New Issue

*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 Series Bonds is excludable from gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Series 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 EXEMPTION**" herein. The Vermont Housing Finance Agency Act provides that the Series Bonds and the interest thereon are exempt from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes.*

VERMONT HOUSING FINANCE AGENCY

Multiple Purpose Bonds

$38,000,000 2008 Series C-1 (Fixed Rate) (Non-AMT) †

$12,000,000 2008 Series C-2 (Variable Rate) (Non-AMT)†

Dated: Date of Delivery **Due:** As shown on inside cover

The 2008 Series C-1 Bonds (the "2008 Series C-1 Bonds") and the 2008 Series C-2 Bonds (the "2008 Series C-2 Bonds" or the "Variable Rate Demand Bonds" and, together with the 2008 Series C-1 Bonds, the "Series Bonds") are issuable only as fully registered bonds and, when issued, are expected to be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (the "Securities Depository"). Purchases and sales by the beneficial owners of the Series Bonds can be made in book-entry form only. Beneficial owners will not receive certificates evidencing their ownership interests in the Series Bonds. See "**APPENDIX IX—BOOK ENTRY SYSTEM**" herein.

Interest on the Series Bonds will be payable on May 1, 2009, semi-annually thereafter on May 1 and November 1 of each year, and on the maturity thereof. Interest on the Series Bonds is payable by Wells Fargo Bank, National Association, as trustee (the "Trustee"), to the Securities Depository. The Securities Depository is to credit such payment to its Participants (as hereinafter described), who are to remit interest payments to the beneficial owners of the Series Bonds. Principal and premium, if any, will be payable by the Trustee in the same manner.

The Series Bonds are subject to redemption prior to maturity, including sinking fund redemption at par and optional and special redemption, at the prices set forth herein under certain circumstances, as more fully described herein. The Variable Rate Demand Bonds are subject to mandatory tender at par under certain circumstances, as more fully described herein.

The Variable Rate Demand Bonds are subject to purchase by the Trustee on the demand of the registered owners thereof on any business day upon seven days' notice as described herein. The Agency is to obtain a liquidity facility for the Variable Rate Demand Bonds which is to provide for payment of principal and up to 187 days' interest (219 days of interest prior to May 1, 2009) for such Variable Rate Demand Bonds that are tendered and not remarketed on any Optional Tender Date or Mandatory Tender Date, which liquidity facility is to expire September 24, 2013, subject to extension or earlier termination as described herein. The initial liquidity provider's commitment under the liquidity facility may be terminated without prior notice or opportunity to tender upon the occurrence of certain circumstances described herein. See "**THE SERIES BONDS—Liquidity Facility for Variable Rate Demand Bonds**—*Remedies Upon an Event of Default*." It is expected that the initial liquidity provider for such bonds will be TD Bank, N.A. (the "Bank" or "TD Bank") and the initial Remarketing Agent will be Citigroup Global Markets Inc.

Under the circumstances described herein, the 2008 Series C-1 Bonds, in a principal amount not to exceed the amount of unexpended proceeds of such 2008 Series C-1 Bonds on deposit in the Single Family Program Account relating to the 2008 Series C-1 Bonds, will be subject to mandatory tender and remarketing on any date (the "Adjustment Date") not earlier than June 1, 2009 and not later than June 1, 2011. On the Adjustment Date, if any, the interest rates on the 2008 Series C-1 Bonds subject to mandatory tender and remarketing are to be adjusted to a lower rate (the "Adjusted Interest Rate"). Owners of any 2008 Series C-1 Bonds subject to mandatory tender on the Adjustment Date may elect to retain such Bonds and the 2008 Series C-1 Bonds so retained shall bear interest on and after the Adjustment Date at the Adjusted Interest Rate as more fully described herein.

The Series Bonds are being issued by the Agency to provide money to fund Single Family Mortgage Loans (hereinafter defined) made to finance the purchase or improvement of single family housing located in the State of Vermont (the "State").

The Series Bonds are general obligations of the Agency, for which its full faith and credit are pledged, and are payable from any of the Agency's revenues, assets or moneys, subject only to agreements made with holders of notes and bonds or other indebtedness pledging particular revenues, moneys or assets for the payment thereof. The Agency has no taxing power. In addition, the Series Bonds are secured by the Trust Estate, to the extent and as provided in the Indenture. Neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged for the payment of the Series Bonds.

The Series Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approval of legality by Kutak Rock LLP, Bond Counsel. Certain legal matters will be passed upon for the Agency by Elizabeth Mullikin Drake, Esq., General Counsel of the Agency, for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York and for TD Bank by its special counsel, Murphy Sullivan Kronk. It is expected that the Series Bonds will be delivered in book-entry form through the facilities of the Securities Depository in New York, New York on or about September 24, 2008.

Citi†† **Merrill Lynch & Co.**

August 21, 2008

† Interest on the Series Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. See "TAX EXEMPTION" herein and "APPENDIX XII-PROPOSED FORM OF OPINION OF BOND COUNSEL."

†† Citigroup Global Markets Inc. will be the initial Remarketing Agent and the sole underwriter of the Variable Rate Demand Bonds.

MATURITY SCHEDULE

2008 Series C-1 Bonds (Fixed Rate) (Non-AMT)

$7,695,000 2008 Series C-1 Serial Bonds

Due Date	Principal Amount	Interest Rate	Due Date	Principal Amount	Interest Rate
November 1, 2010	$370,000	2.15%	May 1, 2015	$460,000	3.70%
May 1, 2011	380,000	2.65	November 1, 2015	470,000	3.70
November 1, 2011	390,000	2.70	May 1, 2016	485,000	3.90
May 1, 2012	405,000	3.00	November 1, 2016	490,000	3.90
November 1, 2012	415,000	3.00	May 1, 2017	505,000	4.00
May 1, 2013	420,000	3.25	November 1, 2017	515,000	4.00
November 1, 2013	435,000	3.30	May 1, 2018	520,000	4.10
May 1, 2014	445,000	3.50	November 1, 2018	535,000	4.10
November 1, 2014	455,000	3.50			

$6,155,000 4.85% 2008 Series C-1 Term Bonds due November 1, 2023
$7,950,000 5.125% 2008 Series C-1 Term Bonds due November 1, 2028
$16,200,000 5.35% 2008 Series C-1 Term Bonds due May 1, 2036

2008 Series C-2 Bonds (Variable Rate) (Non-AMT)

$12,000,000 2008 Series C-2 Variable Rate Demand Term Bonds due May 1, 2040

Price of all Series Bonds: 100%

Financial Advisor to the
Vermont Housing Finance Agency:
Piper Jaffray & Co.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Series Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Agency. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Series Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by the Agency, is not to be construed as a representation of the Agency. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof. The Series Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the cover page, and such public offering prices may be changed from time to time by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE SERIES BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AGENCY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE SERIES BONDS, THE UNDERWRITERS MAY OVER-ALLOT AND EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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VERMONT HOUSING FINANCE AGENCY
Multiple Purpose Bonds
$38,000,000 2008 Series C-1 (Fixed Rate) (Non-AMT)
$12,000,000 2008 Series C-2 (Variable Rate) (Non-AMT)

This Official Statement of the Vermont Housing Finance Agency (the "Agency") is provided for the purpose of setting forth information concerning the Agency's Multiple Purpose Bonds, 2008 Series C-1 to be issued in the principal amount of $38,000,000 (the "2008 Series C-1 Bonds") and the Agency's Multiple Purpose Bonds, 2008 Series C-2 to be issued in the principal amount of $12,000,000 (the "2008 Series C-2 Bonds" or the "Variable Rate Demand Bonds," and, together with the 2008 Series C-1 Bonds, the "Series Bonds), the Trust Indenture, by and between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"), dated as of July 1, 2007 (the "Trust Indenture"), its resolutions authorizing the issuance and sale of bonds and notes to finance single family, and the 2008 C Supplemental Indenture to be dated as of September 1, 2008 (the "2008 C Supplemental Indenture"). The Trust Indenture, as supplemented to date, and the 2008 C Supplemental Indenture are sometimes collectively referred to herein as the "Indenture." Certain terms not defined elsewhere in this Official Statement are defined in **APPENDIX II** hereto.

INTRODUCTORY STATEMENT

The Series Bonds will be secured under the provisions of the Trust Indenture and will be issued in accordance with the provisions of the Trust Indenture, the 2008 C Supplemental Indenture and the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"). Prior to the issuance of the Series Bonds, the Agency has issued $202,775,000 principal amount of its Multiple Purpose Bonds and Notes (together, the "Prior Bonds") pursuant to the Trust Indenture, $202,195,000 of which amount is currently outstanding. Additional Series of bonds or notes may be issued by the Agency on parity with the Series Bonds and other Series of bonds or notes outstanding under the Trust Indenture, provided that each additional Series is authorized by a supplemental indenture executed in accordance with and under the provisions of the Trust Indenture and the Act. The Prior Bonds, the Series Bonds and additional bonds or notes issued under the Trust Indenture are hereinafter sometimes collectively called the "Bonds."

The Act provides that the Agency constitutes a public instrumentality of the State of Vermont (the "State") exercising public and essential governmental functions, and the exercise by the Agency of the powers conferred by the Act is deemed to be an essential governmental function of the State. The Act authorizes the Agency to issue bonds and notes in such principal amounts as the Agency may determine. As of June 30, 2008, the Agency had $819,365,567 principal amount of debt outstanding. For information regarding the Agency's outstanding indebtedness, see "**THE AGENCY—Outstanding Indebtedness**."

Pursuant to the provisions of the Act and the Indenture, the Agency has authorized the issuance of the Series Bonds to make funds available, together with available funds of the Agency, to (a) purchase Single Family Mortgage Loans (hereinafter defined) made to finance the purchase or improvement of single family housing in the State by Persons and Families of Low and Moderate Income (hereinafter defined) (see **APPENDICES III** and **IV** hereto for further information on the Single Family Mortgage Loans), (b) deposit in the 2008 Series C Single Family Program Account amounts to be used to provide down payment assistance to certain single family borrowers as described herein and to pay certain loan related fees (see **APPENDIX III**), (c) deposit in the Reserve Fund amounts necessary to cause the amount on deposit in said Fund to at least equal the Reserve Fund Requirement and (d) deposit in the 2008 Series C Cost of Issuance Account amounts necessary to pay certain costs of issuance of the Series Bonds. See "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

The Agency is authorized under the Act to issue bonds, and used a portion of the proceeds of the Prior Bonds to provide funds for the making or purchase of single family mortgage loans (the "Single Family Mortgage Loans"). The Single Family Mortgage Loans must be for the acquisition or construction of owner-occupied residences and are subject to certain mortgagor eligibility requirements and purchase price restrictions. The Single Family Mortgage Loans must also be in an amount not more than 80% of the value of the property securing such loan, or be insured or guaranteed by certain governmental agencies or private mortgage insurers. See **APPENDICES III** and **IV** for additional information regarding the Single Family Mortgage Loans and the Single Family Mortgage Insurance Programs.

The Agency is also authorized under the Act to issue bonds, and used a portion of the proceeds of the Prior Bonds to provide funds for the making of multifamily mortgage loans (the "Multifamily Mortgage Loans") to housing sponsors (the "Developers") eligible under the Act for the financing of housing developments (the "Developments") containing five or more dwelling units intended for occupancy on a rental or cooperative basis by persons and families of low and moderate income (the "Program"). The Act requires that such housing sponsors be organized on a nonprofit or limited-profit basis. The majority of the rental units in the Developments financed under the Indenture receive subsidy payments on behalf of eligible tenants pursuant to Section 8 ("Section 8") of the United States Housing Act of 1937, as amended (the "Housing Act"), as more fully described in **APPENDIX VI** hereto under. Of the 774 rental units in the Developments financed under the Indenture, 714 units receive Section 8 subsidy payments. Notwithstanding such subsidy payments, the Bonds do not constitute a debt or indebtedness of the United States and payment of the Bonds is not guaranteed by the United States. For certain additional information regarding the Developments, see **APPENDICES VI** and **VII** hereto. Substantially all of the Multifamily Mortgage Loans for Developments financed under the Indenture provide no recourse to the Developers. *Proceeds of the Series Bonds will not be used to fund Multifamily Mortgage Loans.*

All Bonds issued under the Indenture, including the Series Bonds, are secured, to the extent and as provided in such Indenture, by the Trust Estate. The Trust Estate includes all moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Agency), and other assets from time to time held by the Trustee under and subject to the terms of the Indenture or any supplemental indenture (other than amounts held in the Rebate Fund, if any) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Agency, or by anyone in its behalf or with its written consent, to the Trustee.

The Bonds are general obligations of the Agency, for which its full faith and credit are pledged, and are payable from any of the Agency's revenues, assets or moneys, subject only to agreements made with holders of notes and bonds or other indebtedness pledging particular revenues, moneys or assets for the payment thereof. The Bonds will not constitute a debt of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The 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. The State is not liable on the Bonds and the 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 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 State Commissioner of Banking, Insurance, Securities and Health Care Administration, the State Treasurer, the Secretary of Commerce and Community Development, the Executive Director of the Vermont Housing and Conservation Board, or their 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:

Lisa Mitiguy Randall – Chair, term expires January 31, 2012. Ms. Randall is Vice President of Lending at Vermont Federal Credit Union. She was formerly the Development Director of Mater Christi School, Senior Vice President, Retail Services, New England Federal Credit Union, a Vice President of BancBoston Mortgage Corporation and the Bank of Vermont and held a variety of positions at The Howard Bank, N.A., all in Burlington, Vermont. She has served on a number of boards of charitable organizations. She is a graduate of the University of Vermont.

Gustave "Gus" Seelig – Vice Chair, Executive Director of the Vermont Housing and Conservation Board, ex-officio member. Mr. Seelig has served as the Executive Director of the Vermont Housing and Conservation Board since its inception in 1987. The Board administers a variety of state and federal programs which have resulted in an investment by the State of Vermont of over $156 million, which has developed or rehabilitated nearly 7,000 units of affordable housing and conserved approximately 344,000 acres of land, including 318 farms. Prior to his work for the Board, Mr. Seelig served as the Executive Director of the Central Vermont Community Action Council, a low income advocacy and community development organization. Mr. Seelig serves on the Affordable Housing Program Advisory Board for the Federal Home Loan Bank of Boston. He is also a member of the Board of the Vermont Energy Investment Corporation. Mr. Seelig received a B.A. from Goddard College in 1976 and completed the Harvard University's Program for Senior Executives in State and Local Government in 1996.

Robert H. Alberts – Term expires January 31, 2010. Mr. Alberts is President of Eastview at Middlebury, Inc., a planned multi-level, nonprofit retirement community, including independent living residential care and memory loss options. Mr. Alberts is also the owner of Middlebury Fitness, a full-service fitness and wellness center for all ages and a Partner in Community Investment Counselors, an investment firm specializing in fee-based asset allocation investment programs. In addition, Mr. Alberts currently serves as Vice President of the Board of Directors of the United Way of Addison County and Middlebury Business Association. He is the former head basketball coach at Middlebury Union High School. Mr. Alberts is a graduate of Ohio Wesleyan University.

Dagyne T. Canney – Term expires January 31, 2010. Ms. Canney is owner and principal broker of Prudential Green Mountain Realty in Rutland, where she has sold real estate for 30 years. She serves as a Director of both the Rutland County Board of Realtors and the Vermont Association of Realtors. In addition, Ms. Canney serves on the Governor's Economic Advisory Board and is a member of the Judicial Nominating Committee. She was formerly a member and Vice Chair of the Vermont Real Estate Commission and a director to the Rutland Region Chamber of Commerce. Ms. Canney is a graduate of the University of Vermont.

Bartlett H. "Bart" Frisbie – Term expires January 31, 2009. Mr. Frisbie is the owner of Sterling Construction, Inc., a construction firm developing neighborhoods and building residential housing throughout Chittenden County, Vermont. He has served on the Board of Directors of the Homebuilders and Remodelers Association of Northern Vermont for the past 26 years, including terms as Secretary, Vice President and President. In addition, Mr. Frisbie is a member of Master Builders, a select trade group of similar builders from across the country. He has formerly served on the Colchester Community Development Corporation. He is a graduate of the University of Vermont.

Thomas N. Pelletier – Term expires January 31, 2011, subject to Senate confirmation. Mr. Pelletier has been President and Chief Executive Officer of Northfield Savings Bank in Northfield since 1998. He serves as a Director of the Vermont Chamber of Commerce, Public Television of Vermont, Norwich University Applied Research Institutes, Ltd. and the Central Vermont Economic Development Corp.; a Trustee of Carrabassett Valley Academy in Carrabassett Valley, Maine; and a member of the Community Bankers Council of the American Bankers Association. Mr. Pelletier has also served in leadership positions on a number of Boards including President of Green Mountain United Way and Chair of New England Insurance Trust and Vermont Bankers Association. He earned his B.A. in Political Science with a concentration in Economics from University of Maine in Orono.

Paulette Thabault – Commissioner of Banking, Insurance, Securities and Health Care Administration, ex-officio member. Ms. Thabault, a Vermont native, was appointed Commissioner of the Vermont Department of Banking, Insurance, Securities & Health Care Administration (BISHCA) in January of 2007. As Commissioner, Ms. Thabault is charged with regulating a broad spectrum of financial services industries in the banking, lending, insurance and securities arena, including a growing number of legislatively mandated programs relating to hospital budget oversight, health care quality improvement, and affordability of health care. She previously served as Deputy Commissioner of Health Care Administration in BISHCA, as Vice President of Clinical and Legal Services for The Vermont Health Plan with Blue Cross Blue Shield of Vermont, and Director of Contracting for Massachusetts General Hospital and the MGH General Physicians Organization (MGH) in Boston, MA. Ms. Thabault has served on several community boards and organizations including the Community Health Center of Burlington, the Development Committee for the Alzheimers Association – NH/VT Chapter and currently, the Lund Family Center. She received an Associate's Degree in Nursing from the University of Vermont and a BS in Nursing from the University of Washington. She holds a Masters of Science in Nursing from Simmons College and a J.D. from New England School of Law. She is admitted to the Vermont and Massachusetts Bar and is also a small business owner.

George B. "Jeb" Spaulding – State Treasurer, ex officio member. Mr. Spaulding was re-elected to a third term as Vermont State Treasurer in 2006. As State Treasurer, he has emphasized continuous improvement in treasury fundamentals and initiated a new focus on leveraging State assets to encourage responsible corporate citizenship and support for community and economic development within Vermont. Prior to becoming Treasurer, Mr. Spaulding served eight terms in the Vermont State Senate from 1985-2000. During that period, he chaired several committees, including the Senate Appropriations Committee, the Joint Fiscal Committee, the Senate Education Committee, and the Joint Committee on Administrative Rules. Mr. Spaulding was the founder and General Manager of WNCS-FM in Montpelier and a partner in Precision Media, Inc. His involvement at the community level includes serving as a board member for the Red Cross, the United Way, Central Vermont Adult Basic Education, and the Washington County 4-H Foundation. He earned a B.A. from Antioch College and a M.Ed. from the University of Vermont.

