

ESCROW RELEASE - BOOK ENTRY ONLY

RATINGS: SEE "RATINGS" HEREIN.

In the opinion of Bond Counsel, assuming compliance with certain covenants and agreements which are intended to ensure compliance with the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, interest on the 2009 Series B Bonds from their Release Date (as defined below) is excludable from gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the 2009 Series B Bonds is not a specific preference item or included in corporations' calculations of adjusted current earnings for purposes of the federal alternative minimum tax. For information regarding certain requirements for and exceptions to such exclusion, see "TAX MATTERS" herein. The Vermont Housing Finance Agency Act provides that the 2009 Series B Bonds and the interest thereon are exempt from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes.

**Supplement No. 1 to Official Statement
dated December 9, 2009
relating to**

**\$6,710,000
Vermont Housing Finance Agency
HFA Initiative Multifamily Bonds
2009 Series B**

Dated: December 21, 2009
(interest accrual commencing March 31, 2011)

Due: August 1, 2051

The Vermont Housing Finance Agency (the "Agency") previously issued \$23,000,000 aggregate principal amount of its HFA Initiative Multifamily Bonds, 2009 Series A (the "2009 Series A Bonds"), and expects to release a portion of the escrowed proceeds of the 2009 Series A Bonds in the aggregate principal amount of \$6,710,000 (the "Released Amount") and to convert and redesignate a corresponding portion of the 2009 Series A Bonds as the Vermont Housing Finance Agency HFA Initiative Multifamily Bonds, 2009 Series B (the "2009 Series B Bonds"). See "THE NEW ISSUE BOND PROGRAM." This Supplement No. 1 to Official Statement ("Supplement No. 1") supplements and amends the Official Statement, dated December 9, 2009, relating to the 2009 Series A Bonds (the "Original Official Statement") in connection with such conversion and redesignation. The Original Official Statement as supplemented and amended by this Supplement No. 1 is referred to as the "Official Statement." The Original Official Statement is attached to this Supplement No. 1 as Appendix E. To the extent not supplemented and amended by this Supplement No. 1, the Original Official Statement remains in full force and effect. Certain capitalized terms used but not otherwise defined in this Supplement No. 1 are defined in the Original Official Statement or in the Indenture defined below.

The 2009 Series B Bonds are issued pursuant to and are outstanding under the Trust Indenture, dated as of December 1, 2009 (the "Trust Indenture"), between the Agency and The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as trustee (the "Trustee"), the 2009 Series A Supplemental Indenture, dated as of December 1, 2009, as amended (the "2009 Series A Supplemental Indenture"), between the Agency and the Trustee, and the 2009 Series B Supplemental Indenture, dated as of March 1, 2011 (the "2009 Series B Supplemental Indenture" and collectively with the Trust Indenture and the 2009 Series A Supplemental Indenture, the "Indenture"), between the Agency and the Trustee. Principal of and premium, if any, and interest on the 2009 Series B Bonds will be paid by the Trustee as Paying Agent pursuant to the Indenture.

The 2009 Series B Bonds are issuable only in registered form. The Depository Trust Company ("DTC" or the "Depository"), New York, New York, will act as securities depository for the 2009 Series B Bonds and its nominee will be the registered owner of the 2009 Series B Bonds. See "BOOK-ENTRY ONLY SYSTEM" in the Original Official Statement in Appendix E.

The 2009 Series B Bonds will bear interest from and including March 31, 2011 to but excluding May 31, 2011 at a rate per annum equal to 60 basis points plus the lesser of (a) the interest rate for four week Treasury bills as of the second Business Day (as defined in the Indenture) prior to March 31, 2011, or (b) 3.01%. Thereafter, the Series 2009 B Bonds will bear interest at the permanent rate of 3.61% per annum to maturity. Interest on the 2009 Series B Bonds will be payable on May 31, 2011, July 1, 2011 and thereafter on the 1st day of each month, and on each redemption date. See "THE 2009 SERIES B BONDS."

The 2009 Series B Bonds are subject to redemption prior to maturity, including optional and mandatory sinking fund, at the prices set forth herein under certain circumstances, as more fully described herein. See "THE 2009 SERIES B BONDS—Redemption Provisions" herein and "THE SERIES BONDS—Redemption Provisions" in the Original Official Statement in Appendix E.

The 2009 Series B Bonds are issued to make funds available, together with certain other available moneys, to (a) fund Mortgage Loans in order to acquire, construct or rehabilitate multifamily residential housing located in the State of Vermont (the "State"), all as described herein and in Appendix B, including capitalized interest, if any, (b) make a deposit to the Reserve Fund equal to the amount of the Reserve Requirement, and (c) pay certain costs incurred in connection with the conversion and redesignation of the 2009 Series B Bonds. See "SOURCES AND USES OF FUNDS."

The 2009 Series B Bonds along with the remaining unconverted 2009 Series A Bonds and any other Bonds subsequently issued under the Indenture are secured by a pledge of the Trust Estate established under the Indenture, including revenues, assets or moneys held under the Indenture and the related Supplemental Indentures (other than the Rebate Fund, if any), in each case solely to the extent such items are subject to the pledge, assignment, lien and security interest as provided in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2009 SERIES B BONDS" HEREIN AND "SECURITY FOR THE BONDS" in the Original Official Statement in Appendix E.

The 2009 Series B Bonds, the Series 2009 A Bonds and all other Bonds subsequently issued under the Indenture are limited obligations of the Agency and are payable solely from the Agency's revenues, assets or moneys pledged therefor under the Indenture, provided that any particular Series of Bonds may be secured solely and only by the Mortgage Loans financed thereby and moneys in related funds and accounts pledged therefor. The Agency has no taxing power. Neither the faith and credit nor the taxing power of the State of Vermont or any political subdivision thereof is pledged for the payment of the 2009 Series B Bonds.

The 2009 Series B Bonds are not general obligations of the Agency and are not a debt of or guaranteed by the State or any political subdivision thereof or the United States or any agency or instrumentality thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2009 SERIES B BONDS" herein and "SECURITY FOR THE BONDS" in Appendix E.

The delivery of the 2009 Series B Bonds is subject to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and commencing on the Release Date the excludability from gross income for federal income tax purposes of interest on, the 2009 Series B Bonds. Certain legal matters will be passed upon for the Agency by its General Counsel, George N. Demas, Esq. See "LEGAL MATTERS."

March 29, 2011

CONCERNING THE OFFICIAL STATEMENT

No person has been authorized by the Agency to give any information or to make any representations other than those contained in the Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency. The Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 2009 Series B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion in the Official Statement are subject to change without notice, and neither the delivery of the Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date as of which information is given in the Official Statement.

