	10,014,130
2007 SERIES B		\$ 157,060,000		5,000	157,055,000	148,084
1998 SERIES A	40,105,000		1,155,000	2,660,000	36,290,000	1,115,000
1998 SERIES B	7,125,000			775,000	6,350,000	
1999 SERIES A	5,865,000			980,000	4,885,000	(11,429)
1999 SERIES B-1	22,415,000			1,590,000	20,825,000	14,141
1999 SERIES C	3,500,000			15,000	3,485,000	(1,048)
2000 SERIES A	16,330,000		245,000	780,000	15,305,000	237,067
2000 SERIES B	48,165,000			3,830,000	44,335,000	9,294
2000 SERIES C	8,530,000				8,530,000	
2000 SERIES D	6,695,000		555,000		6,140,000	595,000
2001 SERIES A	33,500,000		590,000	2,230,000	30,680,000	602,235
2001 SERIES B	12,300,000			120,000	12,180,000	
2001 SERIES C	9,690,000		1,095,000	850,000	7,745,000	975,544
2001 SERIES D	235,000		5,000		230,000	10,000
2002 SERIES A	31,470,000		520,000	1,785,000	29,165,000	535,712
2003 SERIES A	64,765,000		1,040,000	4,440,000	59,285,000	954,258
1992 SERIES A-C	12,400,000			2,000,000	10,400,000	7,607
Total Single Family Bonds	<u>1,360,175,000</u>	<u>157,060,000</u>	<u>15,755,000</u>	<u>62,225,000</u>	<u>1,439,255,000</u>	<u>31,624,252</u>
1996 SERIES A&B (BRIGHTON'S MARK)	\$ 8,075,000				\$ 8,075,000	
1996 SERIES A&B (MARKS OF LAS COLINAS)	12,670,000			\$ 12,670,000		
1996 SERIES A&B (BRAXTON'S MARK)	14,273,700				14,273,700	
1987 SOUTH TEXAS RENTAL HOUSING	612,309		\$ 92,573		519,736	\$ 102,000
1998 SERIES (PEBBLE BROOK)	9,895,000		190,000	35,000	9,670,000	205,000
1998 SERIES A-C (RESIDENCE OAKS)	7,408,000		151,000		7,257,000	159,000
1998 SERIES (GREENS-HICKORY TRAIL)	12,325,000		240,000		12,085,000	250,000
1999 SERIES (MAYFIELD)	10,407,000		209,000		10,198,000	222,000

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 4

**CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2008**

Description of Issue	Bonds Outstanding September 1, 2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2008	Amounts Due Within One Year
1999 SERIES (WOODGLEN VILLAGE)	\$ 10,505,283			\$ 10,505,283		
2000 SERIES (TIMBER POINT APTS)	7,670,000			100,000	\$ 7,570,000	
2000 SERIES A/B (OAKS at HAMPTON)	9,753,846		\$ 74,648		9,679,198	\$ 82,000
2000 SERIES (DEERWOOD APTS)	6,075,000		95,000		5,980,000	95,000
2000 SERIES (CREEK POINT APTS)	6,585,000			115,000	6,470,000	
2000 SERIES A/B (PARKS at WESTMORELAND)	9,704,453		73,173		9,631,280	80,000
2000 SERIES A-C (HIGHLAND MEADOW APTS)	8,565,000		121,000		8,444,000	130,000
2000 SERIES A/B (GREENBRIDGE @ BUCKINGHAM)	19,735,000		177,541		19,557,459	113,000
2000 SERIES A-C (COLLINGHAM PARK APTS)	12,943,000		182,000		12,761,000	208,000
2000 SERIES A/B (WILLIAMS RUN APTS)	12,566,068		148,779		12,417,289	204,000
2001 SERIES (BLUFF SENIOR APTS)	10,488,996		59,342		10,429,654	64,000
2001 SERIES (KNOLLWOOD VILLAS APTS)	13,478,850		76,257		13,402,593	82,000
2001 SERIES A (SKYWAY VILLAS)	8,185,000		125,000	620,000	7,440,000	120,000
2001 SERIES A/B (COBB PARK APTS)	7,649,012		42,112		7,606,900	46,000
2001 SERIES A (GREENS ROAD APTS)	8,060,000		120,000		7,940,000	130,000
2001 SERIES A/B (MERIDIAN APARTMENTS)	13,885,000		185,000		13,700,000	200,000
2001 SERIES A/B (WILDWOOD BRANCH)	13,940,000		190,000		13,750,000	205,000
2001 SERIES A-C (FALLBROOK APTS)	14,241,000		206,000		14,035,000	220,000
2001 SERIES (OAK HOLLOW APTS)	6,380,796		39,919		6,340,877	43,000
2001 SERIES A/B (HILLSIDE APTS)	12,599,075		43,277		12,555,798	47,000
2001 SERIES A (MILLSTONE APTS)	10,575,000		165,000		10,410,000	175,000
2002 SERIES (SUGARCREEK APTS)	11,750,000		115,000		11,635,000	75,657
2002 SERIES (WEST OAKS APTS)	9,572,873		57,361		9,515,512	62,000
2002 SERIES (PARK MEADOWS APTS)	4,335,000		60,000		4,275,000	70,000
2002 SERIES (CLARKKRIDGE VILLAS APTS)	13,790,327		81,003		13,709,324	87,000
2002 SERIES A (HICKORY TRACE APTS)	11,400,985		66,548		11,334,436	71,000
2002 SERIES A (GREEN CREST APTS)	11,427,927		142,836		11,285,091	71,000
2002 SERIES A/B (IRON WOOD CROSSING)	16,851,886		72,841		16,779,045	79,000
2002 SERIES A (WOODWAY VILLAGE)	7,645,000		110,000		7,535,000	115,000
2003 SERIES A/B (READING ROAD)	12,180,000		20,000	200,000	11,960,000	20,000
2003 SERIES A/B (NORTH VISTA)	13,800,000		190,000	900,000	12,710,000	210,000
2003 SERIES A/B (WEST VIRGINIA)	9,315,000		145,000		9,170,000	150,000
2003 SERIES A/B (SPHINX @ MURDEAUX)	14,715,000		165,000		14,550,000	170,000
2003 SERIES A/B (PRIMROSE HOUSTON)	16,551,491		78,839		16,472,652	85,000
2003 SERIES A/B (TIMBER OAKS)	13,097,616		56,155		13,041,462	61,000
2003 SERIES A/B (ASH CREEK APTS)	16,278,361		79,621		16,198,740	86,000
2003 SERIES A/B (PENINSULA APTS)	12,130,000		160,000	5,000	11,965,000	160,000
2003 SERIES A (EVERGREEN @ MESQUITE)	10,856,023		109,755		10,746,268	117,000
2003 SERIES A/B (ARLINGTON VILLAS)	17,053,685		74,285		16,979,400	80,000
2003 SERIES A/B (PARKVIEW TWNHMS)	16,481,679		79,438		16,402,240	86,000
2003 SERIES (NHP-ASMARA)REFUNDING	21,290,000		360,000		20,930,000	370,517
2004 SERIES A/B (TIMBER RIDGE)	6,668,105		34,191		6,633,914	37,000
2004 SERIES A/B (CENTURY PARK)	12,920,000		165,000	300,000	12,455,000	170,000
2004 SERIES A (ADDISON PARK)	14,000,000			14,000,000		
2004 SERIES A/B (VETERANS MEMORIAL)	16,193,176		79,140		16,114,036	86,000
2004 SERIES (RUSH CREEK)	9,944,300		51,433	1,121,781	8,771,086	52,000
2004 SERIES (HUMBLE PARK)	11,610,000		100,000		11,510,000	110,000
2004 SERIES (CHISHOLM TRAIL)	12,000,000			100,000	11,900,000	
2004 SERIES (EVERGREEN @ PLANO)	14,737,224		79,644		14,657,580	85,000
2004 SERIES (MONTGOMERY PINES)	12,300,000				12,300,000	
2004 SERIES (BRISTOL)	12,625,000			325,000	12,300,000	
2004 SERIES (PINNACLE)	14,500,000			235,000	14,265,000	
2004 SERIES (TRANQUILITY BAY)	14,252,083		84,252		14,167,831	90,000
2004 SERIES (SPHINX @ DELAFIELD)	11,235,000		100,000		11,135,000	110,000
2004 SERIES (CHURCHILL @ PINNACLE)	10,094,601		67,132		10,027,469	72,000
2004 SERIES A/B (POST OAK EAST)	13,600,000				13,600,000	

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 4

**CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2008**

Description of Issue	Bonds Outstanding September 1, 2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2008	Amounts Due Within One Year
2004 SERIES (VILLAGE FAIR)	\$ 14,049,658		\$ 79,712		\$ 13,969,946	\$ 85,000
2005 SERIES (PECAN GROVE)	13,986,288		78,889		13,907,400	84,000
2005 SERIES (PRAIRIE OAKS)	11,015,573		62,133		10,953,440	66,000
2005 SERIES (PORT ROYAL)	12,167,510		68,230		12,099,280	73,000
2005 SERIES (MISSION DEL RIO)	11,459,400		64,259		11,395,141	69,000
2005 SERIES (ATASCOCITA)	11,900,000				11,900,000	143,000
2005 SERIES (TOWER RIDGE)	15,000,000				15,000,000	100,000
2005 SERIES (ALTA CULLEN)	14,000,000				14,000,000	
2005 SERIES (PRAIRIE RANCH)	12,195,000		145,000		12,050,000	115,000
2005 SERIES (ST. AUGUSTINE)	7,650,000				7,650,000	47,000
2005 SERIES (PARK MANOR)	10,400,000				10,400,000	58,000
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	14,360,000		79,885		14,280,115	85,000
2005 SERIES (PLAZA CHASE OAKS)	14,250,000		137,731		14,112,269	215,000
2005 SERIES (CANAL PLACE)	16,100,000				16,100,000	
2006 SERIES (CORAL HILLS)	5,320,000			250,000	5,070,000	75,000
2006 SERIES (HARRIS BRANCH)	15,000,000				15,000,000	
2006 SERIES (BELLA VISTA)	6,800,000		15,000		6,785,000	45,000
2006 SERIES (VILLAGE PARK)	13,660,000				13,660,000	105,000
2006 SERIES (OAKMOOR)	14,635,000				14,635,000	75,000
2006 SERIES (SUNSET POINTE)	15,000,000				15,000,000	
2006 SERIES (HILLCREST)	12,435,000				12,435,000	
2006 SERIES (PLEASANT VILLAGE)	6,000,000		28,768		5,971,232	74,000
2006 SERIES (GROVE VILLAGE)	6,180,000		29,631		6,150,369	77,000
2006 SERIES (RED HILLS)	5,015,000				5,015,000	
2006 SERIES (CHAMPION'S CROSSING)	5,125,000			100,000	5,025,000	
2006 SERIES (STONEHAVEN)	11,300,000				11,300,000	61,000
2006 SERIES (CENTER RIDGE)	8,325,000				8,325,000	
2006 SERIES (MEADOWLANDS)	13,500,000				13,500,000	1,780,000
2006 SERIES (EAST TEXAS PINES)	13,500,000				13,500,000	
2006 SERIES (VILLAS @ HENDERSON)	7,200,000				7,200,000	
2006 SERIES (ASPEN PARKS)	9,800,000				9,800,000	
2006 SERIES (IDLEWILDE)	14,250,000				14,250,000	
2007 SERIES (LANDCASTER)	14,250,000				14,250,000	
2007 SERIES (PARK PLACE AT LOYOLA)	15,000,000				15,000,000	
2007 SERIES (TERRACE AT CIBOLO)	8,000,000				8,000,000	
2007 SERIES (SANTORA VILLAS)	13,072,000				13,072,000	
2007 SERIES (A/B VILLAS @ MESQUITE)	16,860,000				16,860,000	
2007 SERIES (SUMMIT POINT)	11,700,000				11,700,000	
2007 SERIES (COSTA RIALTO)	12,385,000				12,385,000	
2007 SERIES (WINDSHIRE)	14,000,000				14,000,000	
2007 SERIES (RESIDENCES @ ONION CREEK)		15,000,000			15,000,000	
2008 SERIES (WEST OAKS APTS)		13,125,000			13,125,000	
2008 SERIES (COSTA IBIZA APTS)		13,900,000			13,900,000	
2008 SERIES (ADDISON PARKS APTS)		14,000,000			14,000,000	
Total Multifamily Bonds	<u>\$ 1,213,299,159</u>	<u>\$ 56,025,000</u>	<u>\$ 6,780,332</u>	<u>\$ 41,582,064</u>	<u>\$ 1,220,961,762</u>	<u>\$ 9,652,174</u>
	\$ 2,573,474,159	\$ 213,085,000	\$ 22,535,332	\$ 103,807,064	\$ 2,660,216,762	\$ 41,276,426