Kevin L. Dorn – Secretary of the Agency of Commerce and Community Development, ex-officio member. Prior to becoming Secretary in January of 2003, Mr. Dorn was the Executive Director of the Home Builders and Remodelers Association of Northern Vermont for ten years. Prior to this position, he was the Manager of Congressional Affairs for Fairchild Industries and Director of Government Affairs for the General Aviation Manufacturers Association. After college graduation, Mr. Dorn served as a staff assistant to Senator David Durenberger (MN) and as Legislative Assistant and Legislative Director to Congressman Frank Horton (NY). Mr. Dorn holds a degree from Minnesota State University, Mankato.

The following are the principal staff members of the Agency:

Sarah E. Carpenter was appointed as Executive Director of the Agency in October, 1998. Before joining the Agency, Ms. Carpenter was the Executive Director of Cathedral Square Corporation in Burlington, Vermont for 15 years. Cathedral Square is a nationally recognized leader in combining affordable housing and community services. She currently serves on the Board of the National Council of State Housing Agencies, the Advisory Board to the Federal Home Loan Bank of Boston, the Boards of the Vermont Community Development Program and the Vermont Housing and Conservation Board, and on the Board of Fletcher Allen Healthcare, Vermont's academic healthcare system. Ms. Carpenter previously has served on a variety of boards, including the national Board of the American Association of Homes and Services for the Aging, AAHSA Assurances Limited, a captive liability insurance company, Housing Vermont, a nonprofit statewide developer and tax credit syndicator, the Community Development Advisory Board of the Federal Reserve Bank of Boston, and a number of local charities. Ms. Carpenter is a cum laude graduate of the University of Vermont and holds an M.P.A. degree from Harvard University.

Thomas R. Connors is the Agency's Chief Financial Officer and Treasurer. Prior to joining the Agency in August, 2006, Mr. Connors was Vice President of Finance and Operations at Trak Sports USA, Inc., a $20 million ski and snowboard manufacturer. From 1993 to 2004, he was Director of Revenue Accounting for IDX Systems Corporation (now GE Healthcare), a $500 million software company based in Burlington, VT. From 1990 to 1993, Mr. Connors was Vice President of Finance for the software division of Information Resources, Inc. in Waltham, Massachusetts. Since 2001, he has served on the Board at Recycle North, a nonprofit company based in Burlington, Vermont, and currently serves as Vice President of its Board. Mr. Connors received a B.A. in Business Administration from St. Michael's College and an M.B.A. from Bentley College. He also earned a Certificate in Financial Accounting from Champlain College.

David S. Adams is the Agency's Chief of Program Operations. Prior to joining the Agency in August, 1999, Mr. Adams was a Senior Vice President/Secondary Marketing Manager for Vermont National Bank. Mr. Adams worked for Vermont Federal Bank from 1970-1997 in a variety of positions, including serving as Senior Vice President/Residential Mortgage Lending Division Manager from 1990-1997. Vermont Federal Bank merged with Vermont National Bank in 1997. Mr. Adams received his B.S. in Business Administration from St. Michael's College, Colchester, Vermont.

Patricia A. Crady is the Agency's Director of Homeownership Programs. Prior to joining the Agency in 1985, Ms. Crady was a branch manager and loan originator for ComFed Mortgage Company, Inc. in South Burlington, Vermont from August 1983 to January 1985. Prior to that, Ms. Crady was Vice President and Manager, Secondary Market Department, with the Bank of Vermont. She attended the University of Vermont.

Samuel J. Falzone is Director of Multifamily Programs for the Agency. Mr. Falzone has been with the Agency since 1979, supervising the management of multifamily properties. He is a Certified Housing Manager. Prior to joining the Agency, Mr. Falzone worked as a District Property Manager in New England for the National Corporation for Housing Partnerships. He attended the University of Massachusetts.

Joseph A. Erdelyi is Director of Development for the Agency. Prior to joining the Agency in 1993, he was a Housing Planner and Development Officer for the New Hampshire Housing Finance Authority. Mr. Erdelyi is a graduate of the University of Vermont and is certified as a Housing Development Finance Professional by the National Development Council.

Elizabeth Mullikin Drake, Esq. is General Counsel to the Agency. Before joining the Agency, Ms. Drake was Assistant General Counsel for Bombardier Capital, a subsidiary of Bombardier Inc. She is also a former ex-officio Commissioner of the Agency in her capacity as Commissioner of Housing and Community Affairs for the State of Vermont from 1991-1993. She has also served as Agency Counsel to the Vermont Agency of Development and Community Affairs. Ms. Drake is a graduate of the University of Vermont and received her juris doctor degree from Vermont Law School.

Jacklyn R. Santerre is Assistant Director of Homeownership Programs for the Agency. Before joining the Agency in October 1984 she was a loan processor and office manager for the Lomas and Nettleton Company in Burlington, Vermont for four years.

As of June 30, 2008 the Agency had 41 employees who are responsible for the operation and management of the Agency. Of these employees, 9 are charged with responsibility for the single family program and 10 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.

Operations to Date

Pursuant to the Act and agreements with bondowners, a substantial portion of the Agency's assets are pledged to secure specific obligations or are otherwise restricted. The Agency maintains separate restricted funds for each of its programs financed by the issuance of bonds under a particular general bond resolution or trust indenture. Such funds and programs have separate sets of self-balancing accounts set up in accordance with the Act and the various general bond resolutions and trust indentures. Assets and revenues of such funds and programs are restricted by various resolutions and agreements and are not available in any manner other than as provided in the various general bond resolutions or trust indentures adopted by the Agency for its programs. Money in excess of restricted fund requirements is transferred periodically from these restricted funds to the General Fund. All of the Agency's outstanding bonds other than the Agency's Single Family Housing Bonds are general obligations of the Agency secured by and payable from any of the Agency's revenues, money or assets, including the General Fund, subject to agreements heretofore or hereafter made with holders of notes and bonds that pledge particular revenues, money or assets for the payment thereof. The Agency has not pledged any money in the General Fund to the payment of any particular bonds of the Agency. Although the Bonds are general obligations of the Agency, no revenues, money or assets of the Agency are pledged to the payment of the Bonds except as specifically set forth in the Indenture or the related supplemental indentures.

Outstanding Indebtedness

Since September 1974, the Agency has issued $2,746,507,543 aggregate principal amount of bonds and notes, of which $819,365,567 was outstanding as of June 30, 2008, 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 with respect to outstanding indebtedness of the Agency, see **APPENDIX I**.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds from the sale of the Series Bonds, exclusive of accrued interest, are as follows:

Sources of Funds:	
Principal Amount of the Series Bonds	$50,000,000.00
Agency Contribution	3,250,000.00
Total Sources	$53,250,000.00
Uses of Funds:	
Deposit to 2008 Series C Single Family Program Account	$50,733,262.50
Deposit to Reserve Fund	1,500,000.00
Deposit to Revenue Fund	478,640.25
Deposit to 2008 Series C Cost of Issuance Account	193,000.00
Underwriters' Discount and Fee	345,097.25
Total Uses	$53,250,000.00

THE SERIES BONDS

The Series Bonds will be dated the date of initial delivery and will be issued as fully registered bonds without coupons and are to mature on the dates and bear interest at the rates shown on the inside cover page of this Official Statement. The 2008 Series C-1 Bonds are issued in denominations of $5,000 and any multiple thereof and the Variable Rate Demand Bonds are issued in denominations of $100,000 and integral multiples of $5,000 in excess thereof. Interest is payable on the Series Bonds on May 1, 2009 and semi-annually thereafter on May 1 and November 1 of each year and on the maturity date thereof. Interest on the 2008 Series C-1 Bonds shall be calculated on the basis of a 360 day year of twelve 30-day months. Interest on the Variable Rate Demand Bonds shall be calculated on the basis of a 365/366-day year for the number of days actually elapsed.

Interest Rate Adjustment Mandatory Tender. Pursuant to the 2008 C Supplemental Indenture, a Principal Amount of 2008 Series C-1 Bonds not in excess of the amount on deposit in the 2008 Series C Single Family Program Account allocable to the 2008 Series C-1 Bonds may be subject to mandatory tender for purchase on any date (the "Adjustment Date") during the period from June 1, 2009 to June 1, 2011, inclusive (the "Adjustment Option Period"), subject to the right of the Owners of such 2008 Series C-1 Bonds to elect to retain such Bonds. On the Adjustment Date, the 2008 Series C-1 Bonds of any Owner that are subject to mandatory tender shall either be purchased by the Agency and remarketed as an equal Principal Amount of 2008 Series C-1 Bonds (the "Adjusted Rate Bonds") bearing interest at the Adjusted Interest Rate (as hereinafter defined) or, if the Owner so elects, exchanged for an equal Principal Amount of 2008 Series C-1 Bonds bearing interest at the Adjusted Interest Rate. Any 2008 Series C-1 Bonds purchased on the Adjustment Date are to be purchased at a price equal to the issue price thereof plus accrued interest to (but not including) the Adjustment Date.

The interest rate on the 2008 Series C-1 Bonds subject to mandatory tender on the Adjustment Date may not be adjusted unless the yield on the Pro-Forma Tender Bonds (as hereinafter defined), assuming such Bonds bear interest at the Pro-Forma Adjusted Interest Rate (as hereinafter described), is at least .50% per annum lower than the yield on the 2008 Series C-1 Bonds calculated as of the date of issuance of the Series Bonds, and unless certain other conditions specified in the 2008 C Supplemental Indenture are satisfied.

Determination of the Adjusted Interest Rate. If at any time during the Adjustment Option Period moneys remain on deposit in the 2008 Series C Single Family Program Account allocable to the 2008 Series C-1 Bonds and the Agency makes certain determinations specified in the 2008 C Supplemental Indenture with respect to the marketability of Single Family Mortgage Loans bearing interest at the rate that would result from the adjustment of the interest rate on a Principal Amount of 2008 Series C-1 Bonds equal to no more than the amount on deposit in the 2008 Series C Single Family Program Account to the Pro-Forma Adjusted Interest Rate (as hereinafter defined), the Agency may deliver to the Remarketing Agent a certificate of an authorized officer directing the Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate for each maturity of the 2008 Series C-1 Bonds as of a date (the "Certification Date") specified by the Agency, which date shall be not less than two business days after the date of such Certificate. The certificate shall also specify a Principal Amount of 2008 Series C-1 Bonds that may be subject to mandatory tender for purchase on the Adjustment Date (the "Pro-Forma Tender Bonds"), which Principal Amount shall not exceed the amount on deposit in the 2008 Series C Single Family Program Account allocable to the 2008 Series C-1 Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the judgment of the Remarketing Agent, on the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

If on or after any Certification Date, the Agency makes certain determinations specified in the 2008 C Supplemental Indenture with respect to the marketability of Single Family Mortgage Loans bearing interest at the rate that would result from the adjustment of the interest rate on all Pro-Forma Tender Bonds to the Pro-Forma Adjusted Interest Rate, the Agency may elect to call a Principal Amount of 2008 Series C-1 Bonds (not in excess of the amount of Pro-Forma Tender Bonds) for mandatory tender on the Adjustment Date and remarketing as Adjusted Rate Bonds. The Adjustment Date shall be any date during the Adjustment Option Period, selected by the Agency, that is not less than 33 days after the date on which the Agency makes the election described above.

If the Agency elects to call 2008 Series C-1 Bonds for mandatory tender on the Adjustment Date, each maturity of 2008 Series C-1 Bonds outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of such 2008 Series C-1 Bonds of each maturity outstanding bears to the aggregate Principal Amount of such 2008 Series C-1 Bonds of all maturities outstanding. The Trustee shall select by lot the 2008 Series C-1 Bonds (hereinafter referred to as "2008 Series C-1 Tender Bonds") within each maturity to be so tendered.

Not less than 30 days prior to the Adjustment Date, notice of the mandatory tender for purchase or exchange of 2008 Series C-1 Tender Bonds shall be given by the Trustee to all Owners of 2008 Series C-1 Tender Bonds. Each such notice shall state, in effect:

- the Principal Amount of 2008 Series C-1 Tender Bonds owned by such Owner and the bond numbers and maturity dates thereof;

- that, unless the Agency fails to satisfy the conditions to the mandatory tender of 2008 Series C-1 Tender Bonds, the 2008 Series C-1 Tender Bonds of such Owner will be exchanged for Adjusted Rate Bonds or purchased from the Owner and remarketed as Adjusted Rate Bonds on the Adjustment Date in either case bearing the same maturity dates as the 2008 Series C-1 Tender Bonds for which they were exchanged;

- that the Owners of 2008 Series C-1 Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of 2008 Series C-1 Tender Bonds retained pursuant to elections and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

- that each 2008 Series C-1 Tender Bond shall be purchased on the Adjustment Date unless the Bondowner directs the Agency and the Trustee not to purchase all or any specified portion of such Owner's 2008 Series C-1 Tender Bonds in accordance with the 2008 C Supplemental Indenture;

- the date by which an Owner electing to retain 2008 Series C-1 Tender Bonds must notify the Trustee of such election and instructions for delivering notice of such election;

- that if the 2008 Series C-1 Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date, which date shall be a date not earlier than fifteen and not later than seven days prior to the Adjustment Date;

- that, except with respect to 2008 Series C-1 Tender Bonds registered in the name of the Securities Depository (or any substitute or successor depository) or its nominee, each Bondowner shall deliver such Bond or Bonds to the Trustee not later than 10:30 a.m. (New York City time) on the Adjustment Date; and

- that if no adjustment of interest rate takes place as a result of a failure by or inability of the Remarketing Agent to set the Adjusted Interest Rate as described above or as otherwise provided in the 2008 C Supplemental Indenture, all 2008 Series C-1 Tender Bonds will be subject to mandatory redemption at the issue price thereof plus accrued interest to (but not including) the Adjustment Date.

Interest Rates and Maturities of Adjusted Rate Bonds. On the Calculation Date, the Remarketing Agent shall determine and announce to the Trustee and the Agency the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the lowest rate or rates which, in the judgment of the Remarketing Agent, as of the date of such determination and under prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all 2008 Series C-1 Tender Bonds shall be subject to mandatory redemption on the Adjustment Date.

Election to Retain Adjusted Bonds. Any Owner of an Adjusted Rate Bond who has received notice from the Trustee that such Owner's 2008 Series C-1 Bonds will be subject to interest rate adjustment may elect to retain all or a portion of such 2008 Series C-1 Bonds as Adjusted Rate Bonds. An Owner of a 2008 Series C-1 Tender Bond who elects to retain such Bonds must, in lieu of purchase by the Agency, exchange such specified portion of 2008 Series C-1 Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the 2008 Series C-1 Tender Bonds tendered for exchange and of the same maturity as the 2008 Series C-1 Tender Bonds so exchanged. Such election must be in writing, sent by mail, telex or facsimile and received by the Trustee not later than 4:00 P.M., New York time, on the 15th day prior to the Adjustment Date (or if such day is not a Business Day, the next succeeding Business Day). Such election may be made with respect to all or any specified portion of such Owner's 2008 Series C-1 Tender Bonds (which portion shall be in integral multiples of $5,000).

A Bondowner electing to retain a 2008 Series C-1 Tender Bond shall state (a) that such person is the Owner of the 2008 Series C-1 Tender Bonds to be exchanged for Adjusted Rate Bonds and (b) the maturity date of the Adjusted Rate Bonds for which such Owner's 2008 Series C-1 Tender Bonds are to be exchanged and the Principal Amount or Amounts applicable to such maturity date and acknowledge that if the Remarketing Agent and the Agency are unable to satisfy the conditions specified in the 2008 C Supplemental Indenture with respect to the adjustment of the interest rate on the 2008 Series C-1 Tender Bonds, such Owner's 2008 Series C-1 Tender Bonds shall be subject to mandatory redemption at par despite direction to the contrary.

Any such direction so delivered to the Trustee shall be irrevocable. Any Bondowner's failure to deliver such notice in a timely manner shall result in the purchase of all of such Owner's 2008 Series C-1 Tender Bonds.

Requirements for Adjustment of Interest Rate on 2008 Series C-1 Tender Bonds. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall deliver to the Trustee certain certificates required by the 2008 C Supplemental Indenture, including (a) a Certificate of an Authorized Officer setting forth the Agency's reasonable expectations that adjustment of the interest rate on the 2008 Series C-1 Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Single Family Mortgage Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series Bonds to be "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code (the "Arbitrage Projection Certificate"), accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the 2008 Series C-1 Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series Bonds from gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such Arbitrage Projection Certificate, (b) a certificate of an authorized officer setting forth a Remarketing Projection of Revenues (prepared on the assumption that the 2008 Series C-1 Tender Bonds will bear interest at the Adjusted Interest Rate) demonstrating that, following adjustment of the interest rate on the 2008 Series C-1 Tender Bonds, revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year aggregate debt service on the Bonds when due and all Program Expenses or, if that is not the case, that the amount of revenues and other funds available to pay the aggregate debt service on all Bonds outstanding other than the Adjusted Rate Bonds to be remarketed or exchanged for the 2008 Series C-1 Tender Bonds and all Program Expenses allocable thereto will be greater following adjustment of the interest rate on the 2008 Series C-1 Tender Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the 2008 Series C-1 Tender Bonds on the Adjustment Date (the "Remarketing Projection of Revenues"), (c) a letter (or other evidence satisfactory to the Trustee) from each nationally recognized credit rating agency then rating any Bonds outstanding at the request of the Agency, confirming that adjustment of the interest rate on the 2008 Series C-1 Tender Bonds will not cause such rating agency to change the unenhanced credit ratings on any Bonds outstanding (the "Adjustment Rating Certificate"), and (d) a certificate of an authorized officer to the effect that the balance on deposit in the Reserve Fund as of the Adjustment Date will not be less than the Reserve Requirement, calculated as of the Adjustment Date.

If on or prior to the second Business Day immediately preceding the Adjustment Date either (a) the Agency shall fail to deliver the certificates described above or (b) either (x) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Single Family Mortgage Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible mortgagors can afford or (y) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders will be unable or unwilling to originate Single Family Mortgage Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as provided in the 2008 C Supplemental Indenture, or (z) the Agency shall determine that Single Family Mortgage Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of Vermont without the assistance of the Agency, the 2008 Series C-1 Tender Bonds (or such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of the 2008 C Supplemental Indenture) shall not be exchanged for Adjusted Rate Bonds or remarketed as Adjusted Rate Bonds on the Adjustment Date and the Trustee shall call for redemption and redeem on the Adjustment Date all 2008 Series C-1 Tender Bonds in accordance with the provisions described below under "**—Redemption Provisions—*Special Redemption***."