THE 2009 SERIES B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESOLUTIONS AND INDENTURES RELATING TO THE 2009 SERIES B BONDS HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE 2009 SERIES B BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE 2009 SERIES B BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THE 2009 SERIES B BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AGENCY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Official Statement contains "forward looking statements" within the meaning of the federal securities laws. These forward looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward looking statements in the Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

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Supplement No. 1 to Official Statement

dated December 9, 2009

relating to

\$6,710,000

**VERMONT HOUSING FINANCE AGENCY
HFA Initiative Multifamily Bonds, 2009 Series B**

INTRODUCTION

This Supplement No. 1 to Official Statement (including the cover page and appendices, "**Supplement No. 1**") is being furnished by the Vermont Housing Finance Agency (the "**Agency**") in order to provide information in connection with the conversion and redesignation of a portion of the Agency's HFA Initiative Multifamily Bonds, 2009 Series A (the "**2009 Series A Bonds**"), as the HFA Initiative Multifamily Bonds, 2009 Series B (the "**2009 Series B Bonds**"). The 2009 Series A Bonds were issued by the Agency on December 21, 2009 pursuant to the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "**Act**").

This Supplement No. 1 supplements and amends the Official Statement dated December 9, 2009, relating to the 2009 Series A Bonds (the "**Original Official Statement**") in connection with such conversion and redesignation. The Original Official Statement as supplemented and amended by this Supplement No. 1 is referred to as the "**Official Statement**". The Original Official Statement is attached to this Supplement No. 1 as Appendix E. To the extent not supplemented and amended by this Supplement No. 1, the Original Official Statement remains in full force and effect. Certain capitalized terms used but not otherwise defined in this Supplement No. 1 are defined in "DEFINITIONS OF CERTAIN TERMS" in the Original Official Statement attached as Appendix E or in the Indenture defined below.

This Supplement No. 1 describes the 2009 Series B Bonds during the period in which the 2009 Series B Mortgage Loans have credit enhancement under the FHA Risk-Sharing Program as described in Appendix D.

The 2009 Series A Bonds were issued and the 2009 Series B Bonds are being converted and redesignated under the provisions of (i) the Trust Indenture, dated as of December 1, 2009 (the "**Trust Indenture**"), between the Agency and The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as trustee (the "**Trustee**"), (ii) the 2009 Series A Supplemental Indenture, dated as of December 1, 2009, as amended (the "**2009 Series A Supplemental Indenture**"), between the Agency and the Trustee, (iii) the 2009 Series B Supplemental Indenture, dated as of March 1, 2011 (the "**2009 Series B Supplemental Indenture**" and collectively with the Trust Indenture and the 2009 Series A Supplemental Indenture, the "**Indenture**"), between the Agency and the Trustee, and (iv) Agency Resolution Authorizing the Issuance and Sale of a Maximum of \$25,000,000 of Bonds In One or More Series to Finance Multi-Family Projects adopted on November 19, 2009 and Agency Resolution Authorizing the Issuance and Sale of a Maximum of \$35,000,000 of Bonds In One or More Series to Finance Multi-Family Projects adopted on February 9, 2009 (collectively, the "**Resolution**").

The Trust Indenture contains terms and conditions relating to the Bonds, including terms and conditions relating to the issuance and sale of Bonds and various covenants and security provisions, certain of which are summarized in "DEFINITIONS OF CERTAIN TERMS" in the Original Official

Statement in Appendix E. That summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Trust Indenture, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

A portion of the proceeds of the 2009 Series A Bonds in the amount of \$6,710,000 (the **"Released Amount"**) is being released on March 31, 2011 (the **"Release Date"**) and a portion of the 2009 Series A Bonds allocable to the Released Amount is being redesignated as the 2009 Series B Bonds. The Agency is authorized by the Act, the Resolution and the Indenture to (i) release a portion of the proceeds of the 2009 Series A Bonds currently held in escrow by the Trustee in a principal amount corresponding to the principal amount of the 2009 Series B Bonds, (ii) redesignate a corresponding portion of the 2009 Series A Bonds as the 2009 Series B Bonds, and (iii) convert the interest rate on the 2009 Series B Bonds from the Short-Term Rate (as defined in the Original Official Statement) to the Permanent Rate (as defined in the Original Official Statement) on May 31, 2011 (the **"Conversion Date"**). See **"THE NEW ISSUE BOND PROGRAM."**

Under the Act, the Agency is authorized to finance mortgage loans for multifamily housing for persons and families of low and moderate income in the State of Vermont (the **"State"**). Under the Indenture, the Agency is authorized to issue bonds to provide funds for the making of multifamily mortgage loans to housing sponsors (the **"Developers"**) eligible under the Act for the financing of housing developments (the **"Developments"**), including making deposits in funds and accounts under the Indenture. Multifamily mortgage loans financed under the Resolution and the Indenture, including, without limitation, the loans described in Appendix B—**"DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS,"** to the extent such loans constitute Permitted Mortgage Loans as defined in the 2009 Series A Supplemental Indenture, are referred to at various times as either the **"Mortgage Loans"** or the **"Mortgage Loan,"** as appropriate.

Following the Release Date, a portion of the proceeds of the 2009 Series A Bonds in an amount equal to the Released Amount will be transferred from the 2009 Series A Escrow Account in the Program Fund to the 2009 Series B Funding Account in the Program Fund and used, together with certain other available moneys, to (a) fund Mortgage Loans (the **"2009 Series B Mortgage Loans"**) to the Developers identified in Appendix B—**"DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS"** (the **"2009 Series B Developers"**) to finance the acquisition, construction and/or rehabilitation of the Developments described in Appendix B (the **"2009 Series B Developments"**), including capitalized interest, if any, (b) make a deposit to the Reserve Fund equal to the amount of the Reserve Requirement, and (c) pay certain costs incurred in connection with the conversion and redesignation of the 2009 Series B Bonds. See **"SOURCES AND USES OF FUNDS."**

The 2009 Series A Bonds were the first obligations issued by the Agency under the Trust Indenture. Additional Series of bonds or notes may be issued by the Agency on parity with the Series 2009 B Bonds and the remaining unconverted 2009 Series A Bonds and other Series of bonds outstanding under the Trust Indenture, provided that each additional Series is authorized by a supplemental indenture adopted in accordance with and under the provisions of the Trust Indenture and the Act. The 2009 Series B Bonds, the remaining unconverted 2009 Series A Bonds and any additional Series of bonds issuable under the Trust Indenture are hereinafter sometimes collectively called the **"Bonds."**

All of the Bonds issued and outstanding under the Indenture, including the 2009 Series A Bonds, the 2009 Series B Bonds and additional Bonds, are parity bonds and are equally and ratably secured by the "Trust Estate" under the Indenture. Under the Indenture, additional Bonds may be issued if (i) the principal amount of the Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed in the Indenture or by law, (ii) upon

the issuance and delivery of such Bonds, the Reserve Requirement will be met, (iii) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, the Agency shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture, and (iv) certain other conditions are satisfied. Additional Series of Bonds may be secured by credit enhancement other than FHA insurance provided under the FHA Risk-Sharing Program.