(a) Bonds Outstanding balance at 8/31/08 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	\$ 2,660,216,762
Unamortized (Discount)/Premium:	
Single Family	14,121,116
RMRB	1,423,356
CHMRB	212,543
Multi-Family	(526,746)
Unamortized Deferred Gain/(Loss) on Refunding:	
Single Family	(3,364,630)
RMRB	(992,247)
Deferred Amount on Refunding	-
Bonds Outstanding	<u>\$ 2,671,090,154</u>

(Concluded)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —
REVENUE BOND PROGRAM**

SCHEDULE 5

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Principal								\$ 4,140					\$ 4,140
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Interest	\$ 290	\$ 290	\$ 290	\$ 290	\$ 290	\$ 1,450	\$ 1,450	656					5,006
2002 SINGLE FAMILY, SERIES A	Principal							4,715	15,985		\$ 15,835			36,535
2002 SINGLE FAMILY, SERIES A	Interest	2,011	2,011	2,011	2,011	2,011	10,055	9,926	5,353	\$ 4,395	199			39,983
2002 SINGLE FAMILY, SERIES B	Principal								3,515	27,480	2,450			33,445
2002 SINGLE FAMILY, SERIES B	Interest	1,823	1,823	1,823	1,823	1,823	9,115	9,115	8,875	6,109				42,329
2002 SINGLE FAMILY, SERIES C	Principal	515	540	575	610	1,310	6,865							10,415
2002 SINGLE FAMILY, SERIES C	Interest	501	478	451	423	374	744							2,971
2002 SINGLE FAMILY, SERIES D	Principal	850	885	915	965	1,015								4,630
2002 SINGLE FAMILY, SERIES D	Interest	164	127	88	46									425
2004 SINGLE FAMILY, SERIES A	Principal	3,735	3,190	3,220	3,350	3,615	15,685	14,895	17,950	21,820	16,570			104,030
2004 SINGLE FAMILY, SERIES A	Interest	4,580	4,470	4,350	4,218	4,072	18,182	15,011	11,126	6,355	947			73,311
2004 SINGLE FAMILY, SERIES B	Principal						6,620	11,110	13,420	16,305	5,545			53,000
2004 SINGLE FAMILY, SERIES B	Interest	1,181	1,182	1,182	1,183	1,181	5,619	4,509	3,134	1,464	62			20,697
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Principal										3,855			3,855
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Interest	103	103	103	103	103	515	515	515	515	307			2,882
2004 SINGLE FAMILY, SERIES C	Principal	315	335	350	370	390	3,925	6,280	6,770	7,955	5,095			31,785
2004 SINGLE FAMILY, SERIES C	Interest	1,494	1,478	1,461	1,442	1,423	6,649	5,454	3,861	2,144	276			25,682
2004 SINGLE FAMILY, SERIES D	Principal						4,870	7,730	8,130	9,615	4,655			35,000
2004 SINGLE FAMILY, SERIES D	Interest	717	718	717	718	717	3,368	2,669	1,827	943	74			12,468
2004 SINGLE FAMILY, SERIES E	Principal	1,085	1,125	1,170	1,230	1,285	1,890	140						7,925
2004 SINGLE FAMILY, SERIES E	Interest	278	240	198	150	99	110	1						1,076
2005 SINGLE FAMILY, SERIES A	Principal		1,430	2,050	2,130	2,215	12,475	15,165	18,445	22,420	18,530			94,860
2005 SINGLE FAMILY, SERIES A	Interest	2,113	2,094	2,049	2,004	1,951	8,961	7,410	5,524	3,230	638			35,974
2005 SINGLE FAMILY, SERIES B	Principal	660	690	725	760	780	4,435	5,565	3,820					17,435
2005 SINGLE FAMILY, SERIES B	Interest	753	726	697	666	633	2,608	1,465	223					7,771
2005 SINGLE FAMILY, SERIES C	Principal						7,215							7,215
2005 SINGLE FAMILY, SERIES C	Interest	209	209	209	209	209	838							1,883
2005 SINGLE FAMILY, SERIES D	Principal								1,790	805	445			3,040
2005 SINGLE FAMILY, SERIES D	Interest	152	152	152	152	152	760	760	596	201	25			3,102
2006 SINGLE FAMILY, SERIES A	Principal	480	515	550	590	630	3,840	5,375	7,100	9,525	29,225			57,830
2006 SINGLE FAMILY, SERIES A	Interest	2,874	2,848	2,821	2,792	2,761	13,263	12,102	10,524	8,449	3,340			61,774

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —
REVENUE BOND PROGRAM**

SCHEDULE 5

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2006 SINGLE FAMILY, SERIES B	Principal	\$ 1,465	\$ 1,530	\$ 1,590	\$ 1,660	\$ 1,740	\$ 9,915	\$ 12,175	\$ 15,350	\$ 19,110	\$ 3,455			\$ 67,990
2006 SINGLE FAMILY, SERIES B	Interest	3,345	3,269	3,190	3,108	3,022	13,682	10,902	7,443	3,085	61			51,107
2006 SINGLE FAMILY, SERIES C	Principal	1,540	1,610	1,695	1,785	1,885	10,910	14,115	18,195	23,480	26,795			102,010
2006 SINGLE FAMILY, SERIES C	Interest	5,169	5,087	5,002	4,911	4,816	22,478	19,251	15,080	9,701	2,860			94,355
2006 SINGLE FAMILY, SERIES D	Principal						850	9,610	12,055	1,605				24,120
2006 SINGLE FAMILY, SERIES D	Interest	1,090	1,090	1,090	1,090	1,090	5,431	4,116	1,661					16,658
2006 SINGLE FAMILY, SERIES E	Principal	1,280	1,315	1,370	1,420	1,480	8,410							15,275
2006 SINGLE FAMILY, SERIES E	Interest	576	525	472	416	356	757							3,102
2006 SINGLE FAMILY, SERIES F	Principal	510	560	595	630	670	4,000	10,380	15,540	20,815	26,800			80,500
2006 SINGLE FAMILY, SERIES F	Interest	4,228	4,196	4,162	4,127	4,089	19,827	17,960	14,394	9,582	3,169			85,734
2006 SINGLE FAMILY, SERIES G	Principal	1,110	1,235	1,300	1,375	1,465	6,565	1,215						14,265
2006 SINGLE FAMILY, SERIES G	Interest	572	526	475	421	361	866	15						3,236
2006 SINGLE FAMILY, SERIES H	Principal	2,571	5,143	5,143	5,143	5,143	12,857							36,000
2006 SINGLE FAMILY, SERIES H	Interest	365	653	548	444	339	392							2,741
2007 SINGLE FAMILY, SERIES A	Principal	10,076	20,153	20,153	20,153	20,153	50,382							141,070
2007 SINGLE FAMILY, SERIES A	Interest	1,432	2,557	2,148	1,739	1,330	1,533							10,739
2007 SINGLE FAMILY, SERIES B	Principal		1,465	2,305	2,410	2,525	15,680	19,035	24,685	32,130	41,905	\$ 14,915		157,055
2007 SINGLE FAMILY, SERIES B	Interest	8,223	8,164	8,060	7,951	7,835	37,126	32,666	26,856	19,208	9,234	398		165,721
Total Single Family Bonds		<u>70,435</u>	<u>86,737</u>	<u>87,455</u>	<u>87,018</u>	<u>87,338</u>	<u>371,718</u>	<u>292,802</u>	<u>304,538</u>	<u>288,446</u>	<u>222,352</u>	<u>15,313</u>		<u>1,914,152</u>
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	1,115	1,155				7,600			26,420				36,290
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,884	1,830	1,798	1,798	1,798	8,923	6,995	6,995	2,713				34,734
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal							6,350						6,350
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	337	337	337	337	337	1,685	1,175						4,545
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal						1,675	3,210						4,885
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	257	257	257	257	257	1,272	411						2,968
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-1	Principal							5,885		14,940				20,825
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-1	Interest	1,362	1,362	1,362	1,362	1,362	6,810	5,904	4,720	3,622				27,866
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal								3,485					3,485
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	218	218	218	218	218	1,090	1,090	179					3,449
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	245						3,840		11,220				15,305
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	953	945	945	945	945	4,725	3,642	3,535	2,002				18,637

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —
REVENUE BOND PROGRAM**

SCHEDULE 5

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal								\$ 12,000	\$ 32,335				\$ 44,335
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	\$ 2,578	\$ 2,578	\$ 2,578	\$ 2,578	\$ 2,578	\$ 12,890	\$ 12,890	10,680	7,656				57,006
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal							4,855	3,675					8,530
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	498	498	498	498	498	2,490	1,591	283					6,854
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal	595	640	680	720	785	1,725	995						6,140
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	318	287	253	217	177	395	77						1,724
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	570	580	110	115	135	805	2,650	10,820	14,895				30,680
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,640	1,612	1,594	1,587	1,580	7,770	7,473	5,585	2,199				31,040
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal			725	770	805	4,800	5,080						12,180
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	627	627	612	575	536	2,008	577						5,562
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal	1,025	1,080	1,120	1,175	1,255	2,090							7,745
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	314	270	222	172	131	86							1,195
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal	10	10	10	5	10	45	45	40	55				230
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	12	12	11	11	10	44	31	21	8				160
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	500	510	540	560	610	3,545	4,100	7,845	10,560	\$ 395			29,165
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,527	1,504	1,479	1,452	1,423	6,593	5,582	4,145	1,531	3			25,239
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	945	960	1,000	1,030	1,055	6,440	8,115	15,010	20,080	4,650			59,285
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	2,868	2,831	2,792	2,750	2,706	12,712	10,975	8,261	3,859	136			49,890
Total Residential Mtg Revenue Bonds		<u>20,398</u>	<u>20,103</u>	<u>19,141</u>	<u>19,132</u>	<u>19,211</u>	<u>98,218</u>	<u>103,538</u>	<u>97,279</u>	<u>154,095</u>	<u>5,184</u>			<u>556,299</u>
1992 COLL HOME MTG REV BONDS, SERIES C	Principal								10,400					10,400
1992 COLL HOME MTG REV BONDS, SERIES C	Interest	718	718	718	720	718	3,592	3,592	591					11,367
Total Coll Home Mtg Revenue Bonds		<u>718</u>	<u>718</u>	<u>718</u>	<u>720</u>	<u>718</u>	<u>3,592</u>	<u>3,592</u>	<u>10,991</u>					<u>21,767</u>
1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING)	Principal	102	112	123	135	48								520
1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING)	Interest	44	34	23	11	1								113
1996 MF SERIES A&B (BRIGHTON'S MARK)	Principal								8,075					8,075
1996 MF SERIES A&B (BRIGHTON'S MARK)	Interest	495	495	495	495	495	2,475	2,475	1,485					8,910
1996 MF SERIES A&B (BRAXTON'S MARK)	Principal								14,274					14,274
1996 MF SERIES A&B (BRAXTON'S MARK)	Interest	829	829	829	829	829	4,145	4,145	2,495					14,930
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Principal	205	215	225	245	255	1,570	2,145	2,950	1,860				9,670
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Interest	530	519	508	495	481	2,166	1,659	956	134				7,448