Variable Rate Demand Bonds

The Variable Rate Demand Bonds will be issued as fully registered bonds without coupons in denominations of $100,000 or any whole multiple of $5,000 in excess thereof. The Variable Rate Demand Bonds shall be dated as of and interest shall accrue from the date of delivery of such Variable Rate Demand Bonds and shall be payable in arrears on May 1 and November 1 of each year, commencing May 1, 2009, as well as on each Mode Adjustment Date (as defined below). Interest on the Variable Rate Demand Bonds will be computed on the basis of a 365/366-day year for the number of days actually elapsed. Interest will be payable to the Bondowners determined as of the close of business on the Business Day immediately preceding the applicable Interest Payment Date.

Interest Rate for Variable Rate Demand Bonds. The Variable Rate Demand Bonds will initially bear interest at a rate (the "Weekly Rate") established by the Remarketing Agent on each Rate Determination Date (as defined below). During each Rate Period (as defined below), the interest rate for the Variable Rate Demand Bonds will be the rate which, in the sole and exclusive judgment of the Remarketing Agent, would equal (but not exceed) the interest rate necessary to enable the Remarketing Agent to sell such Variable Rate Demand Bonds (exclusive of accrued interest, if any) on the Rate Adjustment Date and for such Rate Period at a price equal to 100% of their principal amount; provided, however, that such interest rate shall not exceed the Maximum Rate. The "Rate Adjustment Date" for Variable Rate Demand Bonds is the Wednesday of each week and any Substitution Date (as defined below). A "Rate Period" means the period commencing from and including a Rate Adjustment Date to but excluding the next Rate Adjustment Date, provided that if any Variable Rate Demand Bonds are converted to another Interest Mode (as defined below) prior to the next subsequent Rate Adjustment Date, then such Rate Period shall continue in effect only until the day preceding the applicable Mode Adjustment Date and, if a Substitution Date occurs prior to the next subsequent Rate Adjustment Date, then such Rate Period shall continue in effect only until the day preceding the applicable Substitution Date. Prior to the conversion of the interest rate on the Variable Rate Demand Bonds to another Interest Mode the "Rate Determination Date" shall be the first Business Day (generally Tuesday) immediately preceding each Rate Adjustment Date.

In determining the interest rate on the Variable Rate Demand Bonds, the Remarketing Agent is to have due regard for general financial conditions and such other conditions as, in the judgment of the Remarketing Agent, will have a bearing on the interest rate on the Variable Rate Demand Bonds, including the tender provisions applicable to the Variable Rate Demand Bonds during the forthcoming Rate Period. Each determination of the interest rate for the Variable Rate Demand Bonds will be conclusive and binding upon the Bondowners, the Agency, the Remarketing Agent, the Bank, the Trustee and any Paying Agent. Each month during which the Remarketing Agent determines the interest rate on the Variable Rate Demand Bonds, the Remarketing Agent will give the Trustee, any Paying Agent, the Agency and the Bank notice by facsimile transmission of the interest rate determined for any Variable Rate Demand Bonds on any Rate Determination Date during the period covered by the report. Upon telephonic request, the Remarketing Agent will give any Bondowner of Variable Rate Demand Bonds notice of the interest rate on the Variable Rate Demand Bonds owned by such Bondowner. Failure by the Remarketing Agent to give any notice required under the Indenture, or any defect in the notice, will not affect the interest rate borne by the Variable Rate Demand Bonds or the rights of the Bondowners of the Variable Rate Demand Bonds to tender their Variable Rate Demand Bonds for purchase in accordance with the provisions of the 2008 C Supplemental Indenture.

If for any reason, the Remarketing Agent fails to determine the interest rate or rates in accordance with the Indenture, or the interest rate or rates on the Variable Rate Demand Bonds during any Rate Period cannot be established as described above, or is held invalid or unenforceable by a court of law, the Variable Rate Demand Bonds shall automatically bear interest for any such Rate Period at a rate equal to the lesser of (i) 110% of the SIFMA Index (the "Interest Index") and (ii) the Maximum Rate. "SIFMA Index" means the Securities Industry and Financial Markets Association (SIFMA) Index, formerly the Bond Market Association/PSA Index of Municipal Market Data, most recently available as of the date of determination.

Maximum Rate for Variable Rate Demand Bonds. The Maximum Rate means, with respect to any Variable Rate Demand Bonds other than Bank Bonds, the lesser of 12% per annum and the maximum rate permitted by law. The maximum rate with respect to Bank Bonds will be as provided in the Liquidity Facility.

Interest Rate on Purchased Variable Rate Demand Bonds. Bank Bonds will bear interest at the rate or rates, and shall be payable in such amounts and in such manner, as provided in the Liquidity Facility.

Interest Mode Adjustment Provisions for Variable Rate Demand Bonds. At the option of the Agency and upon certain conditions, the Variable Rate Demand Bonds may be converted from time to time, in whole or in part, to a Flexible Mode or a Fixed Mode (collectively with the Weekly Rate mode, the "Interest Modes"). Interest Modes are discrete time periods that control the frequency with which the interest rate on the Variable Rate Demand Bonds is determined by the Remarketing Agent. Any Variable Rate Demand Bonds converted to the Flexible Mode or Fixed Mode will no longer be eligible for tender for purchase at the option of the Bondowner.

Upon (i) the failure of the Bank to purchase Variable Rate Demand Bonds tendered or deemed tendered by the Owners thereof or (ii) upon a Liquidity Expiration Event (as hereinafter defined), the Agency shall either obtain an Alternate Liquidity Facility or the interest rate on the Variable Rate Demand Bonds shall be converted to a Fixed Mode. A "Liquidity Expiration Event" means either (i) the termination of the Standby Bond Purchase Agreement dated September 24, 2008 by and among the Agency, the Bank and the Trustee (the "Standby Bond Purchase Agreement" and the "Liquidity Facility") at the option of the Agency or (ii) the stated expiration date of the Standby Bond Purchase Agreement if such Standby Bond Purchase Agreement is not extended in accordance with its terms as described under the heading "**THE SERIES BONDS—Liquidity Facility For Variable Rate Demand Bonds—*Extension, Reduction, Adjustment or Termination of Standby Bond Purchase Agreement***."

Any change of Interest Mode may take place on any "Mode Adjustment Date." A "Mode Adjustment Date" is any Business Day on which the Interest Mode for any Variable Rate Demand Bond is changed from one Interest Mode to a different Interest Mode.

Upon any change in the Interest Mode, the affected Variable Rate Demand Bonds are subject to mandatory tender for purchase to the Trustee. Notice of a change in the Interest Mode and any related mandatory tender must be sent to the Bondowners by mail not less than 15 days prior to the change in the Interest Mode.

If the Agency desires to convert any Variable Rate Demand Bonds to another Interest Mode, (i) the Trustee must receive a letter (or other evidence satisfactory to the Trustee) from each Rating Agency confirming that the change in Interest Mode will not cause such entity to change the unenhanced credit ratings on any Bonds outstanding and (ii) an opinion of Bond Counsel to the effect that the conversion of the interest rate on the Variable Rate Demand Bonds to another Interest Mode is authorized under the Act, is permitted under the Indenture and will not impair the exclusion of interest on the Series Bonds from gross income for purposes of federal income taxation. In addition, if the Variable Rate Demand Bonds are being converted to bear interest at a Flexible Mode, the length of the Flexible Period may not extend beyond the earlier of the scheduled mandatory tender date or the final maturity date of such Bonds and in no event shall the length of the Flexible Period extend beyond the expiration date of the Liquidity Facility. If on the proposed Mode Adjustment Date, the conditions to the effectiveness of the change are not met, then such Variable Rate Demand Bonds shall remain Variable Rate Demand Bonds.

This Official Statement is not intended to describe the terms of the Variable Rate Demand Bonds after their conversion to a Flexible Mode or Fixed Mode.

Tender of Variable Rate Demand Bonds for Purchase

Tender at Option of Bondowner. Any Variable Rate Demand Bonds (other than Bank Bonds or Variable Rate Demand Bonds held by the Agency) are subject to tender for purchase by the Bondowner on any Business Day, upon notice as described below. Such Bonds are subject to purchase at the option of the Bondowner at the "Purchase Price" (*i.e.*, their principal amount plus any accrued interest to the Purchase Date at the rate applicable to the Bond). To exercise this option, a Bondowner must give an irrevocable notice of tender (the "Tender Notice") stating: (i) the name and address of the registered owner, (ii) the principal amount of the Variable Rate Demand Bonds being tendered, (iii) the certificate number and CUSIP number of each Variable Rate Demand Bond being tendered and (iv) the Purchase Date. Such notice must be given to the Trustee or its agent during normal business hours at its (or its agent's) office designated for such purpose on a Business Day at least seven calendar days prior to the Purchase Date which shall be any Business Day.

Notwithstanding the foregoing, as long as the Variable Rate Demand Bonds are held in book-entry only form, a Beneficial Owner shall have the right to optionally tender for purchase its beneficial interest in any Variable Rate Demand Bond (or portion thereof in authorized denomination) by providing notice to the Remarketing Agent as described under the heading "***—Payment of Purchase Price of Variable Rate Demand Bonds***" below.

Mandatory Tender of Variable Rate Demand Bonds. The Variable Rate Demand Bonds are subject to mandatory tender for purchase (with no right to retain) (a) on the date specified in a notice of mandatory tender in connection with the delivery by the Agency to the Trustee of an Alternate Liquidity Facility (the "Substitution Date"), (b) on each Mode Adjustment Date (including any conversion of the interest rate upon the Bank's failure to purchase Variable Rate Demand Bonds tendered or deemed tendered by the Owners thereof, as described in the second paragraph under the heading "**THE SERIES BONDS—Variable Rate Demand Bonds—*Interest Mode Adjustment Provisions for Variable Rate Demand Bonds***") and (c) with respect to termination with notice of the Standby Bond Purchase Agreement by the Bank upon the occurrence of certain events of default and events of termination under the Standby Bond Purchase Agreement described under the headings "**THE SERIES BONDS—Liquidity Facility For Variable Rate Demand Bonds—*Events of Default"*** and "***—Events of Termination***" prior to such termination (each a "Mandatory Tender Date"), in each case at a purchase price equal to 100% of the principal amount thereof plus accrued interest.

Notice of Mandatory Tender of Variable Rate Demand Bonds. The Trustee shall provide notice (a "Mandatory Tender Notice") to any Bondowner of Variable Rate Demand Bonds of any mandatory tender to which such Variable Rate Demand Bonds are subject. The Mandatory Tender Notice will be made by first-class mail at least 15 days prior to the Mandatory Tender Date and the notice will identify the Variable Rate Demand Bonds to be tendered, the reason for the mandatory tender, the Purchase Price, the Mandatory Tender Date, the place and manner of payment, and that no further interest will accrue to the Bondowner on such Variable Rate Demand Bond after the Mandatory Tender Date. Any properly mailed Mandatory Tender Notice will be conclusively presumed to have been duly given, whether or not received by the Bondowner of a Variable Rate Demand Bond.

Agency Not Responsible for Bank's Failure To Purchase Variable Rate Demand Bonds. Under the terms and provisions of the Remarketing Agreement and the Standby Bond Purchase Agreement, the purchase price of Variable Rate Demand Bonds in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of the Variable Rate Demand Bonds or from the Standby Bond Purchase Agreement. The Agency is not responsible for any wrongful failure by the Bank to purchase Variable Rate Demand Bonds tendered at the option of the Owner thereof or subject to mandatory tender for purchase pursuant to the Indenture. Failure to purchase a Variable Rate Demand Bond tendered at the option of the Owner thereof or subject to mandatory tender for purchase and in accordance with the Indenture does not constitute an Event of Default under the Indenture. In the event of a failure by the Bank to purchase any Variable Rate Demand Bonds tendered or deemed tendered for purchase by the Owners thereof, such Variable Rate Demand Bonds shall automatically bear interest with the interest rate reset on a weekly basis at the lesser of (a) the Interest Index plus 3.0% or (b) the Maximum Rate until (i) the mandatory tender of such Variable Rate Demand Bonds in connection with a Substitution Date or (ii) the conversion of the interest rate thereon to a Fixed Mode; provided, however, that if such tender or conversion does not occur within 60 days of the failure of the Bank to purchase the Variable Rate Demand Bonds then the Variable Rate Demand Bonds shall automatically bear interest at the Maximum Rate until the successful tender or interest rate conversion of such Variable Rate Demand Bonds.

The occurrence of certain events will trigger, without notice or tender of the Variable Rate Demand Bonds, an automatic and immediate termination or suspension of the obligation of the Bank to purchase tendered but unremarketed Variable Rate Demand Bonds pursuant to the Standby Bond Purchase Agreement (*i.e.*, those events specified in paragraphs (a), (b), (c) or (j) under the heading "—**Liquidity Facility for Variable Rate Demand Bonds – *Events of Default*" below). In addition, certain events may permit the Bank to terminate the obligation of the Bank to purchase pursuant to the Standby Bond Purchase Agreement after providing 30 days' notice to the Trustee and the Agency (*i.e.*, those events specified in paragraphs (d) or (e) under the heading "—**Liquidity Facility for Variable Rate Demand Bonds – *Events of Default***" below) although during such 30 days the Bank remains obligated to pay the purchase price of any Variable Rate Demand Bond tendered but not remarketed.

Tender Provisions for Variable Rate Demand Bonds. Each Bondowner of Variable Rate Demand Bonds agrees to tender its Variable Rate Demand Bonds to the Trustee for purchase on the date prescribed by the Tender Notice or Mandatory Tender Notice. The Trustee will hold all tendered Variable Rate Demand Bonds (or portions thereof) for the benefit of the respective Bondowners until moneys representing the Purchase Price of such Variable Rate Demand Bonds (or portions thereof) are delivered to or for the account of or to the order of such Bondowners.

Any Variable Rate Demand Bonds that are not delivered to the Trustee in the time, place, and manner required by an applicable Tender Notice or Mandatory Tender Notice shall be deemed tendered and purchased by the Trustee on the Purchase Date. Interest accruing on such Variable Rate Demand Bonds on and after the Purchase Date will not be payable to such nontendering Bondowners, and such nontendering Bondowners will have recourse solely to the funds held by the Trustee for the purchase of such Variable Rate Demand Bonds.

Payment of Purchase Price of Variable Rate Demand Bonds. The Purchase Price of Variable Rate Demand Bonds tendered or required to be tendered for purchase will be paid, first, from amounts derived from the remarketing of the Variable Rate Demand Bonds; and second, from amounts derived from a draw on the Liquidity Facility.

If sufficient funds for the payment of the Purchase Price are held by the Trustee on the Purchase Date, a Bondowner's only rights with respect to the Variable Rate Demand Bonds required to be tendered for purchase will be to receive payment of the Purchase Price. If the Variable Rate Demand Bonds are surrendered to the Trustee at or prior to 11:00 a.m., New York City time, on the Purchase Date, then payment of the Purchase Price will be made in immediately available funds on the Purchase Date. The Purchase Price of a Variable Rate Demand Bond delivered after the time stated above is to be paid on the later of the next Business Day following (i) the Purchase Date or (ii) the date of delivery of such Variable Rate Demand Bond.

Payment of the Purchase Price shall be made by wire transfer to any Bondowner of at least $1,000,000 aggregate principal amount of Variable Rate Demand Bonds upon written notice from such Bondowner accompanying the applicable Tender Notice delivered to the Trustee and containing the wire transfer address, which must be in the continental United States.

Notwithstanding the foregoing, if Variable Rate Demand Bonds are held in book-entry only form, a Beneficial Owner shall have the right to optionally tender for purchase its beneficial interest in any Variable Rate Demand Bond (or portion thereof in an authorized denomination) as described below. Such right shall be exercised by delivery by the Beneficial Owner to the Remarketing Agent at its principal office of an irrevocable written notice identifying the name and address of such Beneficial Owner and stating that such Beneficial Owner will cause its beneficial interest (or portion thereof in an Authorized Denomination) to be purchased, the amount of such interest to be purchased, the date on which such interest will be purchased (which date shall be a Business Day at least seven days after delivery of such notice to the Remarketing Agent) and specifying the Remarketing Agent as the

Participant through which the Beneficial Owner maintains its interest. Upon delivery of such notice, the Beneficial Owner shall cause its beneficial ownership interest in the Variable Rate Demand Bonds (or the portion thereof specified in the foregoing notice) being purchased to be transferred to the Remarketing Agent at or prior to 11:00 a.m., New York City time, on the optional tender date, in accordance with the rules and procedures of the applicable book-entry depository.

Authorized Denominations for Variable Rate Demand Bonds. A Variable Rate Demand Bond may be tendered in whole or in part as described above, provided that in the case of a tender in part, both the portion of such Bond tendered and the portion retained is in an "Authorized Denomination," which is $100,000 or any $5,000 integral multiple in excess thereof.

Remarketing Agent

General. The Agency has selected Citigroup Global Markets Inc. to serve as the Remarketing Agent in connection with the Variable Rate Demand Bonds pursuant to a Remarketing Agreement, dated the date of delivery of the Variable Rate Demand Bonds, between the Agency and the Remarketing Agent (the "Remarketing Agreement"). In accordance with, and subject to the terms of, the Remarketing Agreement, the Remarketing Agent's duties include (i) remarketing the Variable Rate Demand Bonds upon any optional mandatory tender for purchase and (ii) determining the interest rate on the Variable Rate Demand Bonds. The Remarketing Agent may suspend efforts to remarket the Variable Rate Demand Bonds upon the occurrence of certain events as described in the Remarketing Agreement. The Remarketing Agent may not resign, however, prior to the appointment of a successor Remarketing Agent unless (i) there has been a determination that it is unlawful for the Remarketing Agent to perform the duties of Remarketing Agent under the Remarketing Agreement or (ii) the Agency has failed to pay the fees of the Remarketing Agent. The Agency may remove the Remarketing Agent at any time upon thirty (30) days notice.

The Remarketing Agent is Paid by the Agency. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Variable Rate Demand Bonds that are optionally tendered by the owners thereof, all as further described in this Official Statement. The Remarketing Agent is appointed by the Agency and is paid by the Agency for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Variable Rate Demand Bonds.

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

The practices described above also may reduce the supply of Variable Rate Demand Bonds that may be tendered in a remarketing.

Variable Rate Demand Bonds may be Offered at Different Prices on any Date. The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Variable Rate Demand Bonds at par plus accrued interest, if any, on the Rate Adjustment Date. The interest rate will reflect, among other factors, the level of market demand for the Variable Rate Demand Bonds (including whether the Remarketing Agent is willing to purchase Variable Rate Demand Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered Variable Rate Demand Bonds at par, plus accrued interest. There may or may not be Variable Rate Demand Bonds tendered and remarketed on a Rate Determination Date or a Rate Adjustment Date, the Remarketing Agent may or may not be able to remarket any Variable Rate Demand Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Variable Rate Demand Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Variable Rate Demand Bonds at the remarketing price.

The Ability to Sell the Variable Rate Demand Bonds other than through Tender Process may be Limited. While the Remarketing Agent may buy and sell Variable Rate Demand Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Variable Rate Demand Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Variable Rate Demand Bonds other than by tendering the Variable Rate Demand Bonds in accordance with the tender process.