The 2009 Series B Bonds are limited obligations of the Agency and are payable solely from the Agency's revenues, assets or moneys pledged therefor under the Indenture. The 2009 Series B Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The 2009 Series B Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State but will be payable solely from the revenues or assets of the Agency pledged therefor. The State is not liable on the 2009 Series B Bonds and the 2009 Series B Bonds are not a debt of the State and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on the Bonds. **The Bonds are not general obligations of the Agency and are not a debt of or guaranteed by the State or any political subdivision thereof or the United States or any agency or instrumentality thereof.** See "SECURITY AND SOURCES OF PAYMENT FOR THE 2009 SERIES B BONDS" below and "SECURITY FOR THE BONDS" in the Original Official Statement attached as Appendix E.

THE NEW ISSUE BOND PROGRAM

The Agency issued the 2009 Series A Bonds as escrow bonds under the Multifamily New Issue Bond Program (the "NIBP Program") announced by the United States Department of the Treasury ("Treasury"), Fannie Mae and Freddie Mac. The 2009 Series A Bonds were purchased by Fannie Mae and Freddie Mac (the "Purchasers" or the "GSEs") pursuant to the NIBP Program, the Bond Resolution, the Trust Indenture and the 2009 Series A Supplemental Indenture. Proceeds derived from the sale of the 2009 Series A Bonds in an amount equal to \$23,000,000 were deposited in the 2009 Series A Escrow Account in the Program Fund established by the Trust Indenture and the 2009 Series A Supplemental Indenture. Under the NIBP Program, the Purchasers exchanged the 2009 Series A Bonds for securities issued by the Purchasers ("GSE Securities") backed by the 2009 Series A Bonds, which securities were then purchased by the Treasury. Such GSE Securities are not part of the security for the Bonds. The 2009 Series A Bonds bear interest at a short term variable rate and the interest rate calculation method may be converted in up to six tranches prior to December 31, 2011. Subsequent to the Release Date the Agency will have four such conversion options remaining.

The release of amounts held in the 2009 Series A Escrow Account to become available to make Loans depends upon compliance with various conditions set forth in agreements between the Agency and the Purchasers, the Trust Indenture and the 2009 Series A Supplemental Indenture. Upon the satisfaction of the conditions precedent to the release of funds from the 2009 Series A Escrow Account, the Agency expects to release the Released Amount from the 2009 Series A Escrow Account on the Release Date. A portion of the 2009 Series A Bonds corresponding to the Released Amount will be converted and redesignated as the 2009 Series B Bonds on the Release Date pursuant to the 2009 Series B Supplemental Indenture.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds (net of accrued interest) in connection with the conversion and redesignation of the 2009 Series B Bonds are as follows:

Sources

Released Amount	\$6,710,000.00
Borrowers' Contribution	60,000.00
Agency Contribution	<u>27,947.48</u>
Total Sources	<u>\$6,797,947.48</u>

Uses

Deposit to 2009 Series B Funding Account of the Program Fund	\$6,494,000.00
Deposit to the Reserve Fund	246,299.48
GSE Counsel Fees	7,500.00
Costs of Issuance	<u>50,148.00</u>
Total Uses	<u>\$6,797,947.48</u>

THE AGENCY

Purpose and Powers

The Agency was created as a body politic and corporate of the State. Under the Act, the purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs.

Under the Act the Agency has the power, among other things, to make loans to housing sponsors and mortgage lenders and to purchase mortgage loans from mortgage lenders to finance the making of new residential mortgage loans and rehabilitation mortgage loans for the benefit of persons and families of low and moderate income, to include in any borrowing amounts to pay Agency expenses necessary or incident to such borrowing, to issue bonds and notes, and to do any and all things necessary or convenient to carry out its purposes and exercise the powers granted in the Act.

Management

The powers of the Agency are vested in nine commissioners, consisting of the Commissioner of Banking, Insurance, Securities and Health Care Administration, the State Treasurer, the Secretary of the Department of Economic, Housing and Community Development, the Executive Director of the Vermont Housing and Conservation Board, or their respective designees, and five members appointed by the Governor with the advice and consent of the State Senate. The appointed commissioners serve for terms of four years or until a successor is appointed and qualified. Members whose terms have expired continue to serve until reappointed or a successor has been appointed and qualified.

The present commissioners are:

Thomas N. Pelletier – Chair
Gustave "Gus" Seelig – Vice Chair
Lisa Mitiguy Randall
Robert H. Alberts
Dagvne T. Canney

Bartlett H. "Bart" Frisbie
Steven Kimbell – ex officio member
Elizabeth Pearce – ex officio member
Lawrence Miller – ex-officio member

As of March 15, 2011 the Agency had 36.35 full time equivalent employees who are responsible for the operation and management of the Agency. Of these employees, 7.92 are charged with responsibility for the single-family program and 9.50 are charged with responsibility for the multifamily

program. Included on the staff of the Agency are professionals with experience in mortgage underwriting and portfolio and investment management.

Outstanding Indebtedness

Since September 1974, the Agency has issued approximately \$3,002,504,043 aggregate principal amount of bonds and notes, of which approximately \$756,125,547 was outstanding as of February 28, 2011, to finance its various programs. The proceeds of the bonds have been or will be used to make mortgage loans to sponsors of multifamily residential housing units for persons and families of low and moderate income in the State, to purchase mortgage loans on single-family residential housing units for Persons and Families of Low and Moderate Income in the State, to make loans to mortgage lenders to finance such single-family housing and to make loans to finance certain other multifamily housing developments. The bonds are secured pursuant to the terms of the resolutions or trust indentures under which they were issued.

For additional information concerning the Agency, see "THE AGENCY" in the Original Official Statement attached as Appendix E.

SECURITY AND SOURCES OF PAYMENT FOR THE 2009 SERIES B BONDS

General

For general information concerning the security for and sources of payment of the Bonds, including the 2009 Series B Bonds, see "SECURITY FOR THE BONDS" in the Original Official Statement attached as Appendix E.

Credit Enhancement of the 2009 Series B Mortgage Loans

The 2009 Series B Mortgage Loans are expected to have credit enhancement under the FHA Risk-Sharing Program. See Appendix D—"MORTGAGE INSURANCE PROGRAMS—THE FHA RISK-SHARING PROGRAM."

Neither FHA nor any other credit enhancer insures or guarantees the 2009 Series B Bonds. The assets of FHA or of any other credit enhancers are not available to the Agency or the Trustee to satisfy obligations to the holders of the 2009 Series B Bonds. The obligations of FHA and other credit enhancers, if any, are limited to the payment of mortgage insurance claims, credit enhancement or guaranties as described herein.

Mandatory Sinking Fund Redemption

The Mandatory Sinking Fund Redemption Schedule on the 2009 Series B Bonds described below under "THE 2009 SERIES B BONDS—Mandatory Sinking Fund Redemption" has been established by the Agency in the 2009 Series B Supplemental Indenture based on the scheduled amortization payments on the 2009 Series B Mortgage Loans expected to be made or purchased with moneys on deposit in the 2009 Series B Funding Account in the Program Fund. As described below under "THE 2009 SERIES B BONDS—Mandatory Sinking Fund Redemption," the Mandatory Sinking Fund Redemption Schedule may be revised by the Agency from time to time. Payments of principal and interest on 2009 Series B Mortgage Loans, including 2009 Series B Mortgage Loan prepayments, in excess of the amounts necessary to pay the interest on 2009 Series B Bonds and the redemption price of 2009 Series B Bonds in accordance with the Mandatory Sinking Fund Redemption Schedule then in effect may be applied to redeem 2009 Series B Bonds prior to maturity.