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —
REVENUE BOND PROGRAM**

SCHEDULE 5

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Principal	\$ 159	\$ 169	\$ 180	\$ 189	\$ 202				\$ 6,358				\$ 7,257
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Interest	430	420	410	399	387	\$ 1,905	\$ 1,905	\$ 1,905	859				8,620
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Principal	250	270	290	310	335	2,000	2,710	3,650	2,270				12,085
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Interest	640	624	608	590	571	2,565	1,964	1,148	178				8,888
1999 MF SERIES A-C (MAYFIELD)	Principal	222	235	248	263	279	1,653	2,196	2,914	2,188				10,198
1999 MF SERIES A-C (MAYFIELD)	Interest	575	562	548	534	518	2,325	1,782	1,058	194				8,096
2000 MF SERIES (TIMBER POINT APTS)	Principal									7,570				7,570
2000 MF SERIES (TIMBER POINT APTS)	Interest	152	152	152	152	152	760	760	760	612				3,652
2000 MF SERIES A&B (OAKS AT HAMPTON)	Principal	82	89	96	104	111	693	993	1,422	2,036	\$ 2,914	\$ 1,139		9,679
2000 MF SERIES A&B (OAKS AT HAMPTON)	Interest	696	689	681	674	667	3,196	2,897	2,468	1,854	974	67		14,863
2000 MF SERIES (DEERWOOD APTS)	Principal	95	105	115	120			1,305		4,240				5,980
2000 MF SERIES (DEERWOOD APTS)	Interest	377	372	365	359	354	1,770	1,521	1,355	1,223				7,696
2000 MF SERIES (CREEK POINT APTS)	Principal									6,470				6,470
2000 MF SERIES (CREEK POINT APTS)	Interest	130	130	130	130	130	650	650	650	532				3,132
2000 MF SERIES PARKS AT (WESTMORELAND)	Principal	80	87	94	101	108	674	965	1,381	1,977	2,829	1,335		9,631
2000 MF SERIES PARKS AT (WESTMORELAND)	Interest	816	809	801	793	784	3,761	3,419	2,926	2,222	1,215	113		17,659
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Principal	130	139	149	159	170	1,041	1,456	2,030	2,831	339			8,444
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Interest	565	556	546	536	524	2,426	2,006	1,419	602	4			9,184
2000 A&B MF SERIES (GREENBRIDGE)	Principal	113	137	148	159	171	1,074	1,552	2,246	3,246	4,694	6,017		19,557
2000 A&B MF SERIES (GREENBRIDGE)	Interest	2,105	1,432	1,421	1,410	1,397	6,768	6,287	5,589	4,582	3,125	725		34,841
2000 A/C MF SERIES (COLLINGHAM PARK)	Principal	208	230	244	259	274	1,644	2,226	3,037	4,161	478			12,761
2000 A/C MF SERIES (COLLINGHAM PARK)	Interest	850	905	888	869	850	3,913	3,214	2,262	959	5			14,715
2000 A&B MF SERIES (WILLIAMS RUN)	Principal	204	98	106	115	124	781	1,145	1,676	2,454	3,592	2,122		12,417
2000 A&B MF SERIES (WILLIAMS RUN)	Interest	798	931	923	915	905	4,364	4,002	3,470	2,692	1,553	194		20,747
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Principal	64	69	74	80	87	547	799	1,166	1,704	2,489	3,351		10,430
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Interest	894	889	883	876	869	4,216	3,930	3,513	2,905	2,018	589		21,582
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Principal	82	89	96	103	111	704	1,026	1,499	2,191	3,199	4,303		13,403
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Interest	1,156	1,149	1,142	1,134	1,126	5,475	5,134	4,640	3,916	2,857	895		28,624
2001A MF SERIES (SKYWAY VILLAS)	Principal	120	130	135	145	150	910	1,210	1,640	2,200	800			7,440
2001A MF SERIES (SKYWAY VILLAS)	Interest	412	406	399	391	383	1,775	1,482	1,085	549	35			6,917
2001A MF SERIES (COBB PARK)	Principal	46	51	56	60	64	404	573	844	1,223	1,768	2,518		7,607
2001A MF SERIES (COBB PARK)	Interest	599	595	590	585	581	2,815	2,622	2,345	1,939	1,355	422		14,448

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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) —
REVENUE BOND PROGRAM**

SCHEDULE 5

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2001 MF SERIES (GREENS ROAD APTS.)	Principal	\$ 130	\$ 135	\$ 145	\$ 155	\$ 165	\$ 985	\$ 1,340	\$ 1,810	\$ 2,480	\$ 595			\$ 7,940
2001 MF SERIES (GREENS ROAD APTS.)	Interest	422	415	408	400	391	1,810	1,505	1,087	512	16			6,966
2001 MF SERIES (MERIDIAN APTS.)	Principal	200	215	230	245	260	1,620	2,325	3,045	4,080	1,480			13,700
2001 MF SERIES (MERIDIAN APTS.)	Interest	791	777	762	746	730	3,353	2,720	1,977	997	59			12,912
2001 MF SERIES (WILDWOOD APTS.)	Principal	205	220	235	250	270	1,715	2,265	3,035	4,075	1,480			13,750
2001 MF SERIES (WILDWOOD APTS.)	Interest	781	767	752	736	719	3,290	2,700	1,973	995	61			12,774
2001 A/C MF SERIES (FALLBROOK APTS.)	Principal	220	235	251	268	283	1,704	2,296	3,095	4,170	1,513			14,035
2001 A/C MF SERIES (FALLBROOK APTS.)	Interest	847	831	815	800	783	3,624	3,026	2,213	1,120	70			14,129
2001 MF SERIES (OAK HOLLOW APTS.)	Principal	43	46	49	53	57	351	497	704	999	1,416	\$ 2,126		6,341
2001 MF SERIES (OAK HOLLOW APTS.)	Interest	442	439	436	432	428	2,074	1,928	1,718	1,421	1,002	347		10,667
2001 A/B MF SERIES (HILLSIDE APTS.)	Principal	47	83	96	103	110	683	970	1,373	1,946	2,760	4,385		12,556
2001 A/B MF SERIES (HILLSIDE APTS.)	Interest	878	873	866	859	852	4,126	3,840	3,433	2,856	2,036	727		21,346
2002 MF SERIES (MILLSTONE APTS.)	Principal	175	185	195	215	215	1,280	1,675	2,195	2,880	1,395			10,410
2002 MF SERIES (MILLSTONE APTS.)	Interest	568	558	548	537	525	2,428	2,027	1,498	800	76			9,565
2002 MF SERIES (SUGAR CREEK APTS.)	Principal	85	90	100	105	110	465					10,680		11,635
2002 MF SERIES (SUGAR CREEK APTS.)	Interest	696	691	685	679	673	3,257	3,205	3,205	3,205	3,205	2,136		21,637
2002 MF SERIES (WEST OAKS APTS.)	Principal	62	66	71	76	82	509	729	1,040	1,485	2,121	3,275		9,516
2002 MF SERIES (WEST OAKS APTS.)	Interest	711	706	701	696	690	3,342	3,113	2,784	2,313	1,642	584		17,282
2002 MF SERIES (PARK MEADOWS APTS.)	Principal	70	65	80	80	85	515	715	980	1,360	325			4,275
2002 MF SERIES (PARK MEADOWS APTS.)	Interest	277	273	268	263	257	1,192	993	718	339	11			4,591
2002 SERIES (CLARKRIDGE VILLAS APTS)	Principal	87	93	100	107	115	712	1,009	1,429	2,027	2,872	5,158		13,709
2002 SERIES (CLARKRIDGE VILLAS APTS)	Interest	956	950	943	936	928	4,503	4,204	3,782	3,180	2,329	1,018		23,729
2002 SERIES A (HICKORY TRACE APTS)	Principal	71	77	82	88	94	584	829	1,175	1,664	2,361	4,309		11,334
2002 SERIES A (HICKORY TRACE APTS)	Interest	791	786	780	774	768	3,725	3,480	3,130	2,638	1,939	872		19,683
2002 SERIES A (GREEN CREST APTS)	Principal	71	76	82	88	94	582	825	1,170	1,658	2,351	4,288		11,285
2002 SERIES A (GREEN CREST APTS)	Interest	787	782	777	771	764	3,708	3,465	3,118	2,626	1,930	869		19,597
2002 SERIES A/B (IRON WOOD CROSSING)	Principal	79	87	95	103	113	737	1,128	1,620	2,295	3,254	7,268		16,779
2002 SERIES A/B (IRON WOOD CROSSING)	Interest	1,202	1,195	1,187	1,178	1,169	5,668	5,274	4,781	4,100	3,135	1,592		30,481
2002 SERIES A (WOODWAY VILLAGE)	Principal	115	120	130	135	145	855	6,035						7,535
2002 SERIES A (WOODWAY VILLAGE)	Interest	386	380	374	368	361	1,686	1,387						4,942

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SCHEDULE 5

**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
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(Amounts in thousands)**

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2003 SERIES A/B (READING ROAD)	Principal	\$ 20	\$ 30	\$ 30	\$ 30	\$ 30	\$ 190	\$ 270	\$ 375	\$ 525	\$ 10,460			\$ 11,960
2003 SERIES A/B (READING ROAD)	Interest	337	336	334	332	330	1,613	1,536	1,430	1,278	638			8,164
2003 SERIES A/B (NORTH VISTA)	Principal	210	210	230	240	250	1,460	1,900	2,500	3,265	2,445			12,710
2003 SERIES A/B (NORTH VISTA)	Interest	632	623	613	603	592	2,762	2,335	1,779	1,051	190			11,180
2003 SERIES A/B (WEST VIRGINIA)	Principal	150	155	165	165	180	1,040	1,370	1,805	2,375	1,765			9,170
2003 SERIES A/B (WEST VIRGINIA)	Interest	456	450	443	435	428	1,995	1,692	1,290	762	134			8,085
2003 SERIES A/B (SPHINX @ MURDEAUX)	Principal	170	180	185	195	205	1,180	1,505	1,900	2,425	3,090	\$ 3,515		14,550
2003 SERIES A/B (SPHINX @ MURDEAUX)	Interest	2,005	2,013	2,022	2,031	2,041	4,614	2,914	2,509	1,990	1,318	455		23,912
2003 SERIES A/B (PRIMROSE HOUSTON)	Principal	85	93	101	109	118	758	1,113	1,554	2,163	10,379			16,473
2003 SERIES A/B (PRIMROSE HOUSTON)	Interest	1,090	1,083	1,075	1,067	1,058	5,123	4,777	4,347	3,750	1,820			25,190
2003 SERIES A/B (TIMBER OAKS)	Principal	61	67	73	80	87	568	879	1,322	1,858	2,601	5,445		13,041
2003 SERIES A/B (TIMBER OAKS)	Interest	920	915	909	902	895	4,338	4,024	3,580	3,041	2,294	1,228		23,046
2003 SERIES A/B (ASH CREEK APTS)	Principal	86	94	101	110	119	764	1,099	1,538	2,154	10,134			16,199
2003 SERIES A/B (ASH CREEK APTS)	Interest	1,082	1,075	1,067	1,059	1,049	5,081	4,750	4,319	3,713	1,604			24,799
2003 SERIES A/B (PENINSULA APTS)	Principal	160	170	180	190	205	1,225	1,660	8,175					11,965
2003 SERIES A/B (PENINSULA APTS)	Interest	622	614	606	597	587	2,763	2,382	453					8,624
2003 SERIES (EVERGREEN @ MESQUITE)	Principal	117	125	133	142	151	919	1,263	1,738	2,391	2,101	1,666		10,746
2003 SERIES (EVERGREEN @ MESQUITE)	Interest	737	729	720	711	701	3,339	2,984	2,494	1,820	972	429		15,636
2003 SERIES A/B (ARLINGTON VILLAS)	Principal	80	87	95	102	111	710	1,060	1,520	2,144	11,071			16,980
2003 SERIES A/B (ARLINGTON VILLAS)	Interest	1,167	1,161	1,153	1,145	1,137	5,530	5,179	4,728	4,112	2,228			27,540
2003 SERIES A/B (PARKVIEW TWNHMS)	Principal	86	94	102	111	121	787	1,156	1,607	2,233	3,104	4,312	\$ 2,690	16,403
2003 SERIES A/B (PARKVIEW TWNHMS)	Interest	1,105	1,098	1,089	1,080	1,070	5,169	4,800	4,346	3,716	2,843	1,625	41	27,982
2003 SERIES (NHP-ASMARA)REFUNDING	Principal	380	400	430	450	480	2,870	3,850	5,155	6,915				20,930
2003 SERIES (NHP-ASMARA)REFUNDING	Interest	386	379	371	364	355	1,628	1,327	921	376				6,107
2004 SERIES A/B (TIMBER RIDGE)	Principal	37	39	42	45	48	301	423	599	849	4,251			6,634
2004 SERIES A/B (TIMBER RIDGE)	Interest	446	444	441	438	435	2,119	1,998	1,826	1,584	773			10,504
2004 SERIES A/B (CENTURY PARK)	Principal	170	185	190	200	210	1,295	1,715	2,290	3,050	3,150			12,455
2004 SERIES A/B (CENTURY PARK)	Interest	667	657	647	636	625	2,933	2,530	1,991	1,276	346			12,308
2004 SERIES A/B (VETERANS MEMORIAL)	Principal	86	94	102	111	121	784	1,119	1,556	2,162	3,005	4,177	2,797	16,114
2004 SERIES A/B (VETERANS MEMORIAL)	Interest	1,081	1,073	1,065	1,056	1,046	5,050	4,712	4,273	3,664	2,816	1,640	54	27,530
2004 SERIES (RUSH CREEK)	Principal	52	56	60	64	68	418	586	817	1,142	1,594	2,227	1,687	8,771
2004 SERIES (RUSH CREEK)	Interest	586	582	578	574	570	2,770	2,603	2,369	2,044	1,588	953	37	15,254