Swap Agreement for the Variable Rate Demand Bonds

In connection with the Variable Rate Demand Bonds, the Agency intends to enter into a variable to fixed interest rate swap agreement (the “Swap Agreement”) with a Qualified Institution (the “Swap Provider”). Under the Swap Agreement the Swap Provider is to pay the Trustee an amount calculated based on variable rate indices, and the Agency is to pay the Swap Provider an amount calculated at a fixed rate of interest. The obligation of the Agency to make regularly scheduled payments to the Swap Provider under the Swap Agreement is to be on parity with the Agency’s obligation to pay debt service on the Bonds under the Indenture; the obligation of the Agency to pay fees, expenses or termination payments to the Swap Provider are subordinate to the Agency’s obligation to pay debt service on the Bonds. Payments made to the Agency by the Swap Provider under the Swap Agreement are pledged to the Trust Estate.

The Agency is obligated to make debt service payments on the Variable Rate Demand Bonds regardless of the performance of the Swap Provider of its obligations under the Swap Agreement.

Liquidity Facility for Variable Rate Demand Bonds

In General. It is expected that the Agency will execute a Standby Bond Purchase Agreement with TD Bank, N.A. (“TD Bank”) prior to the issuance of the Variable Rate Demand Bonds. During the term of the Standby Bond Purchase Agreement, the Standby Bond Purchase Agreement is to provide liquidity for the purchase of Variable Rate Demand Bonds which are tendered to the Trustee at the option of the bondholder but not remarketed by the Remarketing Agent. In addition, the Standby Bond Purchase Agreement is to provide liquidity for the mandatory purchase of tendered Variable Rate Demand Bonds (i) upon changes in Interest Modes, (ii) upon the expiration (without extension) of the Standby Bond Purchase Agreement, (iii) except as otherwise provided in the Indenture, upon the replacement of the

Standby Bond Purchase Agreement with an Alternate Liquidity Facility and (iv) at the direction of TD Bank following the occurrence of certain Events of Default under the Standby Bond Purchase Agreement. It is expected that the Standby Bond Purchase Agreement will expire on September 24, 2013, which is prior to the final maturity of the Variable Rate Demand Bonds, unless extended or terminated as described herein. It is expected that the Agency will have the right and may elect to terminate the Standby Bond Purchase Agreement in its discretion. Unless otherwise noted, all defined terms in this summary of the Standby Bond Purchase Agreement shall have the meaning ascribed to such terms in the Standby Bond Purchase Agreement.

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF TD BANK TO PURCHASE VARIABLE RATE DEMAND BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY TENDER MAY BE TERMINATED OR SUSPENDED WITHOUT A PURCHASE BY TD BANK. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE VARIABLE RATE DEMAND BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE STANDBY BOND PURCHASE AGREEMENT DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE VARIABLE RATE DEMAND BONDS. THE STANDBY BOND PURCHASE AGREEMENT PROVIDES FOR THE PURCHASE OF TENDERED VARIABLE RATE DEMAND BONDS ONLY.

Purchase of Tendered Variable Rate Demand Bonds by TD Bank. TD Bank has agreed to purchase during the Commitment Period (as described below) tendered Variable Rate Demand Bonds which have been tendered for optional purchase or which are tendered for mandatory purchase and which are not remarketed as provided in the Indenture. The Commitment Period begins on the date the Standby Bond Purchase Agreement shall become effective and ends on the earliest of (a) September 24, 2013; (b) the date on which the Agency delivers an Alternate Liquidity Facility to the Trustee in accordance with the terms of the Indenture; (c) the date on which no Variable Rate Demand Bonds are outstanding; (d) the date on which the Variable Rate Demand Bonds are converted to a Flexible Mode or a Fixed Mode; (e) the date specified in a written notice delivered by the Agency to TD Bank that the Agency has elected to terminate the Standby Bond Purchase Agreement pursuant to the terms of the Standby Bond Purchase Agreement; (f) the occurrence of an Event of Termination (as further described below); or (g) the date on which TD Bank's commitment has been terminated in its entirety and TD Bank is no longer obligated to purchase Variable Rate Demand Bonds. The price to be paid by TD Bank for such Variable Rate Demand Bonds will be equal to the aggregate principal amount on such Variable Rate Demand Bonds without premium, plus interest accrued thereon on the Purchase Date, unless, in the case of interest, the Purchase Date is an Interest Payment Date. As described below, under certain circumstances the obligation of TD Bank to purchase tendered Variable Rate Demand Bonds will be automatically suspended or terminated, without prior notice or demand, and the Trustee will be unable to require the purchase of Variable Rate Demand Bonds under the Standby Bond Purchase Agreement.

Events of Default. The remedies upon the occurrence of an Event of Default under the Standby Bond Purchase Agreement differ significantly and depend upon the nature of the particular Event of Default. See "***—Remedies Upon an Event of Default***" below.

Each of the following is an "Event of Default" under the Standby Bond Purchase Agreement:

(a) The Agency shall have failed to pay when due any amount payable under, or in respect of, principal of or interest due on, the Variable Rate Demand Bonds (including, without limitation, Bank Bonds); or

(b) (i) The Indenture shall cease to be of full force and effect other than as a result of any redemption or defeasance in full of the Bonds or at any time for any reason ceases to be valid and binding on the Agency in accordance with the terms of the Indenture or is ruled to be null and void by a court or other governmental agency of appropriate jurisdiction, or (ii) the validity or enforceability thereof is contested by the Agency, or the Agency denies that it has any or further liability or obligation under the Indenture; or

(c) A proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Agency or for any substantial part of its property or the Trust Estate under any applicable bankruptcy insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding, or the Agency shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Agency shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Agency or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) Nonpayment of any Commitment Fees or other fees payable to the Bank under the Standby Bond Purchase Agreement within ten (10) Business Days after the Trustee and the Agency have received notice from the Bank that the same were not paid when due and the Agency shall have failed to cure such default; or

(e) Nonpayment of any other amount when due under the Standby Bond Purchase Agreement, if such failure to pay when due shall continue for ten (10) Business Days after written notice thereof to the Agency by the Bank and the Agency shall have failed to cure such default; or

(f) Any representation or warranty made by the Agency under or in connection with the Standby Bond Purchase Agreement or any of the documents required to be delivered by the Agency in connection with the issuance of the Variable Rate Demand Bonds shall prove to be untrue in any material respect on the date as of which it was made; or

(g) The Agency shall have failed to pay when due any amount (other than the Variable Rate Demand Bonds) payable under, or in respect of (including, without limitation, premium) (x) any obligations issued pursuant to the Indenture, or (y) any other debt obligations of the Agency (1) payable generally from the assets of the Agency or (2) payable from or secured by the Trust Estate under the Indenture, (for purposes of this paragraph (g), "debt obligations" means any obligation, whether present or future, contingent or otherwise, as principal, surety or otherwise, in respect of borrowed money); or

(h) The failure on the part of the Agency to perform or observe any other term, covenant or agreement contained in the Standby Bond Purchase Agreement or any of the other documents delivered in connection with the issuance of the Variable Rate Demand Bonds on its part to be performed or observed and (a) with respect to any such term, covenant or agreement contained in the Standby Bond Purchase Agreement, any such failure remains unremedied for 30 days; and (b) with respect to any such term, covenant or agreement contained in any of the other such documents, any such failure remains unremedied after any applicable grace period specified in such other document; or

(i) A final judgment or order for the payment of money in excess of $5,000,000 shall have been rendered against the Agency and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(j) Each of Moody's and Fitch shall have downgraded the long-term unenhanced rating on the Variable Rate Demand Bonds below "Baa3" and "BBB-", respectively.

Remedies Upon an Event of Default If any Event of Default occurs and is continuing, TD Bank has the following remedies:

The Bank's obligations to purchase Variable Rate Demand Bonds under the Standby Bond Purchase Agreement shall (i) immediately terminate and expire upon occurrence of any of the Events of Default listed in paragraphs (a), (b)(i), (c) or (j) above (each, an "Event of Termination"), (ii) be immediately suspended as described below upon the occurrence of an Event of Default under paragraph (b)(ii) above and (iii) terminate not less than 30 days following the receipt by the Trustee of written notice by the Bank of the occurrence of any Event of Default under paragraphs (d) or (e) above.

In the case of Event of Termination, the Available Commitment, the Commitment Period and the obligation of TD Bank to purchase Variable Rate Demand Bonds shall immediately terminate without notice or demand, and thereafter TD Bank shall be under no obligation to purchase Variable Rate Demand Bonds. Promptly upon TD Bank's obtaining knowledge of any such Event of Termination, TD Bank shall give written notice of the same to the Trustee, the Agency and the Remarketing Agent; provided, that TD Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the immediate termination of TD Bank's Available Commitment and of its obligation to purchase Variable Rate Demand Bonds pursuant to the Standby Bond Purchase Agreement.

In the case of an Event of Default under paragraphs (d) or (e) listed in "***—Events of Default***" above, TD Bank may terminate the Available Commitment and Commitment Period by giving written notice to the Trustee, the Agency and the Remarketing Agent, specifying the date on which the Available Commitment and Commitment Period shall terminate, which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee (the "Purchase Termination Date"), and on and after the Purchase Termination Date, TD Bank shall be under no further obligation to purchase Variable Rate Demand Bonds under the Standby Bond Purchase Agreement.

In the case of an Event of Default specified in paragraph (b)(ii) above, TD Bank's obligation to purchase Variable Rate Demand Bonds shall be immediately suspended without notice or demand and thereafter TD Bank shall be under no obligation to purchase Variable Rate Demand Bonds until the Available Commitment is reinstated as described in the Standby Bond Purchase Agreement. Promptly upon TD Bank's obtaining knowledge of any such Event of Default, TD Bank shall give written notice of the same to the Agency, the Trustee and the Remarketing Agent; provided, that TD Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of TD Bank's obligation to purchase Variable Rate Demand Bonds. If a court with jurisdiction to rule on the validity of the Agency's obligations under the Indenture shall thereafter enter a final, unappealable judgment that the Agency's obligations under the Indenture are not valid and binding on the Agency, then TD Bank's obligation to purchase Variable Rate Demand Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the Agency's obligations under the Indenture shall find or rule that the Agency's obligations under the Indenture are valid and binding on the Agency, TD Bank's obligation to purchase Variable Rate Demand Bonds shall be automatically reinstated and the terms of the Standby Bond Purchase Agreement will continue in full force and effect (unless otherwise terminated or suspended by its terms). Notwithstanding the foregoing, if, upon the earlier of the Expiration Date or the date which is three (3) years after the effective date of suspension of TD Bank's obligation, litigation is still pending and a judgment regarding the validity of the Agency's obligations under the Indenture has not been obtained, then the Available Commitment and the obligation of TD Bank to purchase Variable Rate Demand Bonds shall at such time immediately terminate, and thereafter TD Bank shall be under no obligation to purchase Variable Rate Demand Bonds.

Subsequent to the occurrence of an event described in paragraph (c) above (a "Potential Event of Termination") and during the period of time set forth therein for such event to mature into an Event of Termination, TD Bank's obligation to purchase Variable Rate Demand Bonds shall be immediately suspended without notice or demand and thereafter TD Bank shall be under no obligation to purchase Variable Rate Demand Bonds until the Available Commitment is reinstated as described hereafter. Promptly upon TD Bank obtaining knowledge of any such Potential Event of Termination, TD Bank shall give written notice of the same to the Agency, the Trustee and the Remarketing Agent; provided, however, that TD Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of TD Bank's obligations under the Standby Bond Purchase Agreement. In the event such Potential Event of Termination is cured prior to becoming an Event of Termination, TD Bank's obligations shall be automatically reinstated and the terms of the Standby Bond Purchase Agreement will continue in full force and effect (unless it is otherwise terminated or suspended by its terms).

In addition to the rights and remedies set forth in the preceding paragraphs, in the case of any Event of Default, upon the election of TD Bank: (i) all amounts payable under the Standby Bond Purchase Agreement (other than payments of principal and redemption price of and interest on the Variable Rate Demand Bonds or payments of excess bond interest) shall upon notice to the Agency become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Agency; and (ii) TD Bank shall have all the rights and remedies available to it under the Standby Bond Purchase Agreement, the documents delivered by the Agency in connection with the issuance of the Variable Rate Demand Bonds, or otherwise pursuant to law or equity; provided, however, that TD Bank shall not have the right to terminate its obligation to purchase Variable Rate Demand Bonds or to declare any amount due thereunder due and payable except as expressly provided, or to accelerate the maturity date of any Variable Rate Demand Bonds except as provided in the Indenture. This paragraph shall not limit the exercise of TD Bank's remedies expressly provided for above.

Extension, Reduction, Adjustment or Termination of the Standby Bond Purchase Agreement. The Standby Bond Purchase Agreement is to expire on September 24, 2013, unless earlier terminated or, with the consent of TD Bank in its sole and absolute discretion, extended for an additional period or periods, in each case in accordance with the provisions of the Standby Bond Purchase Agreement.

Upon (i) any redemption, defeasance or other payment of all or any portion of the principal amount of the Variable Rate Demand Bonds or (ii) any purchase by TD Bank of Variable Rate Demand Bonds tendered or deemed tendered in accordance with the terms of the Indenture, TD Bank's purchase commitment under the Standby Bond Purchase Agreement with respect to principal of Variable Rate Demand Bonds shall automatically be reduced by the principal amount of the Variable Rate Demand Bonds so redeemed, defeased or otherwise paid or purchased, as the case may be. TD Bank's commitment with respect to interest shall be equal to one hundred eighty-seven (187) days' interest (219 days' interest prior to May 1, 2009) on the principal amount of Variable Rate Demand Bonds (assuming an interest rate of twelve percent (12%) per annum). The commitment with respect to interest will be adjusted downward by an amount in proportion to the reduction of the commitment as to principal because of the redemption, defeasance or other payment of Variable Rate Demand Bonds or the purchase by TD Bank of Variable Rate Demand Bonds tendered or deemed tendered in accordance with the terms of the Indenture.

Limitations of the Standby Bond Purchase Agreement. The ability to obtain funds under the Standby Bond Purchase Agreement in accordance with its terms may be limited by federal or state law. Bankruptcy, conversatorship, receivership and similar laws governing financial institutions or any issuer of a Standby Bond Purchase Agreement may prevent or restrict payment under the Standby Bond Purchase Agreement. To the extent the short-term rating on the Variable Rate Demand Bonds depends on the rating of TD Bank, the short-term ratings on the Variable Rate Demand Bonds could be downgraded or withdrawn if TD Bank were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Standby Bond Purchase Agreement.

The obligation of TD Bank to purchase unremarketed Variable Rate Demand Bonds pursuant to the Standby Bond Purchase Agreement is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Standby Bond Purchase Agreement is not a guaranty to pay the purchase price of Variable Rate Demand Bonds tendered for purchase. The Standby Bond Purchase Agreement is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the Variable Rate Demand Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty.

For further information regarding TD Bank, see **APPENDIX X** hereto.

Redemption Provisions

Sinking Fund Redemption. The 2008 Series C-1 Bonds maturing on November 1, 2023, November 1, 2028 and May 1, 2036 and the Variable Rate Demand Bonds are subject to mandatory redemption in part at a redemption price equal to the Principal Amount thereof plus accrued interest thereon, without premium, through application of Sinking Fund Installments on the dates and in the amounts as follows:

2008 Series C-1 Bonds Due November 1, 2023

Due	Principal Amount	Due	Principal Amount
May 1, 2019	$545,000	November 1, 2021	$620,000
November 1, 2019	565,000	May 1, 2022	640,000
May 1, 2020	575,000	November 1, 2022	650,000
November 1, 2020	590,000	May 1, 2023	670,000
May 1, 2021	610,000	November 1, 2023†	690,000

† Maturity

2008 Series C-1 Bonds Due November 1, 2028

Due	Principal Amount	Due	Principal Amount
May 1, 2024	$700,000	November 1, 2026	$800,000
November 1, 2024	725,000	May 1, 2027	825,000
May 1, 2025	745,000	November 1, 2027	845,000
November 1, 2025	765,000	May 1, 2028	870,000
May 1, 2026	780,000	November 1, 2028†	895,000

† Maturity

2008 Series C-1 Bonds Due May 1, 2036

Due	Principal Amount	Due	Principal Amount
May 1, 2029	$ 920,000	May 1, 2033	$1,135,000
November 1, 2029	945,000	November 1, 2033	1,165,000
May 1, 2030	970,000	May 1, 2034	1,200,000
November 1, 2030	995,000	November 1, 2034	1,230,000
May 1, 2031	1,020,000	May 1, 2035	1,260,000
November 1, 2031	1,050,000	November 1, 2035	1,295,000
May 1, 2032	1,075,000	May 1, 2036†	835,000
November 1, 2032	1,105,000		

† Maturity

2008 Series C-2 Bonds Due May 1, 2040 (Variable Rate Demand Bonds)

Due	Principal Amount	Due	Principal Amount
May 1, 2036	$ 500,000	November 1, 2038	$1,525,000
November 1, 2036	1,370,000	May 1, 2039	1,570,000
May 1, 2037	1,410,000	November 1, 2039	1,615,000
November 1, 2037	1,445,000	May 1, 2040†	1,080,000
May 1, 2038	1,485,000		

† Maturity

The amounts of semi-annual sinking fund installments set forth above are subject to reduction as a result of optional or special redemption of Series Bonds subject to sinking fund redemption. At the time of any special or optional redemption of such Bonds, the amount of each future sinking fund installment will be reduced as shall be determined in a certificate of the Agency such that the total amount of such reductions equals the amount of such special or optional redemption.

In the event of an adjustment of the interest rate on the Adjusted Rate Bonds that are subject to sinking fund redemption, the Remarketing Agent shall establish a separate sinking fund schedule for the Adjusted Rate Bonds, on a pro rata basis in accordance with the proportion of such 2008 Series C-1 Bonds that are Adjusted Rate Bonds, and the remainder of the sinking fund installments for the 2008 Series C-1 Bonds of such maturity shall be applied to the redemption of the remaining 2008 Series C-1 Bonds of such maturity.

The amounts accumulated for each sinking fund installment may be applied by the Trustee to the purchase of the Series Bonds for which such sinking fund installment is established at any time prior to the 31st day preceding the due date of such sinking fund installment. In the event that Series Bonds are purchased in an amount sufficient to satisfy the next sinking fund installment scheduled therefor and amounts allocable to such sinking fund installment remain on deposit in the Debt Service Fund, such amounts may be applied to the purchase of Series Bonds of such maturities (and may be applied to reduce the sinking fund installments of such Series Bonds subject to sinking fund redemption) as the Agency may determine.

Optional Redemption. The 2008 Series C-1 Bonds are subject to redemption, at the option of the Agency, either as a whole or in part at any time, on or after May 1, 2018 from money deposited in the Debt Service Fund for such purpose at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the date of redemption.