Certain proceeds of the 2009 Series B Bonds, including proceeds on deposit in the Program Fund and the Reserve Fund, will be invested in Permitted Investments.

Reserve Fund

The Trust Indenture requires that a Reserve Fund be established and provides for its funding and maintenance in an amount at least equal to the Reserve Requirement. The Trust Indenture establishes the Reserve Requirement as an amount at least equal to the aggregate amounts specified, if any, as the Reserve Requirement in the Supplemental Indentures authorizing all Series of Bonds currently outstanding. Pursuant to the 2009 Series B Supplemental Indenture, the Reserve Requirement with respect to the 2009 Series B Bonds is an amount at least equal to the maximum semi-annual debt service on the 2009 Series B Bonds, plus an amount equal to one month's interest due on the 2009 Series B Mortgage Loans being financed with the proceeds of the 2009 Series B Bonds. In connection with the conversion and redesignation of the 2009 Series B Bonds, a deposit in the amount of \$246,299.48 equal to the maximum semi-annual debt service on the 2009 Series B Bonds, plus an amount equal to one month's interest due on the 2009 Series B Mortgage Loans being financed with the proceeds of the 2009 Series B Bonds, will be made into the Reserve Fund. See "SOURCES AND USES OF FUNDS" above.

For further information concerning the Reserve Fund, see "SECURITY FOR THE BONDS—Reserve Fund" in the Original Official Statement attached as Appendix E.

Additional Bonds

The Trust Indenture permits the issuance of additional Bonds thereunder for the purpose of providing funds for effectuating the public purposes as set for in the Act and, in addition, to refund outstanding Bonds issued under the Trust Indenture or other bonds or notes of the Agency, so long as the issuance of such additional Bonds would not adversely affect the unenhanced ratings then assigned to any Bond outstanding by any Rating Agency. Unless otherwise specified for a Series of Bonds in the supplemental indenture pursuant to which such Series of Bonds are issued, any additional Bonds issued under the Trust Indenture would be on a parity with the outstanding 2009 Series B Bonds and the remaining unconverted 2009 Series A Bonds and other additional Bonds outstanding under the Trust Indenture, and would be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Trust Indenture. The Trust Indenture provides that upon the issuance of any such additional Bonds there is to be deposited in the Reserve Fund, if necessary, amounts sufficient to increase the amount therein to the Reserve Requirement calculated after such issuance.

All of the Bonds issued and outstanding under the Indenture, including the 2009 Series A Bonds, the 2009 Series B Bonds and other additional Bonds, are parity bonds and are equally and ratably secured by the "Trust Estate" under the Indenture unless otherwise specified for a Series of Bonds in the supplemental indenture pursuant to which such Series of Bonds are issued. Under the Indenture, additional Bonds may be issued if (i) the principal amount of the Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed in the Indenture or by law, (ii) upon the issuance and delivery of such Bonds, the Reserve Requirement will be met, (iii) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, the Agency shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture, and (iv) certain other conditions are satisfied. Additional Series of Bonds may be secured by credit enhancement other than FHA insurance provided under the FHA Risk-Sharing Program. The Agency has covenanted in the 2009 Series B Supplemental Indenture that all Mortgage Loans financed by and securing the 2009 Series B Bonds or any Bonds which are parity obligations with the 2009 Series B Bonds shall be insured

under the FHA Risk-Share insurance program or such other insurance or guaranty program as shall result in a “Aaa” rating of such Bonds by Moody’s Investors Service, Inc.

For further information concerning Additional Bonds, see “SECURITY FOR THE BONDS—Additional Bonds” in the Original Official Statement attached as Appendix E.

THE 2009 SERIES B BONDS

General

The 2009 Series B Bonds are dated December 21, 2009, will mature on August 1, 2051 (the “**Stated Maturity**”), and will bear interest from the Release Date to but excluding the Conversion Date at a rate per annum equal to 60 basis points plus the lesser of (a) the interest rate for four week Treasury bills as of the second Business Day prior to the Release Date or (b) 3.01%, payable on the Conversion Date. On and after the Conversion Date, the 2009 Series B Bonds will bear interest at a rate per annum equal to 3.61% per annum, payable on May 31, 2011, July 1, 2011 and the first day of each month thereafter (each an “**Interest Payment Date**”) until payment of the principal thereof, from the Interest Payment Date next preceding the date of registration and authentication of each such 2009 Series B Bond, unless such 2009 Series B Bond is registered and authenticated as of an Interest Payment Date, in which case it shall bear interest from said Interest Payment Date, or unless such 2009 Series B Bond shall be in default, in which event such 2009 Series B Bond shall bear interest from the date on which interest was last paid on such 2009 Series B Bond or from the Conversion Date if no interest has been paid on such 2009 Series B Bond. The 2009 Series B Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee for DTC, which will act as securities depository for the 2009 Series B Bonds. If any such dates are not business days, then payments will be made on the next business day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payment of the principal of and the interest on the 2009 Series B Bonds at Stated Maturity will be made upon the presentation and surrender of the 2009 Series B Bonds. All payments of interest on and principal of, the 2009 Series B Bonds will be paid through DTC in accordance with its normal procedures, which as of the date of this Supplement No. 1 provide for payment by the Securities Depository to its Direct Participants (as defined under the caption “BOOK-ENTRY ONLY SYSTEM” in the Original Official Statement attached as Appendix E).

Redemption Provisions

Mandatory Sinking Fund Redemption. The 2009 Series B Bonds are subject to mandatory redemption (“**Mandatory Sinking Fund Redemption**”) in direct order of maturity (and by lot within a maturity) at a redemption price equal to 100 percent of their principal amount, plus accrued interest to the date of redemption, if any, on the first day of any month, in minimum denominations of \$10,000 and integral multiples of \$10,000 in excess of that amount. No notice of such redemption shall be given to the Trustee, and the Trustee shall base its redemption of 2009 Series B Bonds on the table attached hereto as Appendix C, as revised from time to time by the Agency. Such table may be revised upon any purchase or redemption of the 2009 Series B Bonds in a certificate of the Agency provided to the Trustee. As shown on the sinking fund schedule found in Appendix C, all of the 2009 Series B Bonds are expected to be redeemed by August 1, 2041.

Optional Redemption. The 2009 Series B Bonds are subject to optional redemption in minimum denominations of \$10,000 and integral multiples of \$10,000 in excess of that amount at the option of the Agency, in whole or in part, from any source of funds, on the first Business Day of any

month, at a redemption price equal to 100% of the principal amount of the 2009 Series B Bonds to be redeemed, without premium, plus accrued interest, if any, to the redemption date.