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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2004 SERIES (HUMBLE PARK)	Principal	\$ 110	\$ 110	\$ 120	\$ 130	\$ 135	\$ 835	\$ 1,165	\$ 1,625	\$ 2,225	\$ 3,085	\$ 1,970		\$ 11,510
2004 SERIES (HUMBLE PARK)	Interest	757	749	742	734	725	3,473	3,148	2,694	2,066	1,203	178		16,469
2004 SERIES (CHISHOLM TRAIL)	Principal										11,900			11,900
2004 SERIES (CHISHOLM TRAIL)	Interest	247	248	248	248	247	1,239	1,239	1,239	1,238	891			7,084
2004 SERIES (EVERGREEN @ PLANO)	Principal	85	91	97	103	110	674	934	1,296	1,797	2,490	3,453	\$ 3,527	14,657
2004 SERIES (EVERGREEN @ PLANO)	Interest	957	951	945	939	932	4,535	4,272	3,910	3,408	2,708	1,742	140	25,439
2004 SERIES (MONTGOMERY PINES)	Principal										12,300			12,300
2004 SERIES (MONTGOMERY PINES)	Interest	256	256	256	256	256	1,280	1,280	1,280	1,280	964			7,364
2004 SERIES (BRISTOL)	Principal										12,300			12,300
2004 SERIES (BRISTOL)	Interest	256	256	256	256	256	1,280	1,280	1,280	1,280	964			7,364
2004 SERIES (PINNACLE)	Principal										14,265			14,265
2004 SERIES (PINNACLE)	Interest	296	297	297	297	296	1,484	1,484	1,484	1,483	1,123			8,541
2004 SERIES (TRANQUILITY BAY)	Principal	90	96	102	109	117	711	983	1,360	1,879	2,598	3,594	2,529	14,168
2004 SERIES (TRANQUILITY BAY)	Interest	918	912	905	898	891	4,326	4,052	3,674	3,153	2,429	1,429	107	23,694
2004 SERIES (SPHINX @ DELAFIELD)	Principal	110	110	120	125	135	790	1,035	1,360	1,775	2,295	2,940	340	11,135
2004 SERIES (SPHINX @ DELAFIELD)	Interest	583	577	572	566	559	2,684	2,459	2,159	1,755	1,225	541	12	13,692
2004 SERIES (CHURCHILL @ PINNACLE)	Principal	72	77	82	87	93	568	789	1,093	1,516	2,099	2,909	643	10,028
2004 SERIES (CHURCHILL @ PINNACLE)	Interest	654	649	644	639	633	3,061	2,841	2,533	2,109	1,521	705	16	16,005
2004 SERIES A/B (POST OAK EAST)	Principal										13,600			13,600
2004 SERIES A/B (POST OAK EAST)	Interest	285	287	287	287	287	1,435	1,435	1,435	1,435	1,150			8,323
2004 SERIES (VILLAGE FAIR)	Principal	85	91	97	103	110	672	931	1,285	1,778	2,458	3,399	2,961	13,970
2004 SERIES (VILLAGE FAIR)	Interest	905	899	893	887	880	4,276	4,018	3,660	3,166	2,480	1,536	199	23,799
2005 SERIES (PECAN GROVE)	Principal	84	90	96	102	109	665	921	1,271	1,759	2,434	3,365	3,011	13,907
2005 SERIES (PECAN GROVE)	Interest	902	896	890	883	877	4,262	4,008	3,655	3,169	2,496	1,565	229	23,832
2005 SERIES (PRAIRIE OAKS)	Principal	66	71	75	81	86	524	724	1,002	1,385	1,916	2,651	2,372	10,953
2005 SERIES (PRAIRIE OAKS)	Interest	710	706	700	695	690	3,354	3,153	2,874	2,489	1,956	1,217	166	18,710
2005 SERIES (PORT ROYAL)	Principal	73	78	83	88	94	575	795	1,099	1,521	2,104	2,909	2,681	12,100
2005 SERIES (PORT ROYAL)	Interest	784	779	774	768	762	3,707	3,486	3,180	2,755	2,170	1,360	198	20,723
2005 SERIES (MISSION DEL RIO)	Principal	69	73	78	83	89	542	749	1,035	1,433	1,982	2,739	2,523	11,395
2005 SERIES (MISSION DEL RIO)	Interest	738	734	729	723	718	3,492	3,282	2,995	2,595	2,044	1,282	185	19,517

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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2005 SERIES (ATASCOCITA)	Principal	\$ 143	\$ 152	\$ 162	\$ 171	\$ 182	\$ 1,096	\$ 1,483	\$ 2,012	\$ 2,740	\$ 3,759			\$ 11,900
2005 SERIES (ATASCOCITA)	Interest	245	243	239	236	232	1,097	962	782	533	194			4,763
2005 SERIES (TOWER RIDGE)	Principal	100	100	100	100	100	700	1,300	2,200	3,000	7,300			15,000
2005 SERIES (TOWER RIDGE)	Interest	314	312	310	308	305	1,494	1,389	1,207	944	534			7,117
2005 SERIES (ALTA CULLEN)	Principal												\$ 14,000	14,000
2005 SERIES (ALTA CULLEN)	Interest	924	924	924	924	924	4,620	4,620	4,620	4,620	4,620	\$ 4,620	1,386	33,726
2005 SERIES (PRAIRIE RANCH)	Principal	115	125	125	135	140	830	1,070	1,400	1,760	2,220	2,810	1,320	12,050
2005 SERIES (PRAIRIE RANCH)	Interest	582	576	570	564	557	2,672	2,445	2,146	1,764	1,285	682	69	13,912
2005 SERIES (ST. AUGUSTINE)	Principal	47	98	104	111	117	703	944	1,268	1,703	2,288	267		7,650
2005 SERIES (ST. AUGUSTINE)	Interest	159	157	155	152	150	709	623	507	351	138	1		3,102
2005 SERIES (PARK MANOR)	Principal	58	62	66	70	75	454	625	861	1,183	1,627	2,239	3,080	10,400
2005 SERIES (PARK MANOR)	Interest	664	660	656	651	647	3,152	2,981	2,744	2,420	1,972	1,357	301	18,205
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	Principal	85	91	97	103	110	668	919	1,265	1,741	2,396	3,297	3,508	14,280
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	Interest	911	905	899	893	886	4,312	4,058	3,712	3,234	2,575	1,670	330	24,385
2005 SERIES (PLAZA CHASE OAKS)	Principal	215	227	238	251	264	1,537	1,977	2,545	3,273	3,585			14,112
2005 SERIES (PLAZA CHASE OAKS)	Interest	707	696	684	672	658	3,072	2,631	2,062	1,330	397			12,909
2005 SERIES (CANAL PLACE APTS))	Principal		56	81	88	95	611	896	1,236	1,701	2,340	8,996		16,100
2005 SERIES (CANAL PLACE APTS))	Interest	1,026	1,024	1,018	1,011	1,003	4,882	4,607	4,275	3,819	3,191	364		26,220
2005 SERIES (CORAL HILLS)	Principal	75	70	70	80	85	480	625	3,585					5,070
2005 SERIES (CORAL HILLS)	Interest	255	251	248	244	240	1,129	994	497					3,858
2006 SERIES (HARRIS BRANCH APTS)	Principal		200	200	200	300	1,400	1,800	2,500	3,300	4,400	700		15,000
2006 SERIES (HARRIS BRANCH APTS)	Interest	322	320	316	311	306	1,449	1,275	1,045	735	321	2		6,402
2006 SERIES (BELLA VISTA APTS)	Principal	45	45	45	50	55	320	440	590	810	1,095	1,495	1,795	6,785
2006 SERIES (BELLA VISTA APTS)	Interest	416	413	411	408	404	1,968	1,852	1,695	1,483	1,194	802	217	11,263
2006 SERIES (VILLAGE PARK)	Principal	105	190	190	200	215	1,250	1,670	9,840					13,660
2006 SERIES (VILLAGE PARK)	Interest	699	690	680	670	660	3,116	2,746	1,528					10,789
2006 SERIES (OAKMOOR)	Principal	75	95	101	107	114	685	922	1,246	1,680	2,267	3,058	4,285	14,635
2006 SERIES (OAKMOOR)	Interest	876	871	865	858	852	4,144	3,903	3,579	3,143	2,554	1,759	497	23,901
2006 SERIES (SUNSET POINTE)	Principal											15,000		15,000
2006 SERIES (SUNSET POINTE)	Interest	315	315	315	315	315	1,575	1,575	1,575	1,575	1,575	273		9,723
2006 SERIES (HILLCREST)	Principal		175	160	170	180	1,085	1,470	1,550			7,645		12,435
2006 SERIES (HILLCREST)	Interest	653	647	638	629	620	2,940	2,605	2,162	2,005	2,005	236		15,140