The Variable Rate Demand Bonds are subject to redemption prior to maturity from any available moneys at the option of the Agency in whole or in part at a Redemption Price equal to 100% of the principal amount plus accrued interest on any Business Day.

The Agency shall select the principal amounts of each maturity and interest rate of Series Bonds to be redeemed and the Trustee shall select by lot the Series Bonds of a particular maturity and interest rate to be so redeemed.

***Special Redemption*.**

Loan Prepayments. The Series Bonds will be subject to redemption at any time in whole or in part at the option of the Agency from such maturities of Series Bonds of similar tenor as the Agency shall designate in its discretion in accordance with the Trust Indenture (and, if less than all Series Bonds of similar tenor of a maturity are to be redeemed, by lot within such Series Bonds of similar tenor or such maturity) at a Redemption Price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date from Loan Prepayments on Single Family Mortgage Loans allocable to the Series Bonds.

Notwithstanding the foregoing, the Agency expects to enter into a Swap Agreement in connection with the Variable Rate Demand Bonds. Which Swap Agreement is expected to amortize based on an assumed receipt of Loan Prepayments allocable to the Series Bonds at 50% of the Securities Industry and Financial Markets Association, formerly the Public Securities Association ("PSA") prepayment standard or model the ("PSA Prepayment Model"). As a result, it may be in the Agency's economic interest to redeem Variable Rate Demand Bonds in a manner to cause the principal amount of Variable Rate Demand Bonds outstanding to be substantially equal to the notional amount of the Swap Agreement.

Principal prepayments of any Loans and, in certain circumstances, scheduled principal payments of Loans, to the extent such amounts are not used to purchase additional Loans, may be used to redeem an appropriate portion of Bonds, including the Series Bonds, by special optional redemption as provided in the Supplemental Indenture.

No assurance can be given that Loan Prepayments will conform to any level of a particular prepayment projection, schedule or model or that Loan Prepayments will be available to be applied to redemptions of any of the Series Bonds. The rates of loan prepayments on mortgage loans are generally influenced by a variety of economic, geographical, social and other factors, including servicing decisions, changing property values, prevailing interest rates and the time within which mortgage loans are originated. In general, if prevailing interest rates fall significantly below the interest rates on a pool of mortgage loans, such mortgage loans may be likely to prepay at higher rates than if prevailing interest rates remain at or above the interest rates on such mortgage loans. Conversely, if prevailing interest rates rise above the interest rates on a pool of mortgage loans, the rate of loan prepayments might be expected to decrease. The Agency expects prepayments of the Loans. Accordingly, the Series Bonds may have a substantially shorter life than their stated maturities or sinking fund redemption dates.

Unexpended Moneys. Pursuant to the 2008 C Supplemental Indenture, the Series Bonds are subject to redemption in whole or in part at any time at a price equal to the issue price thereof plus accrued interest to the date of redemption from unexpended moneys in the 2008 Series C Single Family Program Account not applied to the purchase of Single Family Mortgage Loans (the "Loans") for the Series Bonds. Series Bonds to be redeemed from unexpended proceeds shall be selected for redemption on a proportionate basis from among all outstanding maturities of such Series Bonds unless otherwise directed by the Agency.

Single Family Mortgage Loans may not be originated and purchased in an aggregate amount equal to the amount of funds available for such purpose for many reasons. One of the principal factors in originating real estate loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford. The Agency has determined that there is presently a shortage of funds in the State available to make such loans at interest rates competitive with that specified for the Loans. This condition could change during the origination period for the Loans. For example, prevailing interest rates for conventional mortgages in the State could decrease or other loans with a rate and terms equivalent to or more favorable than the rate and terms of the Loans could be made available by mortgage lenders. In the event that, prior to all the Loans being originated by the Mortgage Lenders, additional funds to make loans were to become available in the State at rates competitive with those specified for the Loans, the Mortgage Lenders might not be able to utilize all of the funds available for the origination of Loans.

For all Series of Bonds, the Code imposes certain requirements as to the qualification of potential mortgagors for Single Family Mortgage Loans and the purchase price of the residences, which may become subject to a Loan. These requirements restrict the ability of potential mortgagors and residential units to qualify for Loans and thereby may materially impair the Agency's ability to purchase Loans. The requirements are subject to change and may become more restrictive, thereby resulting in a decrease in the number of potential mortgagors or residential units eligible for inclusion in the Program. See "**TAX EXEMPTION**."

Excess Money. The Series Bonds are subject to redemption prior to maturity at any time in whole or in part from such maturities of Series Bonds of similar tenor as the Agency shall designate in its discretion in accordance with the Trust Indenture (and, if less than all Series Bonds of similar tenor of a maturity are to be redeemed, by lot within such Series Bonds of similar tenor of such maturity), at a redemption price equal to the principal amount of each Series Bond or portion thereof to be redeemed, plus accrued interest to the redemption date, from excess money under the Trust Indenture deposited in the Debt Service Fund for any Series of Bonds, including payments of principal of and interest on Loans in excess of amounts necessary (A) to pay interest on or principal of Bonds when due and (B) to maintain the Reserve Fund at the Reserve Fund Requirement and the Rebate Fund at the Rebate Requirement.

Notice of Redemption of Bonds. When the Trustee receives notice from the Agency, according to the provisions of the Indenture, of its election to redeem Bonds, the Trustee will give notice of such redemption to the Owner or Owners of the Series Bonds as appropriate (DTC, in the event that such Bonds are in book-entry form), which notice will specify the series, maturities and tenor of the Bonds to be redeemed, the redemption date and the places where amounts due upon redemption will be payable. The Indenture provides that with respect to the Series Bonds the Trustee will mail a copy of the notice of redemption not more than 60 days and not less than 30 days before the redemption date, to the Owners of all such Series Bonds to be redeemed. Failure to mail any such notice to the Owner of any Series Bonds or any defect in such notice will not affect the validity of the redemption of any other Series Obligation for which the required notice was given.

SECURITY FOR THE BONDS

All Bonds issued under the Indenture, including the Series Bonds, are secured, to the extent and as provided in such Indenture, by the Trust Estate. The Trust Estate includes all moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Agency), and other assets from time to time held by the Trustee under and subject to the terms of the Indenture or any Supplemental Indenture (other than amounts held in the Rebate Fund, if any) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Agency, or by anyone in its behalf or with its written consent, to the Trustee.

The Bonds are general obligations of the Agency, for which its full faith and credit are pledged, and are payable from any of the Agency's revenues, assets or moneys, subject only to agreements made with holders of notes and bonds or other indebtedness pledging particular revenues, moneys or assets for the payment thereof. The Bonds will not constitute a debt of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The 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. The State is not liable on the Bonds and the 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 Principal payments on the Series Bonds will be established based on the scheduled amortization payments on the Loans then expected to be purchased with the proceeds of the Series Bonds so that even if no Loan Prepayments were received with respect to such Loans, money or cash equivalents expected to be held in the funds and accounts under the Indenture would be sufficient to pay when due the Principal payments and Sinking Fund Installments of and interest on the Series Bonds and all Program Expenses allocable thereto. Funds (including Loan Prepayments, if any) may be received from time to time in amounts in excess of the amounts necessary to pay the interest on and Principal payments of the Bonds then due. Payments of principal and interest on Loans, including Loan Prepayments, in excess of the amounts necessary to pay interest on and Principal payments of the Bonds, unless applied by the Agency to purchase additional Loans, may be applied to redeem Bonds, including the Series Bonds, prior to maturity. See "**THE SERIES BONDS—Redemption Provisions—*Special Redemption***."

To the extent that Loans are not purchased at the times and interest rates anticipated by the Agency, or timely payment of principal or interest on the Loans is not received when due, or prepayments on Loans are received at a rate substantially higher than assumed, or the Agency suffers losses on Loans in excess of any applicable mortgage insurance or guarantee or in excess of amounts otherwise available therefor or investment income differs from the amount projected by the Agency, the moneys available under the Indenture for payment of the Bonds, including the amounts in the Reserve Fund, may be adversely affected. Certain proceeds of the Bonds, including proceeds on deposit in the Program Fund and the Reserve Fund, have been and will be invested in Permitted Investments.

For additional information regarding Single Family Mortgage Loans and the Single Family Program, please see **APPENDICES III** and **IV**, and for additional information regarding Multifamily Mortgage Loans and the Multifamily Program, please see **APPENDICES VI** and **VII.**

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.

The 2008 C Supplemental Indenture establishes the Reserve Requirement for the Series Bonds at an amount at least three percent (3%) of the Series Bonds then outstanding.

Permitted Investments on deposit in the Reserve Fund are valued under the Indenture at par, if purchased at par, or at Amortized Value if purchased at other than par. See "**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Depositaries of Moneys and Investment of Funds**."

Moneys in the Reserve Fund may not be withdrawn in any amount which would reduce the amount on deposit in the Reserve Fund to less than the Reserve Requirement except for the purpose of paying principal of and interest on Bonds maturing and becoming due for payment and any Sinking Fund Installments and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees, expenses or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture, for which no other moneys pledged under the Indenture (other than amounts on deposit in the Program Accounts, if any) are available. In lieu of cash or securities, the Trust Indenture allows the Agency to satisfy the Reserve Requirement in part or in whole by maintaining letters of credit, insurance policies, sureties, guarantees or other security arrangements as defined and provided for in a Supplemental Indenture) (collectively, "Cash Equivalents"), which Cash Equivalents shall have the necessary terms to maintain the then current Rating of the Bonds.

Additional Security

In addition to the security provided for the Bonds under the Trust Indenture and any security provided for Loans under the applicable supplemental indenture, to the extent the provision thereof will not adversely affect the unenhanced ratings assigned to any Bonds outstanding by any Rating Agency, the Agency may obtain additional security or Cash Equivalents providing for or further securing the payment of all or a portion of the Principal Installments or redemption price of and interest on the Bonds or providing Cash Equivalents or providing for the purchase of Bonds by the issuer or obligor of any such Additional Security or providing for or further securing the payment of the principal and interest and other payments to be made on Loans. See "**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Cash Equivalents**."

In the 2008 C Supplemental Indenture the Agency has covenanted that so long as any Series Bonds remain Outstanding, no amounts on deposit in the Revenue Fund shall be released from the Indenture and transferred to the Agency's General Fund unless (i) there are no amounts owed to any bond insurer or Provider of any Hedge Agreement or Liquidity Facility relating to the Series Bonds and (ii) the Agency files with the Trustee a certificate showing that (a) the unpaid balance of all Loans held under the Indenture for the account of the Series Bonds, plus the amount then held in all Funds and Accounts under the Indenture attributable to the Series Bonds, other than amounts held in the Rebate Fund and the amounts attributable to the Series Bonds then to be released from the Indenture to the Agency's General Fund, are at least equal to 102% of the principal amount of all Series Bonds plus all interest accrued and unpaid thereon as of such date and (b) the unpaid balance of all Loans held under the Indenture, plus the amount then held in all Funds and Accounts under the Indenture, other than amounts held in the Rebate Fund and the Bonds then to be released from the Indenture to the Agency's General Fund, are at least equal to 100% of the principal amount of all Bonds plus all interest accrued and unpaid thereon as of such date.

Additional Security for Certain Bonds

Bond Insurance. In connection with the issuance of the Agency's Multiple Purpose Bonds, 2007 Series A, 2007 Series B and 2007 Series C, the Agency caused Financial Security Assurance, Inc. ("FSA") to issue a municipal bond insurance policy relating to such Series of Bonds. Such insurance policies do not secure the Series Bonds.

Loan Loss Claim Fund. In addition to the requirements of the Indenture relating to primary mortgage insurance for Loans acquired from amounts in the various Program Accounts under the Indenture, the Agency established a separate Loan Loss Claim Fund with respect to the Loans allocable to the 2007 Series C Bonds (the "2007 Series C Bonds") issued under the Trust Indenture (the "2007 Series

C Loan Loss Claim Fund"). No Loan Loss Claim Fund is established for the Series Bonds and the Agency is under no obligation to establish such funds for future Series of Bonds.

The 2007 Series C Loan Loss Claim Fund must be maintained in an amount at least equal to (x) 2.70% of the sum of (a) the aggregate unpaid principal amount of all Loans allocated to the Series Bonds plus (b) the aggregate amount, if any, then held in the 2007 Series C Single Family Program Account which may be applied to the purchase of such Loans, less (y) the aggregate amount withdrawn from such 2007 Series C Loan Loss Claim Fund on account of Loan Losses; or in such lesser amount as each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds outstanding confirms will not adversely affect the unenhanced rating on the Bonds (the "2007 Series C Loan Loss Claim Fund Requirement").

The 2007 Series C Loan Loss Claim Fund was established in the amount of $1,753,864 and was funded with a surety bond (the "2007 Series C Loan Loss Claim Fund Surety") provided by FSA. While the Agency initially funded the 2007 Series C Loan Loss Claim Fund with the 2007 Series C Loan Loss Claim Fund Surety, the Supplemental Indenture executed in connection with the issuance of the 2007 Series C Bonds (the "2007 Series C Supplemental Indenture") permits the 2007 Series C Loan Loss Claim Fund to be funded with cash, Investment Obligations or one or more 2007 Series C Loan Loss Claim Fund Deposits. See "**APPENDIX IV—DEFINITIONS OF CERTAIN TERMS**."

If the Agency realizes a Loan Loss on a Loan, the Trustee shall withdraw the amount of such Loan Loss (a "Loan Loss Claim Fund Withdrawal") from the Loan Loss Claim Fund created for the related Series of Bonds and deposit such amount in the Revenue Fund. Any Loan Loss Claim Fund Withdrawals so deposited in the Revenue Fund may be used to pay interest on and Principal Installments of the related Series of Bonds. In addition, if at any time the amounts otherwise available to pay the principal of and interest on the Bonds and any Sinking Fund Installments when due and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees, expenses, or termination payments payable to such Provider) are insufficient therefor when due (after application to such purposes of all amounts available therefor in all other funds and accounts maintained under the Indenture other than the Rebate Fund), the Trustee shall withdraw the amount of the deficiency from any Loan Loss Claim Fund, as directed by the Agency, and deposit the amount so withdrawn in the Revenue Fund, provided that the amount remaining in the applicable Loan Loss Claim Fund after any such withdrawal is not less than the applicable Loan Loss Claim Fund Requirement, and provided further that amounts on deposit in any Loan Loss Claim Funds may only be applied to the redemption of the related Series of Bonds or any other Series of Bonds issued prior to such Series of Bonds.

While the amount of the 2007 Series C Loan Loss Claim Fund Requirement will decline, among other reasons, as 2007 Series C Loans are paid or prepaid in accordance with their terms, the 2007 C Supplemental Indenture provides that the amount of the 2007 Series C Loan Loss Claim Fund Deposit may not be correspondingly reduced and amounts on deposit in the 2007 Series C Loan Loss Claim Fund may not be withdrawn in such events unless each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding confirms that such reduction or withdrawal will not adversely affect the unenhanced ratings then assigned by it to any Bonds Outstanding. Amounts on deposit in or credited to the 2007 Series C Loan Loss Claim Funds may be withdrawn or reduced by the Agency without approval of such rating agencies due to the non-origination of Loans or to the extent Loan Losses are paid from the 2007 Series C Loan Loss Claim Fund.

Not less than five business days prior to the expiration date of any Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of or substitute for such Loan Loss Claim Fund Deposit, in either case in an amount available to be drawn thereunder sufficient to satisfy the applicable Loan Loss Claim Fund Requirement or, if less, the stated amount of the expiring Loan Loss

Claim Fund Deposit. If the Agency fails to deposit an extension of or substitute for such Loan Loss Claim Fund Deposit with the Trustee, not less than three business days prior to the expiration date of the Loan Loss Claim Fund Deposit, the Trustee shall draw on such Loan Loss Claim Fund Deposit and deposit in the applicable Loan Loss Claim Fund an amount sufficient to satisfy the applicable Loan Loss Claim Fund Requirement or, if less, the full amount then available to be drawn under the applicable Loan Loss Claim Fund Deposit.

The 2007 Series C Loan Loss Claim Fund Surety provides that after receipt by FSA of a demand for payment executed by the Trustee certifying that under the provisions of the 2007 C Supplemental Indenture, a withdrawal is required to be made from the 2007 Series C Loan Loss Claim Fund and such withdrawal cannot be made from other funds available in the 2007 Series C Loan Loss Claim Fund, FSA is to deposit funds with the Trustee sufficient to enable the Trustee to make such withdrawals in the required amount, but in no event exceeding the Surety Bond Coverage, as defined in the surety bond.

Pursuant to the terms of the surety bond, the Surety Bond Coverage provided by the surety bond is to be automatically reduced to the extent payment is made by FSA under the terms of the surety bond and the Agency would be required to reimburse FSA for any draws under the surety bond with interest at a market rate. The reimbursement obligation of the Agency under the surety bond is a general obligation of the Agency.

The surety bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

To date, no losses have been paid from the 2007 Series C Loan Loss Claim Fund.

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 Bonds outstanding by any Rating Agency. Any additional Bonds issued under the Trust Indenture would be on a parity with the outstanding Bonds 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. See "**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds**."

Enforceability of Remedies

The remedies available to the Owners of the Series Bonds upon an event of default under the Indenture or other documents described herein are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies set forth in the 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 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed 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.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains terms and conditions relating to the issuance and sale of Bonds, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Indenture, to which reference is hereby made, copies of which are available from the Agency or the Trustee. Summary definitions of certain terms used in the Indenture and below are set forth in **APPENDIX II** to this Official Statement.

In addition to the provisions of the Indenture summarized below, the 2008 C Supplemental Indenture sets forth provisions specific to the Series Bonds and the terms and conditions of such Bonds as well as additional covenants and security provisions applicable to such Bonds (see "**THE SERIES BONDS**" and "**SECURITY FOR THE BONDS**"). The 2008 C Supplemental Indenture also establishes additional procedures and requirements in order to meet the requirements of the Code such that interest on the Series Bonds shall be and remain excludable from gross income for federal income tax purposes. See "**TAX EXEMPTION**."

Indenture as Contract with Bondowners

The Indenture constitutes a contract among the Agency, the Trustee and the Bondowners. The pledge made in the Indenture and the provisions, covenants and agreements therein are for the equal benefit, protection and security of all owners of the Bonds, all of which, regardless of their times of issue or maturity, rank equally without preference, priority or distinction of any Bond over another except as expressly provided in the Indenture.

Pledge of the Indenture

The Indenture creates a continuing pledge and lien on the Trust Estate to secure the full and final payment of the principal and redemption price of and interest on all the Outstanding Bonds. The Trust Estate includes all moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Agency), and other assets from time to time held by the Trustee under and subject to the terms of the Indenture or any Supplemental Indenture (other than amounts held in the Rebate Fund, if any) and any and all other real or personal property of every name and nature from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Agency, or by anyone in its behalf or with its written consent, to the Trustee.