Selection of Bonds To Be Redeemed. In the event of redemption of less than all of the outstanding 2009 Series B Bonds, the 2009 Series B Bonds to be redeemed shall be selected by the Agency in its sole discretion by written notice to the Trustee of the principal amount of the 2009 Series B Bonds to be redeemed, or if not so provided, randomly in such manner as the Trustee in its discretion deems fair. Whenever the Trustee is required or authorized to redeem 2009 Series B Bonds other than at the election or direction of the Agency, the Trustee shall select the 2009 Series B Bonds to be redeemed, give the notice of redemption and pay out of moneys available therefor (or pay to any Paying Agent, if applicable) the redemption price to the appropriate Paying Agent or Paying Agents in accordance with the terms of the Indenture. The 2009 Series B Bonds may be redeemed only in minimum denominations of \$10,000 and integral multiples of \$10,000 in excess of that amount. All 2009 Series B Bonds called for redemption will cease to accrue interest on the specified redemption date and shall no longer be considered outstanding under the Indenture, if funds sufficient for the redemption of those 2009 Series B Bonds are deposited with the Trustee. Upon presentation and surrender of 2009 Series B Bonds called for redemption at the place or places of payment, together with a written instrument of transfer duly executed by the owner thereof or by the owner's attorney duly authorized in writing, such 2009 Series B Bonds are to be paid and redeemed.

Redemption Restrictions and Recycling Prohibition. Except as limited by tax law requirements, the Agency shall apply the following exclusively to the redemption of the 2009 Series B Bonds, the 2009 Series A Bonds and any other Converted Bonds (collectively, the "Program Bonds") (i) all proceeds of the Program Bonds, to the extent not used to fund Permitted Mortgage Loans, refund outstanding bond issues as provided in the Indenture, pay Program Bond issuance expenses or fund related reserve accounts and (ii) a pro rata portion (calculated based on the outstanding principal amount of the Program Bonds divided by the sum of the outstanding principal amount of the Program Bonds and the outstanding principal amount of any bonds issued in conjunction with and secured by the Trust Estate on a parity with the Program Bonds) and 100% (if no bonds issued in conjunction with and secured by the Trust Estate on a parity with the Program Bonds are then Outstanding) of all principal prepayments and recoveries of principal received with respect to the Permitted Mortgage Loans, acquired or financed with the proceeds of the Program Bonds and any such parity bonds, to the extent not used to pay scheduled principal, interest or sinking fund redemptions on Program Bonds and any bonds issued in conjunction with and secured by the Trust Estate on a parity with the Program Bonds. Notwithstanding the foregoing, tax credit equity with respect to projects funded with Permitted Mortgage Loans may be used solely to redeem related bonds issued in conjunction with Program Bonds. Amounts set forth in clause (ii) are required to be applied to the redemption of Program Bonds promptly and as provided above shall not be recycled into new Permitted Mortgage Loans. Particular series of Program Bonds may be redeemed with payments of specified Permitted Mortgage Loans.

Notice of Redemption. When the Trustee is required or authorized to redeem 2009 Series B Bonds, the Trustee will, in accordance with the terms and provisions of the 2009 Series B Bonds and of the Indenture, give notice (which notice shall be dated the date given) of the redemption of 2009 Series B Bonds, which notice will specify (a) the name of the 2009 Series B Bonds, (b) the date of issue, (c) the redemption price, (d) the CUSIP number or numbers of the 2009 Series B Bonds to be redeemed, (e) the redemption date and the place or places where amounts due upon such redemption will be payable (including name and address of the Trustee or redemption agent, with contact person and telephone number), (f) if less than all of the 2009 Series B Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such 2009 Series B Bonds so to be redeemed (*i.e.*, certificate numbers), (g) in the case of a 2009 Series B Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount thereof to be redeemed, and (h) such other information as may be

specified in the 2009 Series B Supplemental Indenture. Such notice will further state that, except as otherwise provided in the second succeeding paragraph, on the redemption date there will become due and payable upon each 2009 Series B Bond to be redeemed the redemption price thereof, or the redemption price of the specified portion of the principal amount thereof in the case of a 2009 Series B Bond to be redeemed in part only, and that from and after such date, interest on such 2009 Series B Bond will cease to accrue and be payable. Such notice will be given by mailing a copy of such notice, first-class mail, postage prepaid, at least 30 days but no more than 60 days prior to such redemption date, to the registered owner of any 2009 Series B Bond, all or a portion of which is to be redeemed, at his last address, if any, appearing upon the registry books, but failure so to mail any such notice or any defect in such notice will not be a condition precedent to or affect the validity of any proceedings for the redemption of other 2009 Series B Bonds.

In addition, the Trustee will send (no more than 60 days after the date for redemption) a further notice of redemption to each registered owner who has not presented his or her 2009 Series B Bond for redemption within 30 days subsequent to the redemption date. Each such notice will be sent by first-class mail, postage prepaid.

Any notice of redemption may, if directed by the Agency, be given specifying that the redemption of the 2009 Series B Bonds so called for redemption is made conditional upon the deposit of sufficient amounts to pay the redemption price therefor on the redemption date and, if amounts are not so available, such notice of redemption shall be cancelled and be null and void and the 2009 Series B Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain outstanding.

Additionally, written notice of each redemption of 2009 Series B Bonds must be provided by the Trustee to the GSEs, the Administrator and the Treasury's Financial Agent, such notice to be provided by facsimile transmission to addresses provided by such parties. Redemption of 2009 Series B Bonds will not be conditioned or delayed for the giving of such notice, which must be provided at least ten (10) days in advance of the date of such redemption.

Book-Entry Only System

The 2009 Series B Bonds are issuable only in registered form. DTC will act as securities depository for the 2009 Series B Bonds and its nominee will be the registered owner of the 2009 Series B Bonds. See "BOOK ENTRY SYSTEM" in the Original Official Statement in Appendix E.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described herein, interest on the 2009 Series B Bonds from the Release Date is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2009 Series B Bond for any period during which the 2009 Series B Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the 2009 Series B Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the 2009 Series B Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Agency and the Developers in connection with the 2009 Series B Bonds, and Bond Counsel has assumed compliance by the Agency and the Developers with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Assuming compliance by the Agency with certain covenants and certifications contained in the Indenture, under existing laws of the State, the 2009 Series B Bonds, their transfer, and the interest payable thereon, including any profit realized from the sale or exchange thereof, will be exempt from all taxation by the State and its political subdivisions, except estate or inheritance taxation.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2009 Series B Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2009 Series B Bonds, or under state and local tax law.

Certain Parity Indenture Aspects

Each series of Bonds issued under the Indenture with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes ("**Tax-Exempt Bonds**"), including the 2009 Series B Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code (August 16, 1986), are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The 2009 Series B Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements applicable to the 2009 Series B Bonds under the Code.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2009 Series B Bonds in order that interest on the 2009 Series B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2009 Series B Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the 2009 Series B Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Agency has covenanted in the Indenture that it will do and perform all acts necessary or desirable to assure the exclusion of interest on the 2009 Series B Bonds from gross income under Section 103 of the Code. The Agency will deliver its Tax Certificate concurrently with the issuance of the 2009 Series B Bonds which will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require Developers to make certain covenants in the Mortgage Loan program documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Agency or the owners of the 2009 Series B Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the 2009 Series B Bonds for Federal income tax purposes. Such Federal tax compliance covenants will be subordinate to the rights of FHA under the 2009 Series B Loan documents

and the enforcement of such covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Agency or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on such 2009 Series B Bonds for Federal income tax purposes.