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**DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2006 SERIES (PLEASANT VILLAGE)	Principal	\$ 74	\$ 79	\$ 84	\$ 88	\$ 95	\$ 570	\$ 4,981						\$ 5,971
2006 SERIES (PLEASANT VILLAGE)	Interest	361	356	351	347	340	1,605	1,273						4,633
2006 SERIES (GROVE VILLAGE)	Principal	77	81	86	91	98	586	5,131						6,150
2006 SERIES (GROVE VILLAGE)	Interest	372	367	362	357	351	1,654	1,309						4,772
2006 SERIES (RED HILLS VILLAS)	Principal							400	\$ 700	\$ 1,000	\$ 2,915			5,015
2006 SERIES (RED HILLS VILLAS)	Interest	101	101	101	101	101	505	485	429	335	149			2,408
2006 SERIES (CHAMPIONS CROSSING)	Principal						200	500	700	1,000	2,625			5,025
2006 SERIES (CHAMPIONS CROSSING)	Interest	101	102	102	102	101	503	457	400	305	126			2,299
2006 SERIES (STONEHAVEN)	Principal	61	77	82	87	92	550	733	9,618					11,300
2006 SERIES (STONEHAVEN)	Interest	654	649	645	640	635	3,084	2,897	1,670					10,874
2006 SERIES (CENTER RIDGE)	Principal		120	110	115	125	745	1,000	1,040			\$ 5,070		8,325
2006 SERIES (CENTER RIDGE)	Interest	416	413	407	401	395	1,872	1,653	1,372	1,270	1,270	165		9,634
2006 SERIES (MEADOWLANDS)	Principal	1,780	75	79	84	89	536	723	974	1,316	1,776	2,394	\$ 3,674	13,500
2006 SERIES (MEADOWLANDS)	Interest	757	701	696	691	686	3,341	3,152	2,898	2,557	2,094	1,472	500	19,545
2006 SERIES (EAST TEX PINES)	Principal			80	95	105	605	810	1,065	1,420	1,875	2,490	4,955	13,500
2006 SERIES (EAST TEX PINES)	Interest	668	668	665	660	655	3,188	3,009	2,774	2,461	2,046	1,497	575	18,866
2006 SERIES (VILLAS @ HENDERSON)	Principal		47	98	104	110	651	859	1,135	1,501	1,983	712		7,200
2006 SERIES (VILLAS @ HENDERSON)	Interest	125	124	123	121	119	564	500	415	300	152	10		2,553
2006 SERIES (ASPEN PARK)	Principal		105	95	100	110	630	845	875			7,040		9,800
2006 SERIES (ASPEN PARK)	Interest	490	488	483	478	473	2,274	2,092	1,854	1,760	1,760	295		12,447
2006 SERIES (IDLEWILDE)	Principal		77	162	173	184	1,119	1,539	2,114	2,903	3,990	1,989		14,250
2006 SERIES (IDLEWILDE)	Interest	296	296	293	290	286	1,366	1,230	1,041	783	429	41		6,351
2007 SERIES (LANCASTER)	Principal											14,250		14,250
2007 SERIES (LANCASTER)	Interest	296	296	296	297	296	1,481	1,481	1,482	1,481	1,481	559		9,446
2007 SERIES (PARK PLACE AT LOYOLA)	Principal			98	104	110	657	877	1,170	1,564	2,088	2,789	5,543	15,000
2007 SERIES (PARK PLACE AT LOYOLA)	Interest	870	870	867	861	855	4,167	3,946	3,651	3,256	2,729	2,025	859	24,956
2007 SERIES (TERRACES AT CIBOLO)	Principal											8,000		8,000
2007 SERIES (TERRACES AT CIBOLO)	Interest	282	282	282	283	282	1,411	1,411	1,412	1,411	1,411	475		8,942
2007 SERIES (SANTORA VILLAS)	Principal			64	89	94	563	754	1,005	1,344	1,793	2,395	4,971	13,072
2007 SERIES (SANTORA VILLAS)	Interest	758	758	757	752	746	3,641	3,450	3,196	2,856	2,404	1,800	820	21,938

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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	Principal		\$ 210	\$ 155	\$ 165	\$ 175	\$ 1,045	\$ 1,370	\$ 1,755	\$ 2,245	\$ 2,880	\$ 3,680	\$ 3,180	\$ 16,860
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	Interest	\$ 858	853	843	833	824	3,949	3,623	3,236	2,743	2,109	1,298	310	21,479
2007 SERIES (SUMMIT POINT)	Principal		165	100	105	120	665	865	1,115	1,470	1,935	2,550	2,610	11,700
2007 SERIES (SUMMIT POINT)	Interest	603	598	593	588	582	2,821	2,634	2,388	2,062	1,624	1,041	290	15,824
2007 SERIES (COSTA RIALTO)	Principal			91	96	101	596	779	1,017	1,328	1,735	2,264	4,378	12,385
2007 SERIES (COSTA RIALTO)	Interest	663	663	660	655	650	3,158	2,975	2,736	2,422	2,015	1,483	676	18,756
2007 SERIES (WINDSHIRE)	Principal												14,000	14,000
2007 SERIES (WINDSHIRE)	Interest	291	291	291	291	291	1,455	1,455	1,455	1,455	1,455	697		9,427
2007 SERIES (RESIDENCE @ ONION CREEK)	Principal												15,000	15,000
2007 SERIES (RESIDENCE @ ONION CREEK)	Interest	307	308	308	308	307	1,539	1,539	1,539	1,538	1,539	696		9,928
2008 SERIES (WEST OAKS APTS)	Principal												13,125	13,125
2008 SERIES (WEST OAKS APTS)	Interest	268	269	269	269	269	1,345	1,345	1,345	1,345	1,345	764		8,833
2008 SERIES (COSTA IBIZA APTS)	Principal												13,900	13,900
2008 SERIES (COSTA IBIZA APTS)	Interest	265	265	265	266	265	1,326	1,326	1,327	1,326	1,326	781		8,738
2008 SERIES (ADDISON PARK APTS)	Principal												14,000	14,000
2008 SERIES (ADDISON PARK APTS)	Interest	740	763	763	764	762	3,815	3,815	3,816	3,814	3,815	3,815	255	26,937
Total Multifamily Bonds		<u>\$ 75,476</u>	<u>\$ 74,540</u>	<u>\$ 74,877</u>	<u>\$ 74,964</u>	<u>\$ 74,909</u>	<u>\$ 368,720</u>	<u>\$ 384,264</u>	<u>\$ 406,958</u>	<u>\$ 362,847</u>	<u>\$ 392,247</u>	<u>\$ 330,415</u>	<u>\$ 107,529</u>	<u>\$ 2,727,746</u>
Total		\$ 167,027	\$ 182,098	\$ 182,191	\$ 181,834	\$ 182,176	\$ 842,248	\$ 784,196	\$ 819,766	\$ 805,388	\$ 619,783	\$ 345,728	\$ 107,529	\$ 5,219,964
Less Interest		<u>126,159</u>	<u>125,736</u>	<u>123,688</u>	<u>121,573</u>	<u>119,311</u>	<u>555,780</u>	<u>490,326</u>	<u>394,868</u>	<u>283,019</u>	<u>150,705</u>	<u>60,113</u>	<u>8,469</u>	<u>2,559,747</u>
Total Principal		<u>\$ 40,868</u>	<u>\$ 56,362</u>	<u>\$ 58,503</u>	<u>\$ 60,261</u>	<u>\$ 62,865</u>	<u>\$ 286,468</u>	<u>\$ 293,870</u>	<u>\$ 424,898</u>	<u>\$ 522,369</u>	<u>\$ 469,078</u>	<u>\$ 285,615</u>	<u>\$ 99,060</u>	<u>\$ 2,660,217</u>

Notes: The actual maturity of any class of bonds may be shorter than its stated maturity as a result of prepayments on the mortgage certificates or loans. No assurance can be given as to the rates of prepayments that actually will occur. Interest does not include accretions on capital appreciation bonds or amortization of premium/discount on bonds.

(Concluded)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 6

**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2002 Single Family Series A	\$ 2,820	\$ 64		\$ 2,026
2002 Single Family Series A (Jr. Lien)	1,365	9		316
2002 Single Family Series B	7,347	57		1,871
2002 Single Family Series C	775	17	\$ 500	546
2002 Single Family Series D	447	7	875	215
2004 Single Family Series A	14,677	289	3,320	4,724
2004 Single Family Series A (Jr. Lien)	292	19		146
2004 Single Family Series B	2,659	149		2,143
2004 Single Family Series C	6,187	99	405	1,526
2004 Single Family Series D	1,681	106		1,338
2004 Single Family Series E	602	25	1,070	363
2005 Single Family Series A	7,558	364	165	4,036
2005 Single Family Series B	3,500	96	705	905
2005 Single Family Series C	1,181	39		272
2005 Single Family Series D	348	17		154
2006 Single Family Series A	4,035	390	230	2,879
2006 Single Family Series B	4,638	443	720	3,380
2006 Single Family Series C	7,015	673	750	5,025
2006 Single Family Series D	4,733	159		1,196
2006 Single Family Series E	860	106	1,240	732
2006 Single Family Series F	4,686	793		4,122
2006 Single Family Series G	885	143	570	616
2006 Single Family Series H	1,832	364		1,433
2007 Single Family Series A	8,711	2,177		6,050
2007 Single Family Series B	7,415	90	-	7,649
Total Single Family Bonds	96,251	6,697	10,550	53,660
1998 RMRB Series A	5,167	34	1,155	2,018
1998 RMRB Series B	1,217	6		360
1999 RMRB Series A	1,466	12		294
1999 RMRB Series B-1	3,122	20		1,410
1999 RMRB Series C	264	3		219
2000 RMRB Series A	1,852	17	245	998
2000 RMRB Series B	6,788	82		2,682
2000 RMRB Series C	545	15		498
2000 RMRB Series D	389	11	555	346
2001 RMRB Series A	3,981	41	590	1,694
2001 RMRB Series B	820	16		629
2001 RMRB Series C	1,288	10	1,095	437
2001 RMRB Series D	29	1	5	13
2002 RMRB Series A	3,360	27	520	1,557
2003 RMRB Series A	7,475	93	1,040	3,010
Total Residential Mtg Revenue Bonds	37,764	388	5,205	16,165

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 6

**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
1992 CHMRB Series C	\$ 2,909	\$ 11		\$ 787
Total 1992 CHMRB	2,909	11		787
1987 MF Series (South Texas Rental Housing)	80		\$ 92	53
1996 MF Series A/B (Brighton's Mark)	464	2		500
1996 MF Series A/B (Las Colinas)	13,396	4		683
1996 MF Series A/B (Braxton's Mark)	834	3		829
1998 MF Series A (Pebble Brook)	576		190	541
1998 MF Series A-C (Residence Oaks)	439		151	439
1998 MF Series A/B (Greens of Hickory Trial)	647		240	647
1999 MF Series A-C (Mayfield)	586		209	586
1999 MF Series A (Woodglen Village)	10,602			97
2000 MF Series A (Creek Point Apts)	288			173
2000 MF Series A (Deerwood Apts)	381		95	381
2000 MF Series A (Timber Point Apts)	303			203
2000 MF Series A/B (Greenbridge)	1,459		178	1,459
2000 MF Series A/B (Oaks at Hampton)	703		75	703
2000 MF Series A/B (Parks @ Westmoreland)	698		73	698
2000 MF Series A/B (Williams Run)	960		149	960
2000 MF Series A-C (Collingham Park)	864		182	864
2000 MF Series A-C (Highland Meadow Apts)	573		121	573
2001 MF Series A (Bluffview Senior Apts)	795		59	795
2001 MF Series A (Knollwood Villas Apts)	1,021		76	1,021
2001 MF Series A (Oak Hollow Apts.)	445		40	445
2001 MF Series A (Greens Road Apts.)	429		120	429
2001 MF Series A (Skyway Villas)	1,052		125	432
2001 MF Series A/B (Cobb Park)	567		42	567
2001 MF Series A/B (Hillside Apts.)	882		43	882
2001 MF Series A/B (Meridian Apts.)	803		185	803
2001 MF Series A/B (Wildwood Apts.)	794		190	794
2001 MF Series A-C (Fallbrook Apts.)	861		206	861
2002 MF Series A (Clarkridge Villas Apts)	962		81	962
2002 MF Series A (Park Meadows Apts)	281		60	281
2002 MF Series A (Sugar Creek Apts.)	710		115	701
2002 MF Series A (West Oaks Apts.)	682		57	682
2002 MF Series A (Green Crest Apts)	794		143	794
2002 MF Series A (Hickory Trace Apts)	796		67	796
2002 MF Series A (Millstone Apts.)	577		165	577
2002 MF Series A (Woodway Village Apts)	392		110	392
2002 MF Series A/B (Ironwood Crossing)	1,209		73	1,209
2003 MF Series A (NHP-Asmara) Refunding	827		360	578
2003 MF Series A (Evergreen @ Mesquite)	725		110	724
2003 MF Series A/B (Reading Road)	595		20	395
2003 MF Series A/B (Arlington Villas)	1,174		74	1,174