Additionally, the Bonds are general obligations of the Agency, for which its full faith and credit are pledged, and are payable from any of the Agency's revenues, assets or moneys, subject only to agreements made with holders of notes and bonds or other indebtedness, pledging particular revenues, moneys or assets for the payment thereof. The Bonds do not constitute a debt of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The Bonds do 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. The State is not liable on the Bonds and the 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.

Authorization and Issuance of Bonds

Bonds of the Agency may be issued from time to time in one or more Series without limitation as to amount except as provided in the Indenture or as may be limited by law. The Bonds will be general obligations of the Agency. The Agency may issue a Series of Bonds by adopting a supplemental indenture and delivering to the Trustee, among other things:

- A Counsel's Opinion with respect to the issuance of the Bonds in a form acceptable to the Agency as specified in the Supplemental Indenture;

- A copy of the Supplemental Indenture authorizing such Bonds, which shall specify, among other things, the terms and conditions of the Bonds and the related Reserve Requirement;

- A Certificate stating that (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 herein or by law, (ii) upon the issuance and delivery of such Bonds, the Reserve Requirement will be met; and (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

- Evidence that the Rating Agency has confirmed that such Series will have a Rating no lower than the Rating assigned to Bonds issued prior to the issuance of such Series of Bonds to be issued.

The Agency may, from time to time, issue one or more Series of Bonds as a Refunding Issue upon compliance with the requirements of the Indenture and any applicable Supplemental Indenture to refund Bonds or any other obligations of the Agency.

Cash Equivalents

The Indenture permits the use of a letter of credit, insurance policy, surety, guarantee or other security arrangement (as defined and provided for in the related Supplemental Indenture) (each a "Cash Equivalent"), so long as such Cash Equivalent shall have such terms necessary to maintain the Rating of the Bonds.

Qualified Hedge Agreements

If the Agency shall enter into any Qualified Hedge Agreement with respect to any Bonds and the Agency has made a determination that the Qualified Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to specified Bonds, then during the term of the Qualified Hedge Agreement: (a) for purposes of any calculation of debt service, the interest rate on the Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Bonds had interest payments equal to the interest payable on those Bonds less any payments reasonably expected to be made to the Agency by the Provider and plus any payments reasonably expected to be made by the Agency to the Provider in accordance with the terms of the Qualified Hedge Agreement (other than fees, expenses or termination payments payable to such Provider for providing the Qualified Hedge Agreement); (b) any such payments (other than fees and termination payments) required to be made by the Agency to the Provider pursuant to such Qualified Hedge Agreement shall be made from amounts on deposit in the Debt Service Fund, unless otherwise specified by the Agency to be paid from other moneys; (c) any such payments received by or for the account of the Agency from the Provider pursuant to such Qualified Hedge Agreement shall constitute Revenues and be deposited in the Revenue Fund; and (c) fees not equivalent to regular Bond debt service payments, expenses and termination payments, if any, payable to the Provider may be deemed to be debt service and paid from amounts on deposit in the Revenue Fund but subordinate to payment of principal, interest and Sinking Fund Installments on the Bonds (and amounts equivalent to such payments payable to a Provider under a Hedge Agreement) and amounts required to be deposited to the Reserve Fund, or such funds in the Indenture as are specifically designated by the Agency, in each case if and to the extent expressly provided in the Qualified Hedge Agreement or applicable Supplemental Indenture.

Establishment of Funds and Accounts

The Indenture establishes or authorizes the establishment of the following funds and accounts to be held by the Trustee:

Program Fund
Revenue Fund
Debt Service Fund
Reserve Fund
Rebate Fund
Special Program Fund

In addition, within the Program Fund, the Series 2008 C Supplemental Indenture establishes the 2008 Series C Single Family Program Account. See "**SECURITY FOR THE BONDS—Additional Security**."

Unless otherwise provided in a Supplemental Indenture or a Certificate, the Trustee shall establish in each Fund a separate Account for each Series of Bonds. Except as otherwise provided, the proceeds of a particular Series of Bonds issued pursuant to a Supplemental Indenture and the earnings on investments of moneys in the Funds or Accounts relating to a particular Series of Bonds, when required to be deposited in any Fund, shall be deposited or credited to the Account established therein for that particular Series of Bonds. Withdrawals from Funds and Accounts in connection with a particular Series of Bonds may be made and used (including for purposes of redemption) for such Series of Bonds as well as any other Series of Bonds unless specifically prohibited in a related Supplemental Indenture. For purposes of investment, the Trustee and the Agency may consolidate the Accounts required to be established in a particular Fund into one Fund so long as adequate records are maintained as to the amounts held in each such Fund allocable to each Series of Bonds.

Program Fund

Program Fund moneys may be used for any purpose set forth in a Supplemental Indenture. The Trustee may also, to the extent amounts are insufficient in the Revenue Fund to pay principal of or interest on the Bonds or any Sinking Fund Installment when due, transfer (after transferring amounts in any capitalized interest account established in connection with a Supplemental Indenture, the Special Program Fund and the Reserve Fund) moneys from the Program Fund (to the extent of amounts available therein) to the Revenue Fund to pay principal of or interest on the Bonds and any Sinking Fund Installments. Additionally, amounts or assets credited to the Program Fund may, upon the direction of an Authorized Officer, be transferred or credited by the Trustee to the Revenue Fund or another Fund or Account or to the Agency at such times as directed by such Authorized Officer.

Revenue Fund

All moneys and amounts pledged hereunder shall, promptly upon receipt by the Agency, be deposited in the Revenue Fund.

On or before each interest payment date for the Outstanding Bonds, or on such other dates as may be directed in a Supplemental Indenture, the Trustee will transfer from the Revenue Fund the balance on deposit in such Fund as follows in the following order of priority:

- To the Debt Service Fund, an amount equal to the unpaid interest due on the Bonds on that date, and on any redemption date or purchase date pursuant to the Indenture, an amount equal to the unpaid interest due on the Bonds to be paid, redeemed or purchased, and any amounts required to be paid to the Provider of a Qualified Hedge Agreement (other than fees, expenses or termination payments payable to such Provider of the Qualified Hedge Agreement) equivalent to interest;

- To the Debt Service Fund, (i) an amount equal to the principal amount of the Outstanding Bonds, if any, due (whether by maturity, redemption or otherwise) on that date, and (ii) an amount equal to the Sinking Fund Installment, if any, due on that date; and

- To the Reserve Fund, if and to the extent required so that the amount therein shall equal the Reserve Requirement.

The Trustee shall, to the extent the amount in the Revenue Fund and the Debt Service Fund is insufficient to pay principal of or interest on the Bonds or amounts owed to a Provider under a Hedge Agreement equivalent to interest (other than fees, expenses or termination payments, except as otherwise provided in the Indenture) or any Sinking Fund Installment when due, transfer the amount of such deficiency from the following funds in the following order: (i) any amounts in any capitalized interest account established pursuant to a Supplemental Indenture, (ii) the Special Program Fund, if any, to the extent of amounts available therein and therefor, (iii) the Reserve Fund, to the extent of amounts available therein, and (iv) the Program Fund, to the extent of amounts available therein and therefor. In the event that the amount in such funds is insufficient, the Trustee shall immediately provide written notice thereof to the Agency, and the Agency shall transfer, or cause to be transferred, to the Trustee for deposit to the Revenue Fund an amount sufficient and available, when added to amounts in the Debt Service Fund, to pay principal of or interest on the Bonds or amounts owed to a Provider under a Hedge Agreement equivalent to interest (other than fees, expenses or termination payments, except as otherwise provided in the Indenture) or any Sinking Fund Installment when due.

So long as there shall be held in the Debt Service Fund an amount sufficient to fully pay all Outstanding Bonds in accordance with their terms (including Principal Amount or Redemption Price and interest) and all amounts due the Provider of a Qualified Hedge Agreement (other than fees, expenses or termination payments, except as otherwise provided in the Indenture), no deposits shall be required to be made into the Debt Service Fund.

Amounts or assets in the Revenue Fund may, on and after each Interest Payment Date upon the direction of an Authorized Officer, be transferred or credited by the Trustee to another Fund or Account or to the Agency at such times as directed by such Authorized Officer.

Debt Service Fund

On each Interest Payment Date and any other date on which interest on the Bonds is payable, the Trustee shall withdraw from the Debt Service Fund an amount equal to the unpaid interest due on the Bonds on that date, and on any redemption date or purchase date pursuant to the Indenture, an amount equal to the unpaid interest due on the Bonds to be paid, redeemed or purchased, and any amounts required to be paid to the Provider of a Qualified Hedge Agreement (other than fees, expenses or termination payments payable to such Provider of the Qualified Hedge Agreement) equivalent to interest and shall cause it to be applied to the payment of said interest or amount when due, or shall transmit it to one or more Paying Agents, who shall apply it to such payment.

The Trustee shall withdraw from the Debt Service Fund on each date on which principal of the Bonds is payable (i) an amount equal to the principal amount of the Outstanding Bonds, if any, due (whether by maturity, redemption or otherwise) on that date, which shall be applied to the payment or purchase of the principal of said Bonds or transmitted to one or more Paying Agents who shall apply it to such payment and (ii) an amount equal to the Sinking Fund Installment, if any, due on that date, which shall be applied to the redemption of Bonds to be redeemed on that date or transmitted to one or more Paying Agents who shall apply it to such redemption.

Unless other dates are specified in the Supplemental Indenture authorizing a Series of Bonds, on or before the thirty-first day prior to each such date on which a Sinking Fund Installment is due, the Trustee shall proceed to select for redemption in the manner provided in this heading "—**Debt Service Fund**" from all Outstanding Bonds of the Series subject to redemption from such Sinking Fund Installment an amount of such Bonds, equal to the aggregate principal amount of such Bonds redeemable with such Sinking Fund Installment, and shall call such Bonds for redemption from such Sinking Fund Installment on the next succeeding date for redemption, and give notice of such call in accordance with the Indenture. On or before the fortieth day next preceding any date on which a Sinking Fund Installment is due, the Agency, by a Certificate, may (i) deliver to the Trustee for cancellation Bonds which are subject to redemption from such Sinking Fund Installment, or portions thereof, in any aggregate principal amount desired or (ii) receive a credit in respect of its Sinking Fund Installment obligation for any such Bonds, which prior to said date have been delivered to the Trustee for cancellation or redeemed (otherwise than through redemption from a Sinking Fund Installment) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment obligation. Each Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof on the obligation with respect to such Sinking Fund Installments as the Certificate shall direct and the principal amount of such Bonds to be redeemed by such Sinking Fund Installment shall be accordingly reduced.

Amounts or assets in the Debt Service Fund may, on and after each Interest Payment Date upon the direction of an Authorized Officer, be transferred or credited by the Trustee to another Fund or Account or to the Agency at such times as directed by such Authorized Officer.

Reserve Fund

An amount equal to the Reserve Requirement shall be maintained in the Reserve Fund, from the proceeds of the sale of the Bonds or such other sources as specified by a direction of an Authorized Officer. The Trustee shall, to the extent the amount in the Revenue Fund is insufficient to pay principal of and interest on the Bonds and any Sinking Fund Installments and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees, expenses or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture, transfer from the Reserve Fund (after transferring any amounts in any capitalized interest account established pursuant to a Supplemental Indenture or the Special Program Fund (to the extent of amounts available therein and therefor)) to the Revenue Fund to pay the principal of and interest on the Bonds and any Sinking Fund Installments and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees, expenses or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture. The Trustee shall notify the Agency in writing prior to any such withdrawal from the Reserve Fund. Within six months of any such withdrawal, the Agency shall, if permitted under the Act or applicable laws of the State, deposit in the Reserve Fund an amount sufficient to replenish the Reserve Fund to the Reserve Requirement.

Any balance in the Reserve Fund in excess of the Reserve Requirement shall, upon the direction of a Certificate, be transferred or credited by the Trustee to the Revenue Fund or other Fund or Account or to the Agency at such times as directed by such Authorized Officer.

The Reserve Requirement with respect to the applicable Series of Bonds may be funded through Cash Equivalents. In connection with any discussion related to the Indenture of "moneys" on deposit in or held for the credit of the Reserve Fund, "moneys" shall be deemed to include said Cash Equivalents.

Rebate Fund

There shall be deposited in the Rebate Fund, as directed by a Certificate of an Authorized Officer, such amounts determined by the Agency as are necessary to satisfy any "arbitrage rebate requirements" to comply with the requirements of Section 148 of the Code. Payments shall be made from the Rebate Fund, as directed by a Certificate of an Authorized Officer, at such times and in such amounts as are necessary to comply with the requirements of Section 148 of the Code.

Special Program Fund

If and to the extent directed by a Certificate of an Authorized Officer, the Trustee shall create the Special Program Fund, or accounts therein, and from time to time (i) pay out money from the Special Program Fund for any purpose permitted under the Act and (ii) transfer funds to the Agency free and clear of the lien of the Indenture.

The Trustee shall, to the extent the amount in the Revenue Fund is insufficient to pay the principal of and interest on the Bonds and any Sinking Fund Installment when due and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees, expenses or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture, transfer (after transferring amounts in any capitalized interest account established in connection with a Supplemental Indenture) moneys from the Special Program Fund, to the extent of amounts therein which are not otherwise restricted for specific purposes, to the Revenue Fund to pay the principal of and interest on the Bonds and any Sinking Fund Installment and any amounts required to be paid to the Provider of a Hedge Agreement (other than fees, expenses or termination payments payable to such Provider) unless otherwise provided in such Hedge Agreement or any related Supplemental Indenture.

Depositaries of Moneys and Investment of Funds

Except as otherwise provided below, the Agency may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the Funds and the Accounts held by the Trustee in Permitted Investments, the maturity or redemption date at the option of the holder of which shall not exceed the date or dates on which moneys in said Fund or Account for which the investments were made are reasonably expected to be required for the purposes provided in the Indenture and any related Supplemental Indenture.

Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Fund or Account. Moneys in separate Funds and Accounts may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of the Indenture, so long as adequate records are maintained as to the amounts held in each such Fund or Account allocable to each Series of Bonds.

In computing the amount in any Fund or Account held by the Trustee under the provisions of the Indenture, obligations purchased by the Trustee or transferred by the Agency to the Trustee as an investment of moneys therein shall be valued at the Amortized Value, plus the amount of accrued interest, except that securities covered by repurchase agreements shall be valued at market price. Where market prices for obligations held by the Trustee are not readily available, the Trustee may determine the market price for such obligations in such manner as it deems reasonable. To the extent that moneys are invested pursuant to an Investment Agreement, such Investment Agreement shall be valued at par, unless the provider of the Investment Agreement is in default of its payments thereunder in which case it shall be valued as provided in the immediately preceding sentence.

At the direction of an Authorized Officer, the Trustee shall sell outright or pursuant to a repurchase agreement at the best price reasonably obtainable, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. When transferring moneys from one Fund or Account to another, investments need not be liquidated, and all or a portion of such invested moneys may be credited to a particular Fund or Account from another.

Issuance of Additional Obligations

So long as any Bonds are Outstanding, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness (other than additional Series of Bonds) which will be secured by a superior or equal charge or superior or equal lien on the amounts pledged under the Indenture or will be payable, on an equal or superior basis, from any of the Funds or Accounts established and created by or pursuant to the Indenture. The Agency may, however, issue evidences of indebtedness (including general obligations of the Agency) not issued and secured under the Indenture.

Supplemental Indentures

Any of the provisions of the Indenture may be amended by the Agency by a Supplemental Indenture with the consent of (i) the holders of not less than a majority in aggregate Principal Amount of the Bonds then outstanding at the time such consent is given and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the holders of not less than a majority in aggregate principal amount of the Bonds of the particular Series Outstanding affected at the time of such consent is given, shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Agency and the Trustee of such indentures supplemental hereto as shall be deemed necessary and desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indentures; provided however, that except as set forth in the last paragraph under this heading or in the case of consent given by all of the holders of the Bonds then Outstanding, no such modification or amendment may permit (i) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the time for payment of the interest on any Bond issued under the Indenture, (ii) a reduction in the principal amount of any Bond or the rate of interest (except as otherwise provided in a Supplemental Indenture), or sinking fund redemption requirements, thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (v) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

For the purposes of the above paragraph, Bonds of any particular Series shall be deemed to be affected by a modification or amendment of the Indenture if the same materially or adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee, relying upon Counsel's opinion, may determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by a modification or amendment of the Indenture, and any such determination shall be binding and conclusive on the Agency and all holders of Bonds. With respect to matters affecting the security for the Bonds, the Trustee may conclusively rely upon written evidence from each Rating Agency that a change will not adversely affect the Rating on the Outstanding Bonds.

Notwithstanding anything contained in the foregoing paragraphs, with the consent of all of the holders of all the Bonds then Outstanding, the terms and provisions of the Indenture, and the rights and obligations of the Agency and the holders of the Bonds, in any particular, may be modified or amended in any respect upon the execution by the Agency and filing in accordance with the provisions of a Supplemental Indenture of the Agency making such modification or amendment; provided, however, that no such modification or amendment shall change or modify any of the rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

In addition, the Agency may enter into an agreement with any Bondholder restricting one or more rights of such Bondholder, provided that such agreement shall affect only such Bondholder (or assigns) and such agreement shall not grant such Bondholder any rights or privileges not afforded other Bondholders.

Notwithstanding anything in this paragraph to the contrary, the Agency may not modify or supplement the Indenture as described in "**—Debt Service Fund**" with respect to a Series of Bonds insured by a policy of municipal bond insurance without the prior written consent of the applicable provider of such municipal bond insurance.

The Agency may adopt (without the consent of any Owners of the Bonds) Supplemental Indentures to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable, not materially adverse to the security of the Bondholders and not contrary to or inconsistent with the Indenture as theretofore in effect.

Events of Default

Events of Default specified in the Indenture include (i) interest on any of the Bonds is not paid on any date when due or the principal of any Bonds is not paid at maturity or the redemption price of any Bond is not paid at a Redemption Date at which such Bonds have been called for redemption, or regular payments (excluding fees, expenses or termination payments) on a Qualified Hedge Agreement are not paid when due, (ii) if there is a default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Agency in the Indenture, in any Supplemental Indenture or in the Bonds contained, and such default is not remedied within 60 days after notice thereof pursuant to the Indenture, or (iii) the Agency files a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any applicable law or statute of the United States of America or of the State, or if the State has limited or altered the rights of the Agency pursuant to the Act, as in force on the date of the Indenture, to fulfill the terms of any agreements made with the Holders of Bonds or in any way impaired the rights and remedies of Holders of Bonds while any Bonds are Outstanding.