Low Income Set-Aside Requirements Under the Code

The 2009 Series B Bonds are subject to the low income set-aside and other requirements for qualified residential rental projects under the Code which are described briefly in this subsection. The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20% of the completed units in a project to be financed with the proceeds of the 2009 Series B Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size), or (ii) at least 40% of the completed units in a project to be financed with the proceeds of the 2009 Series B Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). The Agency will make elections on the applicable low income set-aside requirements with respect to the Developments expected to be financed with the proceeds of the 2009 Series B Bonds prior to the issuance date of the 2009 Series B Bonds. In addition, all of the units in any Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50% of the residential units in such project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to such project is outstanding, or (iii) the date upon which any assistance provided with respect to such project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant's income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2009 Series B Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2009 Series B Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2009 Series B Bonds.

Prospective owners of the 2009 Series B Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from

gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon such owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the 2009 Series B Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the 2009 Series B Bonds. Interest on the 2009 Series B Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a 2009 Series B Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. The "issue price" for each maturity of 2009 Series B Bonds is the principal amount thereof set forth on the cover page (or inside cover page) of this Supplement No. 1 with respect to such 2009 Series B Bonds. In general, under Section 1288 of the Code, OID on a 2009 Series B Bond having OID (a "**Discount Bond**") accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such 2009 Series B Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Due to the fact that the interest rate on the 2009 Series B Bonds increases two months following the Release Date, the 2009 Series B Bonds may be considered issued with original issue discount for federal income tax purposes.

Generally, such original issue discount is amortized over the term of any such Discount Bonds, and such amortized amount is treated as tax-exempt interest. Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2009 Series B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2009 Series B Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2009 Series B Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the 2009 Series B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to 2009 Series B Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2009 Series B Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2009 Series B Bonds or the market value thereof would be impacted thereby. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2009 Series B Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Purchasers of the 2009 Series B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

LEGAL MATTERS

The authorization and delivery of the 2009 Series B Bonds are subject to receipt of the opinion of Kutak Rock LLP, Bond Counsel, which will be in substantially the form set forth in Appendix A. Certain legal matters will be passed upon for the Agency by its General Counsel, George N. Demas, Esq.

LITIGATION

The Agency is not engaged in and has not been threatened with any litigation of any nature which seeks to restrain or enjoin the issuance, sale, execution or delivery of the 2009 Series B Bonds or which in any way contests the validity of the 2009 Series A Bonds or the 2009 Series B Bonds or any proceedings of the Agency taken with respect to their issuance or sale or the pledge or application of any moneys or the security provided for the payment of the 2009 Series A Bonds or the 2009 Series B Bonds, or which contests the existence of the Agency.

RATINGS

The 2009 Series B Bonds have received a rating of "Aaa" from Moody's Investors Service, Inc. ("Moody's"). Ratings assigned to the 2009 Series B Bonds reflect only the views of the rating agency and an explanation of the significance of such ratings may be obtained only from the rating agency. There is no assurance that the ratings that have been assigned to the 2009 Series B Bonds will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agency if, in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the 2009 Series B Bonds.

CONTINUING DISCLOSURE

In connection with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, the Agency has agreed to file annually, within 180 days after the close of each Fiscal Year, beginning with the fiscal year ending June 30, 2010, financial statements for such Fiscal Year and to provide notices of the occurrence of certain enumerated events, and also including the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2009 Series B Bonds, bankruptcy, insolvency, receivership or similar event of the Agency, the consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, and the appointment of a successor additional trustee or change of name of a trustee, if material. The Agency's agreement to provide this information is referred to as the "**Continuing Disclosure Agreement.**" Such information will be provided to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System. A form of the Continuing Disclosure Agreement is included as an appendix to the Original Official Statement in Appendix E hereto. The Continuing Disclosure Agreement may be enforced by any beneficial or registered owner of the 2009 Series B Bonds, but the Agency's failure to comply with this undertaking will not be a default under the Indenture.

In addition, in the 2009 Series A Supplemental Indenture, the Agency has covenanted to provide certain information to the GSEs for each period after and including the calendar quarter ending September 30, 2010. Such information includes principally (i) audited financial statements of the Agency for each Fiscal Year, (ii) financial statements of the Agency for interim portions of a Fiscal Year if produced, (iii) financial statements specific to the Indenture for each of the first three calendar quarters of each Fiscal Year, (iv) a compliance certificate in a specified form, (v) specified quarterly reports, (vi) copies of cash flow certificates, (vii) certificates required under the 2009 Series A Supplemental Indenture for the withdrawal of cash from the Indenture, (viii) copies of rating agency presentations and ratings pertaining to the Indenture or to the Agency as a whole, (ix) copies of disclosure documents with respect to obligations outstanding under the Indenture, and (x) copies of publicly available information disclosures concerning the financial condition or performance of the Agency.

The Agency also agreed in the 2009 Series A Supplemental Indenture to provide the GSEs with notice of certain events, including (i) events which would require the filing of an "events notice" under Rule 15c2-12 as that Rule is amended, restated or replaced from time to time, (ii) any "event of default" or event which, with the passage of time or the giving of notice, or both, would become such an "event of default" under the Indenture or certain related documents, (iii) resignation or removal of the Trustee, or any failure by the Trustee to perform its duties under the Indenture or any related document, (iv) demands for payments or for the posting of collateral under a hedging arrangement, (v) any litigation, administrative or other proceeding or other development that would have a material and adverse effect on the ability of the Agency to perform its duties and obligations under the Indenture or any related document, (vi) a ratings downgrade, or notice of a negative outlook applicable to existing ratings, relating to the Agency as a whole or to the Bonds, (vii) certain adverse changes with respect to any provider of a guaranteed investment contract or hedge relating to the Indenture or to the Agency as a whole, (viii) supplements or amendments to the Indenture, (ix) unscheduled draws on a debt service reserve of credit enhancement for any of the Bonds, (x) defeasance of any Bonds, and (xi) release, sale or substitution of any property securing any of the Bonds.

MISCELLANEOUS

All quotations from, and summaries and explanations of the Act and the Indenture contained in this Supplement No. 1 do not purport to be complete and reference is made to the Act and the Indenture for full and complete statements of their provisions. Copies of the Act and the Indenture are on file at the office of the Agency. The address of the Agency is 164 Saint Paul Street, Burlington, Vermont 05401 and its telephone number is (802) 864-5743.

Any statements in this Supplement No. 1 involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of facts. This Supplement No. 1 is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the 2009 Series B Bonds. The execution and distribution of this Supplement No. 1 have been duly authorized by the Agency.