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 6

**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2008			
	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 (Ash Creek Apts)	\$ 1,089		\$ 80	\$ 1,089
2003 MF Series A/B (North Vista Apts)	1,545		190	645
2003 MF Series A/B (Parkview Twnhms)	1,112		79	1,112
2003 MF Series A/B (Peninsula Apts)	634		160	629
2003 MF Series A/B (Primrose Houston School)	1,096		79	1,096
2003 MF Series A/B (Sphinx @ Murdeaux)	718		165	718
2003 MF Series A/B (Timber Oaks Apts)	925		56	925
2003 MF Series A/B (West Virginia Apts)	463		145	463
2004 MF Series A (Bristol)	648			323
2004 MF Series A (Chisholm Trail)	414			314
2004 MF Series A (Churchill @ Pinnacle)	659		67	659
2004 MF Series A (Evergreen @ Plano)	962		80	962
2004 MF Series A (Humble Park)	764		100	764
2004 MF Series A (Montgomery Pines)	323			323
2004 MF Series A (Pinnacle)	610			375
2004 MF Series A (Rush Creek)	1,736		51	614
2004 MF Series A (Sphinx @ Delafield)	587		100	587
2004 MF Series A (Tranquility Bay)	923		84	923
2004 MF Series A (Village Fair)	910		80	910
2004 MF Series A (Addison Park)	14,385			385
2004 MF Series A/B (Century Park)	986		165	686
2004 MF Series A/B (Post Oak East)	363			363
2004 MF Series A/B (Timber Ridge)	449		34	449
2004 MF Series A/B (Veterans Memorial)	1,088		79	1,088
2005 MF Series A (Alta Cullen)	924			924
2005 MF Series A (Atascocita Pines)	312			312
2005 MF Series A/B (Canal Place)	1,025			1,026
2005 MF Series A (Del Rio)	743		64	743
2005 MF Series A (Park Manor)	666			666
2005 MF Series A (Pecan Grove)	906		79	906
2005 MF Series A (Chase Oaks)	717		138	717
2005 MF Series A (Port Royal)	789		68	789
2005 MF Series A (Prairie Oaks)	714		62	714
2005 MF Series A (Prairie Ranch)	588		145	588
2005 MF Series A (Mockingbird)	916		80	916
2005 MF Series A (St Augustine)	201			201
2005 MF Series A (Tower Ridge)	413			413
2006 MF Series A (Aspen Park Apts)	490			490
2006 MF Series A (Bella Vista)	418		15	418
2006 MF Series A (Center Ridge)	416			416
2006 MF Series A (Champions Crossing)	238			138
2005 MF Series A (Coral Hills)	517			267
2006 MF Series A (East Tex Pines)	668			668
2006 MF Series A (Grove Village)	377		30	377

(Continued)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 6

**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2008
(Amounts in thousands)**

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2006 MF Series A (Harris Branch)	\$ 402			\$ 402
2006 MF Series A (Hillcrest)	653			653
2006 MF Series A (Idlewilde Apts)	374			374
2006 MF Series A (Meadowlands)	810			810
2006 MF Series A (Oakmoor)	872			872
2006 MF Series A (Pleasant Village)	366		\$ 29	366
2006 MF Series A (Red Hills Villas)	136			136
2006 MF Series A (Stonehaven)	655			655
2006 MF Series A (Sunset Pointe)	413			413
2006 MF Series A (Village Park)	688			688
2006 MF Series A (Villas at Henderson)	191			191
2007 MF Series A (Villas @ Mesquite Creek)	858			858
2007 MF Series A (Costa Rialto)	663			663
2007 MF Series A (Lancaster Apts)	374			374
2007 MF Series A (Park Place @ Loyola)	870			870
2007 MF Series A (Santora Villas)	758			758
2007 MF Series A (Summit Point)	603			603
2007 MF Series A (Terraces at Cibolo)	210			210
2007 MF Series A (Windshire)	367			367
2007 MF Series A (Residences @ Onion Creek)	271			271
2008 MF Series A (West Oaks Apts)	35			35
2008 MF Series A (Costa Ibiza Apts)	17			17
2008 MF Series A (Addison Park)	7			7
Total Multifamily Bonds	107,246	9	6,780	65,369
Total	\$ 244,170	\$ 7,106	\$ 22,535	\$ 135,981

(Concluded)

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS —
REVENUE BOND PROGRAM**

SCHEDULE 7

**MISCELLANEOUS BOND INFORMATION — EARLY EXTINGUISHMENT AND REFUNDING
AS OF AUGUST 31, 2008**

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:					
2002 Single Family Series A (Jr. Lien)	Early Extinguishment	\$ 1,260,000			
2002 Single Family Series A	Early Extinguishment	950,000			
2002 Single Family Series B	Early Extinguishment	5,690,000			
2002 Single Family Series C	Early Extinguishment	265,000			
2002 Single Family Series D	Early Extinguishment	235,000			
2004 Single Family Series A	Early Extinguishment	9,515,000			
2004 Single Family Series A (Jr. Lien)	Early Extinguishment	285,000			
2004 Single Family Series C	Early Extinguishment	4,615,000			
2004 Single Family Series E	Early Extinguishment	200,000			
2005 Single Family Series A	Early Extinguishment	3,120,000			
2005 Single Family Series B	Early Extinguishment	2,565,000			
2005 Single Family Series C	Early Extinguishment	795,000			
2005 Single Family Series D	Early Extinguishment	185,000			
2006 Single Family Series A	Early Extinguishment	1,045,000			
2006 Single Family Series B	Early Extinguishment	1,240,000			
2006 Single Family Series C	Early Extinguishment	1,850,000			
2006 Single Family Series D	Early Extinguishment	3,510,000			
2006 Single Family Series E	Early Extinguishment	45,000			
2006 Single Family Series F	Early Extinguishment	695,000			
2006 Single Family Series G	Early Extinguishment	165,000			
2007 Single Family Series A	Early Extinguishment	1,935,000			
2007 Single Family Series B	Early Extinguishment	5,000			
1998 RMRB Series A	Early Extinguishment	2,660,000			
1998 RMRB Series B	Early Extinguishment	775,000			
1999 RMRB Series A	Early Extinguishment	980,000			
1999 RMRB Series B-1	Early Extinguishment	1,590,000			
1999 RMRB Series C	Early Extinguishment	15,000			
2000 RMRB Series A	Early Extinguishment	780,000			
2000 RMRB Series B	Early Extinguishment	3,830,000			
2001 RMRB Series A	Early Extinguishment	2,230,000			
2001 RMRB Series B	Early Extinguishment	120,000			
2001 RMRB Series C	Early Extinguishment	850,000			
2002 RMRB Series A	Early Extinguishment	1,785,000			
2003 RMRB Series A	Early Extinguishment	4,440,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	2,000,000			
1996 MF Series A/B (Las Colinas)	Early Extinguishment	12,670,000			
1998 MF Series A (Pebble Brook)	Early Extinguishment	35,000			
1999 MF Series A (Woodglen Village)	Early Extinguishment	10,505,283			
2000 Series (Timber Point Apts)	Early Extinguishment	100,000			
2000 Series (Creek Point Apts)	Early Extinguishment	115,000			
2001 MF Series A (Skyway Villas)	Early Extinguishment	620,000			
2003 MF Series A/B (Reading Road)	Early Extinguishment	200,000			
2003 MF Series A/B (North Vista Apts)	Early Extinguishment	900,000			
2003 MF Series A/B (Peninsula Apts)	Early Extinguishment	5,000			
2004 MF Series A/B (Century Park)	Early Extinguishment	300,000			
2004 MF Series A (Addison Park)	Refunding	14,000,000	\$ 14,000,000	\$ (247,989)	\$ (153,684)
2004 MF Series A (Rush Creek)	Early Extinguishment	1,121,781			
2004 MF Series A (Chisholm Trail)	Early Extinguishment	100,000			
2004 MF Series A (Bristol)	Early Extinguishment	325,000			
2004 MF Series A (Pinnacle)	Early Extinguishment	235,000			
2005 MF Series A (Coral Hills)	Early Extinguishment	250,000			
2006 MF Series A (Champion Crossing)	Early Extinguishment	100,000			
Total Business-Type Activities		\$ 103,807,064	\$ 14,000,000	\$ (247,989)	\$ (153,684)

APPENDIX D-2

**SELECTED UNAUDITED CONDENSED FINANCIAL INFORMATION OF THE
DEPARTMENT FOR THE NINE-MONTH PERIOD ENDED
MAY 31, 2009**

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
COMBINING BALANCE SHEETS
at May 31, 2009
(Unaudited)

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Multi-Family Program Funds	Commercial Paper Funds	General Funds	Combined Totals
ASSETS							
Current Assets							
Cash and Temporary Investments							
Cash in Bank	\$	\$	\$	\$	\$	19,949	\$ 19,949
Cash Equivalents						12,050,378	12,050,378
Restricted Assets:							
Cash in Bank	173,663			947,888			1,121,551
Cash Equivalents	14,742,162	12,560,497	516,623	45,831,681	71,457,413		145,108,376
Interest Receivable	5,362,635	1,866,676	65,563	9,416,248			16,711,122
Receivables:							
Interest and Dividends						181	181
Accounts Receivables						298,032	298,032
Other Current Assets	133,620					46,221	179,841
Total Current Assets	<u>20,412,080</u>	<u>14,427,173</u>	<u>582,186</u>	<u>56,195,817</u>	<u>71,457,413</u>	<u>12,414,761</u>	<u>175,489,430</u>
Non-Current Assets							
Loans and Contracts							
Restricted:							
Investments	1,123,387,463	282,438,903	11,610,897	67,913,871			1,485,351,134
Loans and Contracts	34,607,169	900,658		1,212,559,733			1,248,067,560
Other Non-current Assets							
Deferred Issuance Cost, net	7,733,238	2,127,849	65,862	474,770			10,401,719
Real Estate Owned, net	217,653						217,653
Total Non-Current Assets	<u>1,165,945,523</u>	<u>285,467,410</u>	<u>11,676,759</u>	<u>1,280,948,374</u>			<u>2,744,038,066</u>
Total Assets	<u>\$ 1,186,357,603</u>	<u>\$ 299,894,583</u>	<u>\$ 12,258,945</u>	<u>\$ 1,337,144,191</u>	<u>\$ 71,457,413</u>	<u>\$ 12,414,761</u>	<u>\$ 2,919,527,496</u>
LIABILITIES							
Current Liabilities							
Payables:							
Accounts Payable	\$ 5,994	\$ 962	\$	\$	\$		\$ 6,956
Accrued Bond Interest Payable	13,454,449	6,071,261	32,153	9,569,229	-		29,127,092
Deferred Revenues	4,868,794	2,965,371	304,619				8,138,784
Commercial Paper Notes Payable					71,431,000		71,431,000
Other Current Liabilities	8,310,982	239,175					8,550,157
Total Current Liabilities	<u>26,640,219</u>	<u>9,276,769</u>	<u>336,772</u>	<u>9,569,229</u>	<u>71,431,000</u>		<u>117,253,989</u>
Non-Current Liabilities							
Bonds Payable	1,098,865,387	267,886,101	9,688,930	1,212,770,296			2,589,210,714
Other Non-Current Liabilities	23,204			114,935,486			114,958,690
Total Non-Current Liabilities	<u>1,098,888,591</u>	<u>267,886,101</u>	<u>9,688,930</u>	<u>1,327,705,782</u>			<u>2,704,169,404</u>
Total Liabilities	<u>1,125,528,810</u>	<u>277,162,870</u>	<u>10,025,702</u>	<u>1,337,275,011</u>	<u>71,431,000</u>		<u>2,821,423,393</u>
NET ASSETS							
Restricted	60,828,793	22,731,713	2,233,243	(130,820)	26,413		85,689,342
Unrestricted						12,414,761	12,414,761
Total Net Assets	<u>60,828,793</u>	<u>22,731,713</u>	<u>2,233,243</u>	<u>(130,820)</u>	<u>26,413</u>	<u>12,414,761</u>	<u>98,104,103</u>
Total Liabilities and Net Assets	<u>\$ 1,186,357,603</u>	<u>\$ 299,894,583</u>	<u>\$ 12,258,945</u>	<u>\$ 1,337,144,191</u>	<u>\$ 71,457,413</u>	<u>\$ 12,414,761</u>	<u>\$ 2,919,527,496</u>

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Ninth Period Ending May 31, 2009
(Unaudited)