Remedies

Upon the occurrence of any Event of Default, the Trustee in its own name may pursue, and upon the written request of the Owners of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding, must pursue, any available remedy under the Act, at law or in equity, to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding, and any other creditors secured hereunder, including, without limitation, the following:

- The Trustee may declare the principal amount of all Bonds Outstanding and the interest accrued thereon to be immediately due and payable, whereupon such principal amount and interest shall thereupon become immediately due and payable, if an Event of Default pursuant to clause (i) under "**—Events of Default**" above;

- The books and records of the Agency relating to the Bonds shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, but only to the extent that such inspection and use does not challenge, in the Agency's discretion, the confidentiality of such books and records as well as other related communications of the Agency; and

- The Agency, whenever the Trustee shall demand, will account as if it were the trustee of an express trust for all money, securities and Funds and Accounts pledged or held under the Indenture for such period as shall be stated in such demand.

Notwithstanding anything herein to the contrary, upon the occurrence and continuance of an Event of Default with respect to a Series of Bonds insured by a policy of municipal bond insurance, the related provider of such municipal bond insurance is entitled to control and direct the enforcement of all rights and remedies granted to the owners of the related Series of Bonds or the Trustee for the benefit of the owners of such Series of Bonds under the Indenture, including, without limitation: (a) the right to accelerate the principal of the related Series of Bonds and (b) the right to annul any declaration of acceleration, and the related municipal bond insurance provider is also entitled to approve all waivers of Events of Default.

Application Moneys After Default

All moneys received by the Trustee pursuant to any right given upon an Event of Default or action taken under the allowed actions for remedy of such Event of Default, following the satisfaction of any payments due the Trustee under the Indenture, be deposited in the Revenue Fund and all moneys in the Revenue Fund (other than moneys held for redemption of Bonds duly called for redemption) shall be applied as described below.

Unless the principal amount of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied in the following order of priority:

- To the payment to the persons entitled thereto of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, according to the amounts due to the persons entitled thereto, without any discrimination or privilege;

- To the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due at the rate borne by the Bonds and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege;

- To be held for the payment to the persons entitled thereto as the same shall become due of the principal amount of and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege;

- To the payment of any amounts due and payable to any bond insurer; and

- To the payment of fees, expenses and termination payments due and payable under a Qualified Hedge Agreement.

If the principal amount of all the Bonds shall have become or shall have been declared due, all such moneys shall be applied; first, to the payment of the principal amount and interest then due and unpaid upon the Bonds, without preference or priority of principal amount over interest or of interest over principal amount, 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 amount and interest, to the persons entitled thereto without any discrimination or privilege; and second, to fees, expenses and termination payments due and payable under a Hedge Agreement.

With respect to the foregoing, amounts due under a Qualified Hedge Agreement which are equivalent to Bond interest shall be treated as Bond interest.

Whenever all principal amounts of and interest on all Bonds have been paid and all fees, expenses and charges of the Trustee and any Paying Agent and Provider of a Hedge Agreement have been paid, any balance remaining in the Revenue Fund shall be paid to the Agency.

Discharge of Lien

If the Agency shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of the Bonds the principal amount of, premium, if any, and interest due or to become due thereon and to Providers amounts due under a Qualified Hedge Agreement, at the times and in the manner stipulated therein, then unless there shall be delivered to the Trustee a Certificate to the contrary, these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, and execute and deliver to the Agency such instruments in writing as shall be requisite to release the lien hereof, and reconvey, release, assign and deliver unto the Agency any and all the estate, right, title and interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of the Indenture, except cash held by the Trustee or any Paying Agent for the payment of the principal amount of, premium, if any, and interest on any Series of Bonds.

Any Bond shall be deemed to be paid within the meaning of this subheading "—**Discharge of Lien**" and for all purposes of the Indenture and any Supplemental Indenture when payment of the principal amount of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (i) shall have been made or caused to be made in accordance with the terms thereof or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (a) moneys sufficient to make such payment and/or (b) Federal Obligations (which may be subject to redemption prior to maturity only if such terms of redemption do not adversely affect the Rating of the Bonds) maturing as to principal and interest in such amount and at such time as will ensure the availability of sufficient moneys to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Federal Obligations.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Agency shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instruction:

(i) stating the date when the principal amount (and premium, if any) of each such Bond is to be paid, whether at maturity or on a redemption date;

(ii) to call for redemption pursuant to the Indenture (and at such times as notice thereof may be given in accordance with the Indenture) any Bonds to be redeemed prior to maturity pursuant to in clause (b) of the preceding paragraph hereof; and

(iii) to mail, as soon as practicable, in the manner prescribed by the Indenture, a notice to the holders of such Bonds and to each Rating Agency that the deposit required by clause (b) of the preceding paragraph above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal amount or redemption price, if applicable, on said Bonds as specified in (i) hereof and, if a maturity date is stated, whether or not such Bonds continue to be subject to redemption.

All moneys so deposited with the Trustee as provided above may at the direction of the Agency also be invested and reinvested in Federal Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Federal Obligations in the hands of the Trustee pursuant to the Indenture which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Revenue Fund as and when realized and collected for such an application as are other moneys deposited in such Fund.

Notwithstanding any provision of any other provision of the Indenture which may be contrary to the provisions of this subheading of "**—Discharge of Lien,**" all moneys or Federal Obligations set aside and held in trust pursuant to the provisions of this subheading of "**—Discharge of Lien**" for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and Federal Obligations have been so set aside in trust.

Anything in "**—Supplemental Indentures**" above to the contrary notwithstanding, if moneys or Federal Obligations have been deposited or set aside with the Trustee pursuant to this subheading of "**—Discharge of Lien**" for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this heading "**—Discharge of Lien"** shall be made without the consent of the holder of each Bond affected thereby.

TRUSTEE

The Trustee for the Series Bonds is Wells Fargo Bank, National Association ("Wells Fargo"), with corporate trust offices located in Providence, Rhode Island. The Trustee also acts as Paying Agent for the Series Bonds. Payments of principal, premiums, if any, and interest on the Series Bonds are payable at the Paying Agent's corporate trust office in Minneapolis, Minnesota.

PLEDGE AND AGREEMENT OF THE STATE

Under the Act, the State pledges and agrees with the Owners of bonds of the Agency that the State will not limit or restrict the rights vested in the Agency to perform its obligations and to fulfill the terms of any agreement made with the Owners of its bonds or in any way impair the rights and remedies of the Owners of the bonds until the bonds and interest thereon are fully met, paid and discharged.

The Act provides that bonds and other obligations of the Agency will not be deemed to 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, but will be payable solely from and secured solely by a pledge of the Trust Estate established under the Indenture.

NO LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Agency, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Series Bonds or the purchasing of Loans with the proceeds of the Series Bonds or in any way contesting or affecting any authority for the issuance or validity of the Series Bonds, any proceedings of the Agency taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the Series Bonds or the existence or powers of the Agency.

INDEPENDENT AUDITORS

The financial statements of the Agency for the year ended June 30, 2007 included in Appendix I-A have been audited by KPMG LLP, independent certified public accountants, whose report thereon is also included in Appendix I-A. KPMG LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings Inc. ("Fitch") have assigned their municipal bond ratings of "Aa3" and "AA" respectively, to the 2008 Series C-1 Bonds. It is expected that Moody's and Fitch will assign their municipal bond ratings of "Aa3/VMIG1" and "AA/F1+" respectively, to the Variable Rate Demand Bonds with the understanding that, upon the delivery of the Variable Rate Demand Bonds, the Standby Bond Purchase Agreement will be delivered by TD Bank. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings can only be obtained from the rating agency furnishing the same. There is no assurance such ratings will be continued for any given period of time or that they will not be changed by the rating agency furnishing the same, if, in the judgment of such rating agencies, circumstances so warrant. Any such change of such ratings may have an effect upon the market price or the marketability of the Series Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of holders and beneficial owners of the Series Bonds to provide certain financial information and operating data relating to the Agency by not later than 180 days following the end of the Agency's Fiscal Year (which currently is June 30) (the "Annual

Report”), commencing with the report for the 2008 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each nationally recognized municipal securities information repository and with the state information repository designated as such by the State (the “State Repository”), if any. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board and with the State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in “**APPENDIX XII—FORM OF THE CONTINUING DISCLOSURE AGREEMENT**.” These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

APPROVAL OF LEGALITY

All legal matters related to the authorization, issuance, sale and delivery of the Series Bonds are subject to the approval of Kutak Rock LLP, Bond Counsel. The unqualified approving opinion of Bond Counsel in substantially the form attached hereto as **APPENDIX XIII** will be delivered with the Series Bonds. Certain legal matters will be passed upon for the Agency by Elizabeth Mullikin Drake, General Counsel of the Agency, for the Underwriters by Orrick, Herrington & Sutcliffe LLP, New York, New York, counsel to the Underwriters, and for TD Bank by Murphy Sullivan Kronk, special counsel to TD Bank.

UNDERWRITING

Citigroup Global Markets Inc. and Merrill Lynch & Co. (together, the “Underwriters”) have jointly and severally agreed, subject to certain conditions, to purchase all of the 2008 Series C-1 Bonds from the Agency at the prices set forth on the inside cover page hereof, less an underwriters’ discount and fee of $309,308.25. The obligations of the Underwriters to purchase the 2008 Series C-1 Bonds are subject to certain terms and conditions set forth in the purchase contract for the Series Bonds.

Citigroup Global Markets Inc. has agreed, subject to certain conditions, to purchase all of the Variable Rate Demand Bonds from the Agency at the prices set forth on the inside cover page hereof, less an underwriter’s discount and fee of $35,789.00. The obligation of Citigroup Global Markets Inc. to purchase the Variable Rate Demand Bonds are subject to certain terms and conditions set forth in the purchase contract for the Series Bonds.

The Series Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed from time to time, by the Underwriters.

TAX EXEMPTION

In the opinion of Bond Counsel, and assuming compliance by the Agency with covenants in the Indenture described in the succeeding paragraphs, under existing laws, regulations, rulings and judicial decisions, interest on the Series Bonds is excluded from gross income for federal income tax purposes. The form of such Bond Counsel opinion is attached hereto as APPENDIX XIII.

Bond Counsel is further of the opinion that interest on the Series Bonds is not a separate tax preference item or included in corporations’ calculations of adjusted current earnings for purposes of the federal alternative minimum tax.

The Code provides that interest on obligations of a governmental unit such as the Agency issued to finance single family residences is excluded from gross income for federal income tax purposes only if certain requirements are met; use of proceeds to finance Single Family Housing are limited with respect to (a) the terms, amount and purpose of the single family mortgage loans financed by the obligations, (b) the single family nature of the residence and the mortgage and (c) the eligibility of the borrower executing the single family mortgage. Such requirements must be satisfied on a continuing basis subsequent to the issuance of such obligations in order for interest thereon to remain excluded from gross income for federal income tax purposes. The Code requires that the Agency provide restrictions in all relevant documents to permit financing only in accordance with such requirements and that the Agency establish reasonable procedures to ensure compliance.

The Agency has included provisions in the Supplemental Indenture and the Single Family Procedural Guide, and has established certain procedures to ensure compliance with the requirements of the Code relating to the Loans. The Agency believes that the procedures established for the purpose of fulfilling the requirements of the Code are sufficient to ensure that the proceeds of the Series Bonds will be applied in accordance with such requirements in order for interest on the Series Bonds to remain excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, the Procedural Guide, together with the Supplemental Indenture establish procedures which, if followed, will cause such requirements to be satisfied.

The Code also establishes certain other requirements regarding the expenditure and investment of proceeds of the Series Bonds and the payment of rebates to the United States. Failure by the Agency to comply subsequent to the date of issuance of the Series Bonds with such requirements may cause interest on the Series Bonds to become included in gross income retroactive to the date of issue of such Bonds. The Agency has included provisions in the Supplemental Indenture to ensure compliance with these requirements and has covenanted to take all lawful action necessary under the Code to ensure that interest on the Series Bonds will remain excluded from gross income for federal income tax purposes and to refrain from taking any action which would cause interest on the Series Bonds to become included in gross income.

Although Bond Counsel has rendered its opinion that interest on the Series Bonds is excluded from gross income for federal tax purposes, the accrual on receipt of interest on the Series Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion on the date of issuance of the Series Bonds regarding any such consequences. Purchasers of the Series Bonds, particularly purchasers that are corporations (including subchapter S corporations and foreign corporations operating branches in the United States) property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series Bonds.

Changes in Federal and State Tax Law.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series

Bonds. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. 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 Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending or proposed legislation, regulatory initiatives or litigation.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Vermont Taxes

The Act provides that bonds and notes of the Agency, including the Series Bonds, and the interest thereon are at all times free from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes. The Series Bonds and the income therefrom may be subject to taxation under the laws of states other than the State.

MISCELLANEOUS

The references herein to the Act and the Indenture, and the references to the Origination Agreements, the Purchase and Servicing Agreements and the Procedural Guide in **APPENDIX III** hereto, and the references to the Multifamily Mortgage Loans and (HUD) Housing Assistance Payments Contracts in **APPENDIX VI** hereto are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act, the Indenture and such Agreements and Documents for full and complete statements of such provisions. The agreements of the Agency with the Owners of the Series Bonds are fully set forth in the Indenture and this Official Statement is not to be construed as a contract with the purchasers of the Series Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the Act, the Indenture, the Origination Agreements, the Purchase and Servicing Agreements, the Procedural Guide, the Multifamily Mortgage Loans and the (HUD) Housing Assistance Payments Contracts 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.

The execution and delivery of this Official Statement by an Authorized Officer has been duly authorized by the Agency.

VERMONT HOUSING FINANCE AGENCY

/s/ Sarah E. Carpenter
Executive Director

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APPENDIX I-A

AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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KPMG

VERMONT HOUSING FINANCE AGENCY

Financial Statements and
Required Supplementary Information

June 30, 2007

(With Independent Auditors' Report Thereon)

VERMONT HOUSING FINANCE AGENCY

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KPMG

KPMG LLP
P.O. Box 564
Burlington, VT 05402

Suite 400
356 Mountain View Drive
Colchester, VT 05446

Independent Auditors' Report

The Honorable Thomas M. Salmon
State Auditor of the State of Vermont and
The Commissioners
Vermont Housing Finance Agency:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vermont Housing Finance Agency as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Vermont Housing Finance Agency as of June 30, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 2 to 6 is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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.

KPMG LLP

October 17, 2007

This section of the Vermont Housing Finance Agency's (the Agency) annual Financial Report presents management's discussion and analysis of its financial performance and significant changes in financial position for the fiscal year ended June 30, 2007. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole.

Overview of the Agency

The Agency was created in 1974 by an Act of the General Assembly of the State of Vermont. 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. The Agency is authorized to issue bonds and other obligations to fulfill its corporate purposes up to a total outstanding amount of $900 million. Obligations of the Agency do not constitute debt of the State of Vermont and are payable solely from the revenues or assets of the Agency.

The majority of the Agency's funding has been provided from the proceeds of sales of tax-exempt and taxable bonds and notes, and advances from lending institutions. Since September 1974, the Agency has issued $2.3 billion aggregate principal amount of bonds, notes and line of credit borrowings, of which $744.8 million was outstanding as of June 30, 2007, to finance its various programs. The proceeds of the debt have been or will be used to make mortgage loans to sponsors of multi-family 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, and to make loans to finance certain other multi-family housing developments. The bonds are secured pursuant to the terms of the resolutions under which they were issued.

Overview of the Financial Statements

The Agency's financial statements consist of three parts – Management's Discussion and Analysis, the basic financial statements and the notes to the financial statements. The basic financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The notes to the basic financial statements are intended to provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Summary of Net Assets

The Agency's Statement of Net Assets consists primarily of single family and multi-family mortgage loans, cash and investments, and related bonds and notes payable. It also includes a portfolio of mortgage loans financed through its Operating Fund, as well as a variety of other assets such as property and equipment, other receivables, and deferred charges.

Cash and investments are used to fund loan purchases, bond debt service, and reserve funds, and are typically held in guaranteed investment contracts or other investment vehicles, as authorized in accordance with the Agency's investment policy.

The following table summarizes the net assets of the Agency as of June 30, 2007 with comparative data from the prior fiscal year.

Assets	**2007**	**2006**	**Percentage change 2007-2006**
Cash and investments	$ 195,605,193	182,245,067	7.3%
Loans receivable, net	623,559,508	529,001,950	17.9
Other assets	19,468,097	17,002,028	14.5
Total assets	838,632,798	728,249,045	15.2
Liabilities			
Bonds and notes payable	744,782,327	640,810,463	16.2
Other liabilities	11,770,746	8,855,993	32.9
Total liabilities	756,553,073	649,666,456	16.5
Net Assets			
Invested in capital assets	1,625,755	1,690,221	(3.8)
Restricted:			
Bond and other requirements	65,006,102	61,297,505	6.1
Excess yield loans	7,970,043	8,349,379	(4.5)
Unrestricted	7,477,825	7,245,484	3.2
Total net assets	$ 82,079,725	78,582,589	4.5%

Total assets increased by $110.4 million or 15.2% for the year ended June 30, 2007 when compared to the year ended June 30, 2006, primarily as a result of:

- Cash and investments increased by $13.4 million, or 7.3%. This represents bond proceeds held in acquisition funds at year end awaiting the purchase of mortgages, and the increase in fair value of investments.
- Total Mortgage and Construction Loans Receivable increased by $94.6 million, or 17.9%. Loan originations increased by $31 million, or 21.8% over the prior fiscal year. In fiscal year 2007 principal collections decreased by $154,000, or 0.2% from the prior year.
- Included in restricted net assets is approximately $7.9 million of Multi-Family mortgages (net of $1.5 million of loan loss reserves) which were funded by excess interest income received (excess yield) from mortgages related to the Agency's 1995 and 1999 Multi-Family bond issues. The excess yield represents mortgage interest earned in excess of that permitted by federal tax laws. Subsequent to this year end, the loans related to the Agency's 1995 issuance were refunded as part of the new bond issuance for the 2007 Series A and Series B. To be in compliance with the aforementioned tax laws, the Agency estimates that it may eventually forgive a portion of these loans, prior to the final maturity of bonds in

these series. The Agency believes its reserves are adequate to cover any risk and will continue to analyze and adjust its reserves in accordance with the level of risk.

The following table summarizes the change in mortgage loans receivable for the year ended June 30, 2007, with comparative data from the prior fiscal year:

		2007	2006	Percentage change 2007-2006
Beginning balance	$	529,001,950	465,703,753	13.6%
Mortgage loan originations		173,649,434	142,604,540	21.8
Principal collections		(78,305,453)	(78,460,206)	—
Loans transferred to REO status		(804,336)	(931,632)	(13.7)
Loan loss provision		17,914	85,495	(79.0)
Ending balance	$	623,559,509	529,001,950	17.9%

The following table summarizes the changes in bonds, notes payable, and lines of credit borrowings for the fiscal year are as follows (in thousands):

		Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007
Bonds payable	$	574,785	152,110	(63,662)	663,233
Notes payable		51,757	20,000	(15,190)	56,567
Lines of credit borrowings		14,268	30,795	(20,081)	24,982
Total debt	$	640,810	202,905	(98,933)	744,782

Total liabilities of the Agency increased by $106.9 million, or 16.5% for the year ended June 30, 2007 when compared to the year ended June 30, 2006, primarily as a net result of:

- Three new bond series of Single Family Housing Bonds were issued totaling $148 million in bonds and $20 million in notes. These proceeds were used to finance single family mortgage purchases and to refund $11 million in Housing Program Series 7 bonds.
- Total principal payments on bonds were $63.7 million including $49.4 million of Single Family Housing Bonds that were redeemed prior to maturity as a result of mortgage loan prepayments received.
- Twenty-two Multi-Family loan program construction projects were funded with $30.8 million of notes payable from lending institutions.
- $4.1 million of direct placement bonds were issued to provide permanent financing for 10 Multi-family projects.