VERMONT HOUSING FINANCE AGENCY

Saul Carpenter

Executive Director

APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401-4634

\$6,710,000
Vermont Housing Finance Agency
HFA Initiative Multifamily Bonds,
2009 Series B

We have previously acted as Bond Counsel in connection with the issuance by the Vermont Housing Finance Agency (the "Agency") of \$23,000,000 aggregate principal amount of its HFA Initiative Multifamily Bonds, 2009 Series A (the "2009 Series A Bonds"). The 2009 Series A Bonds were authorized to be issued pursuant to the No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"), and under and pursuant to the Trust Indenture, dated as of December 1, 2009 (the "Trust Indenture"), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), resolutions of the Agency authorizing the issuance and sale of bonds to finance multifamily mortgage loans, and the Supplemental Indenture dated as of December 1, 2009, as amended (the "2009 Series A Supplemental Indenture"), between the Agency and the Trustee.

The Agency has determined to supplement the Trust Indenture by the 2009 Series B Supplemental Indenture, dated as of March 1, 2011 (the "2009 Series B Supplemental Indenture"), by and between the Agency and the Trustee, to provide for and establish a Release Date (as defined below) with respect to a portion of the proceeds of the 2009 Series A Bonds currently held in escrow and to provide for the application of such released proceeds to the funding of mortgage loans, all as hereinafter provided. In accordance with and subject to the terms, conditions and limitations established in the Trust Indenture, the 2009 Series A Supplemental Indenture and the 2009 Series B Supplemental Indenture (collectively, the "Indenture"), a portion of the proceeds of the 2009 Series A Bonds in the principal amount of \$6,710,000 shall be released from escrow on the date hereof (the "Release Date"), and the portion of the 2009 Series A Bonds relating thereto shall be redesignated as 2009 Series B Bonds (the "2009 Series B Bonds" or the "Bonds") and deemed reissued for federal income tax purposes as of the date hereof.

The Bonds are equally and ratably secured by the Indenture with all other bonds issued thereunder unless otherwise specified in a supplemental indenture or by the Agency pursuant to the provisions thereof.

The Bonds are dated, mature in the year, in the principal amount and bear interest at the rate per annum set forth in the 2009 Series B Supplemental Indenture. The Bonds are also subject to redemption prior to maturity upon the terms and conditions and at the redemption prices provided in the Indenture.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain continuing requirements which must be met in order that interest on the Bonds not be included in gross income of the owners thereof for federal income tax purposes. These include requirements as to the use and investment of proceeds of the Bonds, the payment of certain amounts to the United States and the use and occupancy of the projects financed by the Bonds. In the Indenture, various tax certificates and Tax Regulatory Agreements, (together, the "Tax Regulatory Agreements") among the Agency, the Trustee and the

various borrowers (together, the "Borrowers"), the Agency and each of the Borrowers have made various covenants with respect to these requirements. Failure to comply with certain of such covenants could cause interest on the Bonds to be included in gross income of the owners thereof for federal income tax purposes, retroactively to the date of issuance of the Bonds.

In rendering this opinion we have reviewed the Indenture and certain other documents, certificates and other materials delivered in connection with the issuance of the Bonds.

Based on the foregoing it is our opinion that:

(a) The Agency is duly created and validly existing under the Act as a body politic and corporate of the State and has the right and power under the Act to enter into the Indenture and to release and redesignate the Bonds.

(b) The Indenture has been duly and lawfully authorized and executed by the Agency, is in full force and effect and is valid and binding upon the Agency and enforceable in accordance with its terms and no other authorization for the Indenture is required. The Indenture creates the valid pledge which it purports to create of the Trust Estate (except the Rebate Fund), subject only to the provisions of the Indenture permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Indenture.

(c) The release and redesignation of the Bonds were duly authorized and the Bonds have been duly reissued, executed, and delivered by the Agency in accordance with the Act and the Indenture and constitute valid and binding limited obligations of the Agency, which has no taxing power, enforceable in accordance with their terms and the terms of the Indenture and entitled to the benefits of the Act and the Indenture. The Bonds are limited obligations of the Agency, payable from the Agency's revenues, assets or moneys pledged therefor under the Indenture. The Bonds do not constitute a debt or liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision.

(d) Under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds from the Release Date is excluded from gross income of their owners for federal income tax purposes. We are further of the opinion that interest on the Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. If there is continuing compliance by the Agency and the Borrowers with their respective covenants described above as contained in the Indenture and the Tax Regulatory Agreements, we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. No opinion is expressed, however, as to the exclusion from gross income of the owners of the Bonds for federal income tax purposes of interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of a project financed by the Bonds or by any person considered to be related to such person within the meaning of the Code. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

(e) Assuming compliance by the Agency with certain covenants and certifications contained in the Indenture, under existing laws of the State, the Bonds, their transfer, and the interest payable thereon, including any profit realized from the sale or exchange thereof, will be

exempt from all taxation by the State and its political subdivisions, except estate or inheritance taxation.

The opinions we have expressed herein as to the treatment of the Bonds or the interest borne thereon for federal income tax purposes and for state tax purposes are based upon statutes, regulations, and court decisions in effect on the date hereof. We undertake no obligation to update the contents of this opinion on any future date. Each purchaser of the Bonds should consult his or her tax advisor regarding any changes in the status of any pending or proposed legislation.

The foregoing opinions are qualified only to the extent that the enforceability of the Bonds and the Indenture may be limited by the exercise of judicial discretion in accordance with general equitable principles and by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally enforceable.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. The opinions expressed herein are based upon existing law as of the date hereof, and we express no opinion herein as of any subsequent date or with respect to any pending legislation.

Very truly yours,

APPENDIX B

DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS
EXPECTED TO BE FINANCED BY THE 2009 SERIES B BONDS

<u>Name</u>	<u>Location</u>	<u>Owner</u>	<u>No. of Units</u>	<u>Mortgage Loan Amount</u>	<u>Credit Enhancement Program</u>	<u>Term of Mortgage Loan (Years)</u>	<u>Interest Rate(s)</u>	<u>Expected Date of Construction Completion</u>
Salmon Run	220 Riverside Avenue Burlington, Vermont	Salmon Run Housing Limited Partnership	80	\$3,200,000	FHA Risk-Sharing Program	30	5.26%	Construction completed November, 2010
Windsor Village	65 State Street Windsor, Vermont	65 State Street Housing Limited Partnership	77	\$3,294,000	FHA Risk-Sharing Program	30	5.26%	Construction completed December 31, 2011

APPENDIX C
SINKING FUND SCHEDULE

Maturity Info

Maturity Date	Issue Amount
05/01/2011	-
06/01/2011	10,000
07/01/2011	10,000
08/01/2011	-
09/01/2011	10,000
10/01/2011	10,000
11/01/2011	10,000
12/01/2011	10,000
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08/01/2041	10,000
	6,710,000

APPENDIX D

MORTGAGE INSURANCE PROGRAMS— THE FHA RISK-SHARING PROGRAM

The following is a brief description of the multifamily mortgage insurance program administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "**Risk-Sharing Act**"), of Title II of the National Housing Act, as amended (the "**National Housing Act**"), and is qualified in its entirety by reference to the National Housing Act and the Risk-Sharing Act and the regulations thereunder.