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Multi-Family Program Funds	Commercial Paper Funds	General Funds	Combined Totals
OPERATING REVENUES							
Interest and Investment Income	\$ 44,521,348	\$ 11,768,839	\$ 577,730	\$ 45,863,963	\$ 128,118	\$ 16,095	\$ 102,876,093
Net Increase (Decrease) in Fair Value	59,615,273	12,835,919	211,585				72,662,777
Commitment Fees	275,513	162,890	26,195	8,409			473,007
Application Fees						2,000	2,000
Other Operating Revenues	<u>35,908</u>	<u>104,860</u>				<u>1,665,593</u>	<u>1,806,361</u>
Total Operating Revenues	<u>104,448,042</u>	<u>24,872,508</u>	<u>815,510</u>	<u>45,872,372</u>	<u>128,118</u>	<u>1,683,688</u>	<u>177,820,238</u>
OPERATING EXPENSES							
Professional Fees and Services	831,827	48,000	1,000			548,394	1,429,221
Depreciation and Amortization	1,128,565	124,775	1,929	2,291			1,257,560
Interest	47,289,857	11,197,704	504,154	45,866,117	133,558		104,991,390
Trustee Fees	218,420	52,116	4,107	213	5,441	4,964	285,261
Mortgage Loan Servicing Fees	37,913	2,562					40,475
Mortgage Pool & Self Insurance	277,017						277,017
Bad Debt Expense	(6,700)	(2,700)					(9,400)
Down Payment Assistance	373,474					250,000	623,474
Other Operating Expenses	<u>5,406</u>	<u>547</u>	<u>1,096</u>			<u>141,148</u>	<u>148,197</u>
Total Operating Expenses	<u>50,155,779</u>	<u>11,423,004</u>	<u>512,286</u>	<u>45,868,621</u>	<u>138,999</u>	<u>944,506</u>	<u>109,043,195</u>
Operating Income (Loss)	<u>54,292,263</u>	<u>13,449,504</u>	<u>303,224</u>	<u>3,751</u>	<u>(10,881)</u>	<u>739,182</u>	<u>68,777,043</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	54,292,263	13,449,504	303,224	3,751	(10,881)	739,182	68,777,043
OTHER REVENUES, EXPENSES, GAINS LOSSES AND TRANSFERS							
Extraordinary Items	789,965	24,020	11,813				825,798
Transfers In (Out)	<u>53,453</u>	<u>(541,844)</u>	<u>3,505</u>	<u>213</u>	<u>5,442</u>	<u>(6,686,760)</u>	<u>(7,165,991)</u>
CHANGE IN NET ASSETS	<u>55,135,681</u>	<u>12,931,680</u>	<u>318,542</u>	<u>3,964</u>	<u>(5,439)</u>	<u>(5,947,578)</u>	<u>62,436,850</u>
Net Assets, Beginning	5,693,112	9,800,033	1,914,701	(134,784)	31,852	18,362,339	35,667,253
NET ASSETS, Ending	<u>\$ 60,828,793</u>	<u>\$ 22,731,713</u>	<u>\$ 2,233,243</u>	<u>\$ (130,820)</u>	<u>\$ 26,413</u>	<u>\$ 12,414,761</u>	<u>\$ 98,104,103</u>

APPENDIX E

FORM OF PROPOSED OPINION OF BOND COUNSEL

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[LETTERHEAD OF BOND COUNSEL]

_____, 2009

Texas Department of Housing and
Community Affairs
221 East 11th Street
Austin, Texas 78711

The Bank of New York Mellon Trust Company,
N.A., as Trustee
601 Travis, 16th Floor
Houston, Texas 77002

J.P. Morgan Securities Inc.
383 Madison Avenue, 23rd Floor
New York, New York 10179

WE HAVE ACTED AS BOND COUNSEL for the Texas Department of Housing and Community Affairs (the "Department") in connection with the issuance of the Department's Residential Mortgage Revenue Bonds, in two series to be known as (i) its Residential Mortgage Revenue Bonds, Series 2009A (the "Series A Bonds") and (ii) its Residential Mortgage Revenue Refunding Bonds, Series 2009B (the "Series B Bonds" and together with the Series A Bonds, collectively, the "Series 2009 Bonds"). The Series 2009 Bonds shall bear interest from the date of delivery thereof. Interest on the Series 2009 Bonds is payable January 1, 2010, and semiannually thereafter on each July 1 and January 1 until maturity or prior redemption. The Series 2009 Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 principal amount or any integral multiple thereof. The Series 2009 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 Series 2009 Bonds are subject to mandatory, optional and special redemption prior to maturity on the dates, at the redemption prices and under the circumstances described in the Indenture.

THE SERIES 2009 BONDS ARE BEING ISSUED pursuant to a resolution adopted by the Governing Board of the Department on July 16, 2009 (the "Bond Resolution"), a Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987, between the Department's predecessor, the Texas Housing Agency, or the Department, as the case may be, and MTrust Corp, or its successors, as trustee, including The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as amended and supplemented (collectively, the "RMRB Indenture"), a Twenty-Eighth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of August 1, 2009 (the "Twenty-Eighth Supplemental Indenture") relating to the Series A Bonds and a Twenty-Ninth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of August 1, 2009 (the "Twenty-Ninth Supplemental Indenture") relating to the Series B Bonds (the Twenty-Eighth Supplemental Indenture and the Twenty-Ninth Supplemental Indenture shall be referred to collectively as the "2009 Supplemental Indentures"). The RMRB Indenture and the 2009 Supplemental Indentures are referred to herein collectively as the "Indenture". The Series A Bonds are being issued for the purpose of providing funds to acquire Mortgage Certificates, to fund capitalized interest, to fund down payment and closing cost assistance and to pay a portion of the costs of issuance of the Series 2009 Bonds. The Series B Bonds are being issued for the purpose of refunding the Department's outstanding Residential Mortgage Revenue Bonds, Series 1999B and Residential Mortgage Revenue Refunding Bonds, Series 1999C. Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Indenture.

THE RMRB INDENTURE PERMITS the issuance of additional bonds on a parity with the Series 2009 Bonds upon the terms and conditions set forth in the RMRB Indenture. The Department reserves the right in the RMRB Indenture to issue other bonds of the Department under the RMRB Indenture for other programs similar to the program initially funded with the proceeds of the Series 2009 Bonds or funds made available through the issuance of the Series 2009 Bonds and to refund bonds issued under the RMRB Indenture, and further reserves the right to issue bonds payable from the pledges and assignments in trust pursuant to the RMRB Indenture that are junior to or subordinate to the Series 2009 Bonds, all as provided in the RMRB 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 Series 2009 Bonds and the security therefor and with respect to the exclusion from gross income for federal income tax purposes of interest on the Series 2009 Bonds. 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 Series 2009 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 Series 2009 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 executed Bond No. TR-1 of each series of the Series 2009 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 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 2009 Supplemental Indentures; to perform its obligations under the Indenture; and to issue and sell the Series 2009 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 2009 Supplemental Indentures. 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 Series 2009 Bonds. We draw your attention to the fact that the Series 2009 Bonds are secured on a parity basis with the Department's Residential Mortgage Revenue Bonds, Series 1998A, Residential Mortgage Revenue Refunding Bonds, Series 1998B, Residential Mortgage Revenue Refunding Bonds, Series 1999A, Residential Mortgage Revenue Bonds, Series 1999B, Residential Mortgage Revenue Refunding Bonds, Series 1999C, Residential Mortgage Revenue Refunding Bonds, Series 2000A, Residential Mortgage Revenue Bonds, Series 2000B, Residential Mortgage Revenue Refunding Bonds, Series 2000C, Residential Mortgage Revenue Refunding Bonds, Series 2000D, Residential Mortgage Revenue Bonds, Series 2001A, Residential Mortgage Revenue Refunding Bonds, Series 2001B, Residential Mortgage Revenue Refunding Bonds, Series 2001C, Residential Mortgage Revenue Bonds, Series 2002A, and Residential Mortgage Revenue Refunding Bonds, Series 2003A, all issued under the RMRB Indenture.

3. The Department has duly authorized the issuance, execution and delivery of the Series 2009 Bonds. The authorized officers of the Department have duly executed the Series 2009 Bonds and the Trustee has duly authenticated the Series 2009 Bonds, to the extent required by the Indenture, and delivered the Series 2009 Bonds to or at the direction of the initial purchasers thereof. The Series 2009 Bonds constitute legal, valid and binding limited obligations of the Department and are entitled to the benefit and security of the Indenture.

4. The Series 2009 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 Series 2009 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 Series 2009 Bonds is excludable from gross income for federal income tax purposes under existing law.

6. Interest on the Series 2009A Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of calculating the federal alternative minimum tax on individuals and corporations and is not included in a corporation's adjusted current earnings for purposes of determining its alternative minimum tax.

7. Interest on the Series 2009B Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations under existing law.

IN PROVIDING THE OPINIONS set forth in paragraphs 5, 6 and 7 above with respect to the Series 2009 Bonds, we have relied on representations of the Department, the Underwriters, the Servicer and the Mortgage Lenders, with respect to matters solely within the knowledge of the Department, 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 Internal Revenue Code of 1986, as amended. We have further relied on the report (the "Report") of Causey Demgen & Moore, Inc., 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 Series 2009 Bonds could become includable in gross income for federal income tax purposes under existing law from the date of original delivery thereof, regardless of the date on which the event causing such taxability 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 Series 2009 Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the 2009 Supplemental Indentures, 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 exclusion from gross income for federal income tax purposes of interest on the Series 2009 Bonds.

THE ENFORCEABILITY of certain provisions of the Series 2009 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 Series 2009 Bonds may be limited by general principles of equity that permit the exercise of judicial discretion.

HOLDERS OF THE SERIES 2009 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, and individuals otherwise qualifying for the earned income 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 2009 Bonds.

THE OPINIONS SET FORTH ABOVE speak only as of their date and only in connection with the Series 2009 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 Internal Revenue Service (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 Series 2009 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 2009 Supplemental Indentures 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 Series 2009 Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

APPENDIX F-1

**ADDITIONAL INFORMATION CONCERNING MORTGAGE LOANS AND
MORTGAGE CERTIFICATES**

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Additional Information Concerning Mortgage Loans And Mortgage Certificates

The Texas Department of Housing and Community Affairs (the “Department”) owns an extensive portfolio of mortgage loans (the “Portfolio Mortgage Loans”) and GNMA/FNMA Certificates (“Mortgage Certificates”) acquired with the proceeds of the Department’s Residential Mortgage Revenue Bonds, GNMA Collateralized Home Mortgage Revenue Bonds, Single Family Mortgage Revenue Bonds, Single Family Collateralized Home Mortgage Revenue Bond and Collateralized Home Mortgage Revenue Bonds. The following tables summarize certain information regarding the Portfolio Mortgage Loans and Mortgage Certificates, as of May 31, 2009, and are included solely for the purpose of providing comparative information with respect to the Portfolio Mortgage Loans and Mortgage Certificates. This information should not be construed as a representation or opinion of the Department that the information concerning the new Mortgage Loans and Mortgage Certificates will approximate the information shown below.