The Risk-Sharing Act authorizes the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies ("**HFAs**") to enable those HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "**Regulations**") pursuant to the National Housing Act. The FHA Risk-Sharing Program established by the Risk-Sharing Act allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, including reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect. The FHA Risk-Sharing Program is designed to increase the supply of affordable multifamily units by allowing HFAs to originate and service mortgage loans that are fully insured by FHA.

This mortgage insurance program requires that an interested HFA first be approved as a qualified HFA. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement with the Commissioner of FHA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA's standards and procedures for underwriting and servicing loans and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the FHA Risk-Sharing Program include qualified new construction projects, substantial rehabilitation projects, existing projects, projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program. Risk-sharing projects must be maintained as "affordable housing," which means that either (1) 20% or more of the units are both rent-restricted (as defined below) and occupied by families whose income is 50% or less of the area median income as determined by HUD, with adjustments to income based on household size, or (2) 40% or more of the units are both rent-restricted and occupied by families whose income is 60 percent or less of the area median income as determined by HUD, with adjustments to income based on household size. A residential unit is rent-restricted if the gross rent with respect to such unit does not exceed 30% of the imputed income limitation applicable to the unit as published from time to time by HUD.

Pursuant to Section 542(c) of the Risk-Sharing Act, the Agency and HUD have entered into a risk-sharing agreement, dated as of September 18, 2009 (the "**Risk-Sharing Agreement**") under which the Agency has been granted Level 1 status, HUD has agreed to provide federal insurance on certain mortgage loans made by the Agency, and the Agency has agreed to reimburse HUD for 50 percent to 90 percent (as negotiated for each specific mortgage loan) of the payments made by HUD on any of the mortgage loans insured under the federal insurance. However, any failure by the Agency to reimburse HUD pursuant to the Risk-Sharing Agreement will not affect HUD's obligation to pay the insurance

claim as described below. Claims made by the Agency under the federal insurance program will be made at the times and in the manner described below.

The Agency will authorize the use of the FHA Risk-Sharing Program in connection with new Mortgage Loans financed by the 2009 Series B Bonds on a case-by-case basis.

FHA Insurance under the FHA Risk-Sharing Program with respect to any Mortgage Loan may be terminated upon the occurrence of certain events, including the following: (1) the corresponding mortgage is paid in full; (2) the Agency acquires mortgaged property and notifies the Commissioner that it will not file an insurance claim; (3) a party other than the Agency acquires property at a foreclosure sale; (4) the Agency notifies the Commissioner of a voluntary termination of insurance; (5) the Agency or its successors commit fraud or make a material misrepresentation to the Commissioner with respect to certain information; (6) the receipt by the Commissioner of an application for final claims settlement by the Agency; or (7) the Agency acquires the mortgaged property and fails to make an initial claim.

During its participation in the program, the Agency must take responsibility for certain functions, including specified functions relating to the Affirmative Fair Housing Marketing Plan, labor standards, insurance of advances, cost certification, and lead-based paint requirements. A mortgagor must certify to the Agency that it is in compliance with certain enumerated discrimination and civil rights statutes and executive orders. HUD has specifically retained certain functions, including monitoring compliance with the Davis-Bacon Act, environmental laws, enforcement of certain fair housing and equal opportunity laws and other program criteria. Certain HUD requirements may only be applicable when construction advances are insured.

Upon completion of construction, presentation of a closing docket, including an executed regulatory agreement between the Agency and the mortgagor, and certifications required by the Regulations, FHA issues a final endorsement of the mortgage note for the costs related to the project which have been certified by an independent certified public accountant and have been approved by the Agency. Although the Agency has been given authority to approve cost certifications by a mortgagor, HUD has the Agency, in its sole discretion, at any time prior to and including final endorsement, to adjust the amount of mortgage insurance.

The Regulations indicate that a default under an FHA-insured mortgage has occurred (which default causes the Agency to become eligible for insurance benefits) when (1) the mortgagor fails to make any payment due under the mortgage, or (2) the mortgagor fails to perform any other mortgage covenant (which include covenants in the related regulatory agreement, which is incorporated by reference in the applicable mortgage), the Agency has accelerated the debt and the owner has failed to pay the full amount due. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after such grace period and monthly thereafter, unless waived by HUD, until such default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default. Such claim may be made as early as the first day of the month following the month for which a payment was missed. Upon request of the Agency, HUD may extend, up to 180 days from the date of default, the deadline for filing a claim. In those cases where the Agency certifies that the project owner is in the process of transacting a bond refunding, refinancing the mortgage, or changing the ownership for the purpose of curing the default and bringing the mortgage current, HUD may extend the deadline for filing a claim beyond 180 days but not exceed 360 days from the date of default.

The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim

payment. The mortgage note interest component of the initial claim amount is subject to curtailment as described below. HUD must make all claim payments in cash. The initial claim payment to the Agency is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessed under the Regulations. **The Agency must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms securing the mortgage within 30 days of the initial claim payment.** Any excess funds resulting from such retirement or repayment must be returned to HUD within 30 days of the retirement.

In determining the mortgage note interest component of the initial claim amount, if the Agency fails to meet any of the requirements of the Regulations within the specified time (including any granted extension of time), HUD shall curtail the accrual of mortgage note interest by the number of days by which the required action was late. The Regulations also indicate that losses sustained as a consequence of the (sole) negligence of the Agency shall be the sole obligation of the Agency, notwithstanding the risk apportionment otherwise agreed to by HUD and the Agency.

Within 30 days of the initial claim payment, the Agency must also issue to HUD a debenture in a form approved by HUD (each, a "**Debenture**"), payable in five years unless extended, in an amount equal to the amount of the initial claim payment. Each Debenture must be supported by the full faith and credit of the Agency. Each Debenture will bear interest at HUD's published debenture rate, and interest will be payable annually. The Risk-Sharing Act contemplates that during the five year term of each Debenture, the Agency would work toward curing the default, foreclosure or resale of the related development. On or before the due date of each Debenture, the total loss to be shared by the Agency and HUD shall be computed pursuant to the Risk-Sharing Agreement.

The Regulations provide that the Agency must file an application for final claim settlement not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed in lieu of foreclosure, or (2) expiration of the term of the Debenture. The total loss on the mortgaged property is determined and allocated between HUD and the Agency in accordance with their respective percentages of risk specified in the mortgage note and the risk-sharing agreement.

The Regulations indicate that if the initial claim amount is less than HUD's share of the loss, HUD shall make a final claim payment to the Agency that is equal to the difference between HUD's share of the loss and the initial claim amount and shall return the related Debenture to the Agency for cancellation. If the initial claim amount is more than HUD's share of the loss, the Agency shall, within 30 days of notification of the amount due, remit to HUD an amount equal to the difference between the initial claim amount and HUD's share of the loss. The related Debenture will be considered redeemed upon receipt of the cash payment.

Information on project management and servicing will be required after endorsement. Additionally, the Agency must submit semiannual reports, annual financial statements and must maintain its eligibility by continued compliance with the risk-sharing agreement, the regulatory agreement, and all the requirements for initial program eligibility.

APPENDIX E
THE ORIGINAL OFFICIAL STATEMENT