Part I: Residential Mortgage Revenue Bond Trust Indenture

Series	Original Issue Amount	Bonds Outstanding	Mortgage Rates for Outstanding Mortgage Loans/Certificates	Mortgage Loans / Certificates	
				Originated	Outstanding
1987 Series A ⁽¹⁾	\$ 30,000,000	\$ -	-	\$ -	\$ -
1987 Series B	25,000,000				
1987 Series C	47,000,000				
1987 Series D ⁽¹⁾	47,000,000	-	-	-	-
1988 Series A	40,920,000	-	-	-	-
1989 Series A/B	89,000,000	-	-	-	-
1998 Series A/B ⁽²⁾	116,355,000	39,895,000	5.85%	116,272,111	42,604,115
1999 Series A	25,615,000	4,420,000	5.85/8.00/9.25/9.55%	70,137,721	4,344,475
1999 Series B/C/D ⁽³⁾	140,765,000	23,160,000	7.68/8.68/9.25/6.60%	148,515,979	21,398,125
2000 Series A	50,000,000	14,765,000	6.95%	49,967,185	13,965,244
2000 Series B/C/D/E ⁽⁴⁾	124,915,000	55,650,000	5.90/6.25/6.60%	123,553,053	54,587,235
2001 Series A/B/C/D/E ⁽⁵⁾	155,125,000	45,495,000	5.45/5.95/6.69% 7.69/8.69/9.25%	170,625,984	37,815,627
2002 Series A/B	116,965,000	27,770,000	5.30/5.99%	35,630,550	25,947,741
2003 series A	73,630,000	56,435,000	4.99/5.99%	68,374,191	53,240,707
TOTAL	\$1,082,290,000	\$ 267,590,000		\$ 783,076,774	\$ 253,903,269

- (1) The Residential Mortgage Revenue Bonds 1987 Series A and 1987 Series D were refunded by the Residential Mortgage Revenue Refunding Bonds 1999 Series A. The Mortgage Loans associated with the Residential Mortgage Revenue Bonds 1987 Series A and 1987 Series D were transferred to the Residential Mortgage Revenue Refunding Bonds 1999 Series A.
- (2) The Residential Mortgage Revenue Bonds 1998 Series A and the Residential Mortgage Revenue Refunding Bonds 1998 Series B provided lendable proceeds for the purchase of mortgage-backed, pass-through certificates. The Residential Mortgage Revenue Refunding Bonds 1998 Series B refunded certain commercial paper notes totaling \$14,300,000 which previously redeemed certain Bonds outstanding.
- (3) The Residential Mortgage Revenue Bonds 1999 Series B-1 and the Residential Mortgage Revenue Refunding Bonds 1999 Series C provided lendable proceeds for the purchase of mortgage-backed, pass-through certificates. The Residential Mortgage Revenue Refunding Bonds 1999 Series C refunded certain commercial paper notes totaling \$12,150,000 which previously redeemed certain Bonds outstanding. The Residential Mortgage Revenue Refunding Bonds 1999 Series D refunded all outstanding GNMA Collateralized Home Mortgage Revenue Bonds 1989 Series A and B. \$84,197,738 representing the original certificate purchase price of the 1989 Series A and B certificates was transferred to 1999 Series D. The Residential Mortgage Revenue Bonds 1999 Series B-2 were interim rate bonds that were refunded by the Residential Mortgage Revenue Refunding Bonds 2000 Series A.

- (4) The Residential Mortgage Revenue Bonds 2000 Series B and the Residential Mortgage Revenue Bonds 2000 Series E provided lendable proceeds for the purchase of mortgage-backed, pass-through certificates. The Residential Mortgage Revenue Refunding Bonds 2000 Series C and 2000 Series D refunded certain commercial paper notes totaling \$13,675,000 and \$18,265,000, respectively, which previously redeemed certain Bonds outstanding.
- (5) The Residential Mortgage Revenue Bonds 2001 Series A and the Residential Mortgage Revenue Bonds 2001 Series D provided lendable proceeds for the purchase of mortgage-backed, pass-through certificates. The Residential Mortgage Revenue Refunding Bonds 2001 Series B refunded certain commercial paper notes totaling \$15,585,000, which previously redeemed certain Bonds outstanding. The Residential Mortgage Revenue Refunding Bonds 2001 Series C refunded all outstanding Residential Mortgage Revenue Bonds 1988 Series A and a portion of Residential Mortgage Revenue Bonds 1989 Series A. \$50,753,152 representing the original certificate purchase price of 1988 Series A and 1989 Series A certificates was transferred to 2001 Series C. On September 1, 2002, the 1989 Series A&B Bonds were paid in full which allowed the remaining 1989 Series A&B Mortgage Certificates to be transferred to the 2001 Series A-C Mortgage Loan Account. The Residential Mortgage Revenue Bonds 2001 Series E were interim rate bonds that were refunded by the Single Family Mortgage Revenue Refunding Bonds 2002 Series B on June 26, 2002.

The following table characterizes the type of Portfolio Mortgage Loans and Mortgage Certificates of the Trust Indenture:

Loan Type	Number of Prior Mortgage Loans	Outstanding Principal Amount	Percent of Total Mortgage Loans
FHA Mortgage Loans	34	909,321	0.36%
GNMA Certificates	4,013	233,015,712	91.77%
FNMA Certificates	344	19,978,237	7.87%
Total	4,391	253,903,270	100.00%

Based on reports submitted by the Servicers, the table below sets forth information concerning delinquent Portfolio Mortgage Loans and Mortgage Loans included in Mortgage Certificates of the Trust Indenture:

Mortgage Certificate Loans

Duration of Delinquency	Number of Delinquent Loans	Percent of Total No. of Loans
30 days	281	6.45%
60 days	89	2.04%
90 days +	110	2.52%
Total	480	11.01%

Mortgage Loans

Duration of Delinquency	Number of Delinquent Loans	Amount	Percent of Total No. of Loans
30 days	4	\$ 83,659	11.76%
60 days	2	66,667	5.88%
90 days +	1	39,855	2.94%
Total	7	190,181	20.59%

The tables below set forth the Servicers of the Portfolio Mortgage Loans and Mortgage Loans included in Mortgage Certificates:

Mortgage Certificate Loans

Servicers	Percent of Total Loans
Bank of America, N.A.	78.15%
Texas Star Mortgage	16.84%
Amegy Mortgage Company	4.46%
CitiMortgage, Inc.	0.55%
Total	100.00%

Mortgage Loans

Servicers	Percent of Total Loans
Amegy Mortgage Company	54.55%
Saxon Mortgage Services, Inc.	29.01%
First Horizon Home Loan Corp.	5.15%
CitiMortgage, Inc.	3.91%
PrimeWest Mortgage Corp.	3.86%
EverHome Mortgage Company	3.52%
Total	100.00%

The table below set forth Self Insurance Fund and Reserve Fund Balances established by the Indenture:

Self Insurance Fund Balance

Bond Series	Actual Coverage Funded	Required per Rating Agency
1999A	\$ 450,992	\$ 450,992

Reserve Fund Balance

As of September 1, 2002, there is no longer Mortgage or Debt Service Reserve requirements.

Part II: Other Information

Mortgage Loan Information Management System

All Mortgage Loans made with proceeds of the Department's mortgage revenue bonds, including the Portfolio Mortgage Loans and any Mortgage Certificate loans, 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 is currently managing its Mortgage Loans (other than Mortgage Loans backing Mortgage Certificates) through review of the performance of the various lending institutions participating in the program, review of the delinquency and foreclosure reports of the lenders, directing the investment of monthly receipts, payment of expenses and supervision of claims under the mortgage insurance policies. The Department does not service the Mortgage Loans backing Mortgage Certificates; however, the Department monitors the origination and payment of such Mortgage Loans. The Department currently manages the Mortgage Loans using a new Loan Administration and Servicing System from the MITAS Group, Inc. MITAS' Loan Administration software is a comprehensive and fully integrated system that has the ability to combine all types of loans into a central database and is also capable of fully complying with all aspects of loan servicing as prescribed by major secondary market investors.

APPENDIX F-2

OTHER INDEBTEDNESS OF THE DEPARTMENT

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Other Indebtedness of The Department

General - Single Family Since 1979, the year of creation of the Texas Housing Agency (the "Agency"), a predecessor to the Department, through May 31, 2009, there have been issued by the Agency or the Department, twenty-seven series of Residential Mortgage Revenue Bonds, fifty-one series of Single Family Mortgage Revenue Bonds, four series of Junior Lien Single Family Mortgage Revenue Refunding Bonds, ten series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, eleven series of Collateralized Home Mortgage Revenue Bonds, and two series of Government National Mortgage Association Collateralized Home Mortgage Revenue Bonds. As of May 31, 2009, the outstanding principal amount of bonded indebtedness of the Department for single family housing purposes was \$1,366,025,000.

General - Multifamily The Department and the Agency have issued two hundred and twelve multifamily housing 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 May 31, 2009, one hundred thirty seven series were outstanding with an aggregate outstanding principal amount of \$1,213,282,910.

Single Family Mortgage Revenue Bonds ("SFMRBs") The Department has issued fifty-one series of Single Family Mortgage Revenue and Refunding Bonds under a Single Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, and fifty-six indentures supplemental thereto, which are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of May 31, 2009, twenty-three were outstanding with an aggregate outstanding principal amount totaling \$1,080,940,000.

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, and four indentures supplemental thereto. 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 May 31, 2009, two series were outstanding with an aggregate outstanding principal of \$7,995,000.

Residential Mortgage Revenue Bonds ("RMRBs") The Department has issued twenty-seven series of Residential Mortgage Revenue and Refunding Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture and twenty-seven separate series supplements, and are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of May 31, 2009, fourteen series were outstanding with an aggregate outstanding principal amount of \$267,590,000.

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 six separate series supplements, and are secured on an equal and ratable basis by the trust estate established by such trust indentures. As of May 31, 2009, two series of CHMRBs were outstanding with an aggregate outstanding principal amount of \$9,500,000.

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.

APPENDIX G

**APPLICABLE MEDIAN FAMILY INCOMES AND MAXIMUM ACQUISITION
COST LIMITATIONS**

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APPLICABLE MEDIAN FAMILY INCOMES ("AMFI")

Area	80% of AMFI[^]	100% of AMFI*	115% of AMFI**	120% of AMFI***	140% of AMFI****
Austin-Round Rock, MSA					
Austin-Round Rock, MSA (1)	\$58,640	\$73,300	\$84,295	\$87,960	\$102,620
Dallas-Fort Worth-Arlington, MSA					
Dallas, HMFA (2)	\$54,080	\$67,600	\$77,740	\$81,120	\$94,640
Fort Worth - Arlington, HMFA (3)	\$52,800	\$66,000	\$75,900	\$79,200	\$92,400
Wise County, HFMA	\$49,280	\$61,600	\$70,840	\$73,920	\$86,240
Houston-Baytown-Sugar Land, MSA					
Austin County, HFMA	\$46,400	\$58,000	\$66,700	\$69,600	\$81,200
Brazoria County, HFMA	\$57,120	\$71,400	\$82,110	\$85,680	\$99,960
Houston-Baytown-Sugar Land, HFMA (4)	\$51,040	\$63,800	\$73,370	\$76,560	\$89,320
Midland, MSA					
Midland, MSA (5)	\$48,160	\$60,200	\$69,230	\$72,240	\$84,280
Sherman-Denison, MSA					
Sherman-Denison, MSA (6)	\$46,320	\$57,900	\$66,585	\$69,480	\$81,060
Hartley County	\$53,040	\$66,300	\$76,245	\$79,560	\$92,820
Hood County	\$50,320	\$62,900	\$72,335	\$75,480	\$88,060
Kendall County	\$59,680	\$74,600	\$85,790	\$89,520	\$104,440
Loving County	\$53,360	\$66,700	\$76,705	\$80,040	\$93,380
Roberts County	\$50,480	\$63,100	\$72,565	\$75,720	\$88,340
Somervell County	\$46,480	\$58,100	\$66,815	\$69,720	\$81,340
Balance of State	\$45,920	\$57,400	\$66,010	\$68,880	\$80,360

(1) Bastrop, Caldwell, Hays, Travis & Williamson Counties

(2) Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman & Rockwall Counties

(3) Johnson, Parker & Tarrant Counties

(4) Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto & Waller Counties

(5) Midland County

(6) Grayson County

* Non-Targeted Area - 1-2 persons.

** Non-Targeted Area - 3+ persons.

*** Targeted Area - 1-2 persons.

**** Targeted Area - 3+ persons.

[^] For use in monitoring compliance with Chapter 2306, Texas Government Code, with respect to loans made to families of low income (80% of AMFI)

Effective: April 1, 2009

MAXIMUM ACQUISITION COST IN TARGETED AREAS AND DISASTER AREAS
(110% of Average Area Purchase Price)

Atascosa County	\$335,365
Bandera County	\$335,365
Bexar County	\$335,365
Comal County	\$335,365
Guadalupe County	\$335,365
Kendall County	\$335,365
Medina County	\$335,365
Wilson County	\$335,365
Balance of State	\$316,177

MAXIMUM ACQUISITION COST IN ALL OTHER AREAS
(90% of Average Area Purchase Price)

Atascosa County	\$274,390
Bandera County	\$274,390
Bexar County	\$274,390
Comal County	\$274,390
Guadalupe County	\$274,390
Kendall County	\$274,390
Medina County	\$274,390
Wilson County	\$274,390
Balance of State	\$258,690



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