- With the exception of direct placement bonds, all bond issues are rated by Moody's Investors service and Standard and Poor's with a minimum stand alone rating of A. Many Agency bond issues carry bond insurance, which upgrades the bond rating to AAA.

Summary of Revenues, Expenses and Changes in Net Assets

The Agency's operating revenues consist primarily of interest income on mortgage and construction loans, investment income, and miscellaneous fee income. Operating expenses consist of bond interest expense and other debt financing costs, operational expenses, and mortgage servicing fees.

The following summarizes the changes for the year ended June 30, 2007 with comparative data from the prior fiscal year.

	2007	2006	Percentage change 2007-2006
Operating revenues:			
Interest on loans	$ 36,078,654	31,413,101	14.9%
Interest on investments	10,436,069	8,772,556	19.0
Fee income	853,495	765,665	11.5
Other revenue	64,378	61,823	4.1
Total operating revenues	47,432,596	41,013,145	15.7
Operating expenses:			
Financing costs	37,979,645	32,469,627	17.0
Operational expenses	4,310,066	4,192,544	2.8
Mortgage servicing	1,155,529	973,310	18.7
Loan losses	921,371	(101,943)	(1,003.8)
(Gain) Loss on bond redemptions	(132,514)	169,833	(178.0)
Total operating expenses	44,234,097	37,703,371	17.3
Operating income	3,198,499	3,309,774	(3.4)
Nonoperating revenues:			
Net appreciation (depreciation) in fair value of investments	298,637	(1,118,366)	(126.7)
Increase in net assets	3,497,136	2,191,408	59.6
Net assets at beginning of year	78,582,589	76,391,181	2.9
Net assets at end of year	$ 82,079,725	78,582,589	4.5%

For the year ended June 30, 2007, net assets increased $3,497,136, compared to a increase of $2,191,408 for the prior year. The $1,305,728 change in net assets when comparing 2007 to 2006, was primarily the result of the following:

- Total operating revenues increased $6.4 million or 15.7% in fiscal year 2007, due to the effects of a mortgage loan portfolio shifting to slightly higher rates following years of decreasing interest rates.
- There were no changes to the provision for operating or multi-family loan loss reserves in fiscal year 2007 compared with provisions of $2.7 million and $1.5 million, respectively, in fiscal year 2006. The provision for loan loss reserves has been reviewed by management and the Audit/Risk Committee of the Agency's Board of Commissioners and deemed to be adequate.
- The gain on bond redemptions increased net assets by $132 thousand in fiscal year 2007 compared to a loss on bond redemptions causing the reduction in net assets of $170 thousand in the prior year.
- Net appreciation in the fair value of investments accounted for an increase in net assets of $299 thousand in fiscal year 2007, compared to net depreciation of $1.1 million in the prior year.

The Agency budgets its day-to-day operating costs and related income (net of deferred loan origination costs and fees) in its Operating Fund. The operating budget is prepared by staff and reviewed and approved prior to the start of each fiscal year by the Agency's Board of Commissioners.

For fiscal year 2007, the Agency projected an Operating Fund budget surplus of $86.6 thousand and achieved an actual budget surplus of $174.7 thousand as a result of positive income and expense variances of $7.7 thousand and $80.4 thousand, respectively.

The addition of net deferred loan origination costs and fees of $6.9 thousand in fiscal year 2007 to the actual budget surplus of $174.7 thousand results in an increase in Operating Fund net assets for fiscal year 2007 of $167.8 thousand compared with the prior period of $712 thousand.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's operations and insight into the financial statements. If you have questions about this report or need additional financial information, please contact the Chief Financial Officer at Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, VT 05401 or visit our website at www.vhfa.org.

VERMONT HOUSING FINANCE AGENCY

Statement of Net Assets

June 30, 2007

Assets		Operating Fund	Single Family Mortgage Program Fund	Multi-Family Mortgage Program Fund	Total
Cash and cash equivalents	$	6,394,892	—	—	6,394,892
Investments		100,000	20,000,000	—	20,100,000
Accrued interest receivable:					
Mortgage and notes		1,183,229	1,939,288	416,165	3,538,682
Investments		18,075	1,473,308	533,194	2,024,577
Current portion of mortgage loans receivable		271,740	8,905,552	4,236,379	13,413,671
Current costs of bond issuance expense		—	110,210	68,165	178,375
Current Portion of deferred mortgage originating fees, net		—	379,259	—	379,259
Current receivables and prepaid expenses		149,813	1,392,854	154,843	1,697,510
Interfund receivables (payables)		971,793	2,954,976	(3,926,769)	—
Total current assets		9,089,542	37,155,447	1,481,977	47,726,966
Noncurrent assets:					
Restricted cash and cash equivalents		—	97,635,782	35,066,076	132,701,858
Restricted investments		—	28,635,410	7,773,033	36,408,443
Noncurrent portion of mortgage loans receivable, net		12,061,466	466,525,452	131,558,919	610,145,837
Deferred costs of bond issuance, net		—	2,970,915	1,094,568	4,065,483
Deferred mortgage origination fees, net		—	1,642,966	—	1,642,966
Noncurrent receivables and prepaid expenses		227,017	3,822,999	153,974	4,203,990
Land		775,000	—	—	775,000
Building (less accumulated depreciation of $312,760)		688,073	—	—	688,073
Office furniture and fixtures (less accumulated depreciation of $1,305,257)		162,682	—	—	162,682
Other assets and real estate owned		—	111,500	—	111,500
Total noncurrent assets		13,914,238	601,345,024	175,646,570	790,905,832
Total assets	$	23,003,780	638,500,471	177,128,547	838,632,798
Liabilities and Fund Balances					
Liabilities:					
Current liabilities:					
Current notes payable and lines of credit	$	3,356,971	50,000,000	19,773,151	73,130,122
Current bonds payable		8,903	10,450,000	4,981,986	15,440,889
Current unamortized bond and note premium (discount), net		—	(35,687)	(127,689)	(163,376)
Current deferred loan origination fees		203,324	—	—	203,324
Accounts payable		478,937	1,287,620	99,088	1,865,645
Escrowed cash deposits		2,579,068	—	—	2,579,068
Accrued interest payable		59,587	4,931,262	2,318,871	7,309,720
Total current liabilities		6,686,790	66,633,195	27,045,407	100,365,392
Noncurrent liabilities:					
Noncurrent notes payable		6,404,684	—	2,014,049	8,418,733
Noncurrent bonds payable		554,179	527,110,000	120,128,404	647,792,583
Unamortized bond and note premium (discount), net		—	(19,909)	(1,335,443)	(1,355,352)
Arbitrage rebate payable		—	1,077,170	—	1,077,170
Noncurrent deferred mortgage loan origination fees		254,547	—	—	254,547
Total noncurrent liabilities		7,213,410	528,167,261	120,807,010	656,187,681
Total liabilities		13,900,200	594,800,456	147,852,417	756,553,073
Net assets:					
Invested in capital assets		1,625,755	—	—	1,625,755
Restricted		—	43,700,015	29,276,130	72,976,145
Unrestricted		7,477,825	—	—	7,477,825
Total net assets		9,103,580	43,700,015	29,276,130	82,079,725
Total liabilities and net assets	$	23,003,780	638,500,471	177,128,547	838,632,798

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2007

	Operating Fund	Single Family Mortgage Program Fund	Multi-Family Mortgage Program Fund	Total
Operating revenues:				
Interest income:				
Mortgage and construction loans	$ 839,807	26,192,616	9,046,231	36,078,654
Investments	139,092	8,237,930	2,059,047	10,436,069
Fee income:				
Multi-Family Mortgage Programs	753,703	—	80,558	834,261
Single Family Mortgage Programs	15,019	4,215	—	19,234
Miscellaneous income	64,378	—	—	64,378
Total operating revenues	1,811,999	34,434,761	11,185,836	47,432,596
Operating expenses:				
Financing costs, including interest and amortization of premium, discount and costs of issuance, net	735,807	29,212,974	8,030,864	37,979,645
Mortgage service and contract administration fees	—	1,155,529	—	1,155,529
Salaries and benefits	2,925,560	—	—	2,925,560
Operating expenses	1,142,519	—	—	1,142,519
Professional fees	105,445	—	—	105,445
Trustee and assignee fees	136,542	—	—	136,542
Gain on bond redemptions	—	(132,514)	—	(132,514)
Property disposition and loan loss recoveries	159,716	(42,681)	804,336	921,371
Total operating expenses	5,205,589	30,193,308	8,835,200	44,234,097
Operating income (loss)	(3,393,590)	4,241,453	2,350,636	3,198,499
Non-operating revenues:				
Net appreciation (depreciation) in fair value of investments	—	307,267	(8,630)	298,637
Income (loss) before transfers	(3,393,590)	4,548,720	2,342,006	3,497,136
Net transfers to (from) operating fund	3,561,465	(2,750,732)	(810,733)	—
Increase in net assets	167,875	1,797,988	1,531,273	3,497,136
Net assets at beginning of year	8,935,705	41,902,027	27,744,857	78,582,589
Net assets at end of year	$ 9,103,580	43,700,015	29,276,130	82,079,725

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY

Statement of Cash Flows

Year ended June 30, 2007

	Operating Fund	Single Family Mortgage Program Fund	Multi-Family Mortgage Program Fund	Total
Cash flows from operating activities:				
Interest collections on mortgages	$ 857,249	25,752,845	8,911,461	35,521,555
Principal collections on mortgages	4,025,892	43,376,827	30,902,734	78,305,453
Purchases of mortgages	(3,487,798)	(133,911,008)	(36,250,628)	(173,649,434)
Purchases of down payment assist mortgages	—	(490,283)	—	(490,283)
Principal collections on down payment assistance mortgages	—	26,238	—	26,238
Fee income and other receipts	833,100	4,215	129,433	966,748
Salaries and benefits payments	(2,925,560)	—	—	(2,925,560)
Operating expense payments	(1,325,170)	—	—	(1,325,170)
Mortgage service fee payments	—	(1,136,391)	—	(1,136,391)
Proceeds for foreclosed property loss	(159,716)	—	—	(159,716)
Payment on prepaid origination fees	—	(2,103,304)	—	(2,103,304)
Service fee and other payments	—	—	(63,756)	(63,756)
Net cash provided by (used for) operating activities	(2,182,003)	(68,480,861)	3,629,244	(67,033,620)
Cash flows from investing activities:				
Purchases of investments	—	(24,914,061)	—	(24,914,061)
Proceeds from sales and maturities investments	—	16,710,000	—	16,710,000
Interest received on investments	142,396	7,935,367	2,045,702	10,123,465
Increase in escrowed cash deposits	22,735	—	—	22,735
Cost of real estate owned	—	(287,633)	—	(287,633)
Proceeds from sales of real estate owned	—	783,551	—	783,551
Net cash provided by investing activities	165,131	227,224	2,045,702	2,438,057
Cash flows from noncapital financing activities:				
Net proceeds from issuance of bonds payable	—	148,793,538	4,129,250	152,922,788
Principal payments on bonds	(8,320)	(57,605,000)	(6,048,388)	(63,661,708)
Interest payments on bonds and notes payable	(743,817)	(26,202,298)	(7,968,375)	(34,914,490)
Proceeds from issuance of notes payable	1,000,000	20,000,000	29,794,450	50,794,450
Repayment of notes payable	(1,190,046)	(15,000,000)	(19,080,833)	(35,270,879)
Payments to bond insurers	—	(563,999)	(11,406)	(575,405)
(Payments for) proceeds from cost of issuance	(25,329)	307,844	(54,963)	227,552
Transfers from (to) other funds	1,929,581	(2,742,424)	812,843	—
Net cash provided by noncapital financing activities	962,069	66,987,661	1,572,578	69,522,308
Cash flows from capital related financing activities:				
Purchase of office furniture and fixtures	(69,316)	—	—	(69,316)
Net cash used for capital related financing activities	(69,316)	—	—	(69,316)
Net increase (decrease) in cash and cash equivalents	(1,124,119)	(1,265,976)	7,247,524	4,857,429
Cash and cash equivalents at beginning of year	7,519,011	98,901,758	27,818,552	134,239,321
Cash and cash equivalents at end of year	$ 6,394,892	97,635,782	35,066,076	139,096,750

VERMONT HOUSING FINANCE AGENCY

Statement of Cash Flows

Year ended June 30, 2007

	Operating Fund	Single Family Mortgage Program Fund	Multi-Family Mortgage Program Fund	Total
Reconciliation of cash flows from operating activities:				
Operating income (loss)	$ (3,393,590)	4,241,453	2,350,636	3,198,499
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	133,783	—	—	133,783
Amortization of discounts on bonds and notes payable, net	—	67,801	127,297	195,098
Amortization of costs of bond issuance and other fees	—	117,343	66,170	183,513
Amortization of deferred fees	111,043	—	—	111,043
Gain on bond redemptions	—	(132,514)	—	(132,514)
Losses on loans and real estate owned	—	(24,772)	—	(24,772)
Provision for loan losses	—	(17,914)	—	(17,914)
Investment interest income	(139,092)	(8,237,930)	(2,059,047)	(10,436,069)
Bond and note interest expense	735,807	27,216,934	7,823,579	35,776,320
Bond insurance expense	—	542,210	13,816	556,026
Prepaid cost of issuance	—	(825,700)	—	(825,700)
Changes in assets and liabilities:				
Decrease (increase) in mortgage loans receivable	538,094	(90,552,095)	(4,543,556)	(94,557,557)
Decrease in other assets	25,329	90,233	—	115,562
Increase (decrease) in accrued interest receivable	16,533	(329,584)	108,314	(204,737)
Increase in other receivables and prepaid expenses	(48,187)	(1,050,940)	(257,965)	(1,357,092)
Increase (decrease) in deferred mortgage origination fees, net	(167,928)	79,362	—	(88,566)
Increase in accounts payable	6,205	335,252	—	341,457
Net cash provided by (used for) operating activities	$ (2,182,003)	(68,480,861)	3,629,244	(67,033,620)

Supplemental noncash operating/investing activities:
Mortgage loans receivable converted to real estate owned amounted to $376,840 in fiscal year 2007

Supplemental noncash financing activities:
The fair value of investments increased $298,637 in fiscal year 2007

See accompanying notes to financial statements.

(1) Authorizing Legislation and Nature of Funds

(a) Authorizing Legislation

Vermont Housing Finance Agency (the Agency) was created as a body politic and corporate of the State of Vermont by an Act of the General Assembly approved on April 11, 1974 (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. The Agency is not a component unit of the State of Vermont, but is classified as a related organization of the State of Vermont. The State of Vermont appoints a majority of the Agency's board of commissioners but the State of Vermont is not financially accountable for the Agency.

The Agency is empowered by the Act and subsequent amendments to issue bonds and notes in an amount not to exceed $900 million outstanding at any one time. Instruments so issued do not constitute a debt or obligation of the State of Vermont and are payable solely from revenues or assets of the Agency.

The State of Vermont has pledged and agreed with the holders of bonds and notes of the Agency not to impair in any way the rights and remedies of such holders.

(b) Basis of Presentation and Nature of Funds

The financial statements are presented on a program basis, combining the various restricted accounts required by each bond resolution into groups that account for the various bonds issued, related costs of issuance and debt service activity and the investment and related earnings of the bond proceeds in mortgages or loans and temporary investments and the maintenance of certain reserve fund requirements – all under the specific requirements of each resolution.

These accounts are in turn grouped by major fund as described below for the Single Family Mortgage Program fund, the Multi-family Mortgage Program fund, and the unrestricted Operating fund of the Agency.

(i) Operating Fund

This fund derives its revenue principally from fees, mortgage interest and investment income. Operating expenses of the Agency are paid from this fund.

Transfers from program funds to the Operating Fund represent amounts allowed to be transferred pursuant to the terms of the Agency's bond resolutions.

(ii) Single Family Mortgage Program Fund

This fund has been established under the Single Family Insured Mortgage Bond Resolution adopted in September 1976, the Single Family Mortgage Purchase Bond Resolution adopted in June 1978, the Home Mortgage Purchase Bond Resolution adopted in July 1983 and the Single Family Housing Bond Resolution adopted in September 1990. Monies from these programs have been used by the Agency to purchase, mortgage loans on single family residential housing units for persons and families of low and moderate income in Vermont.

(iii) Multi-Family Mortgage Program Fund

This fund has been established under the Multi-Family Mortgage Bond Resolution adopted in February 1977, the Multi-Family Housing Bond Resolution adopted in September 1981, and various individualized taxable and tax exempt bond resolutions adopted between December 1985 and May 2007. Monies from these programs are used by the Agency to make and finance mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income within the State of Vermont.

(iv) Reserve Requirements

Under various bond resolutions of the Agency, certain amounts from bond proceeds are required to be set aside and maintained for potential debt service requirements in trusteed accounts. As of June 30, 2007, reserve requirements totaled $19,874,440 for the Single Family Mortgage Programs and $10,689,248 for the Multi-Family Mortgage Programs. Amounts held in reserve accounts as of June 30, 2007 exceeded the required balances in all cases.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis of accounting using the economic resource management focus. Accordingly, the Agency recognizes revenue in the period earned and expenses in the period incurred.

As permitted under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Agency has elected not to apply Statements of Financial Accounting Standards issued after November 30, 1989.

(b) Net Assets

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* the Agency's net assets have been classified for external financial reporting purposes into the following three net asset categories:

- **Invested in Capital Assets**: Capital assets, net of accumulated depreciation, and cost of construction or improvement of those assets.
- **Restricted**: Net assets subject to externally imposed stipulations, including those for excess yield loans.
- **Unrestricted**: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

(c) Cash Equivalents

The Agency considers all highly liquid investments, including investment agreements with insurance companies, with original maturities of three months or less to be cash equivalents for purposes of the statement of cash flows. Cash equivalents also includes mortgage payments which are in transit to the trustee to be invested in collateralized repurchase agreements.

(d) Mortgage Loans Receivable

Mortgage loans receivable are carried at their uncollected principal balances less an allowance for loan losses on mortgages. The loan loss allowances are established based on historical loss experience. Future additions to the allowance may be necessary based on changes in economic conditions. At June 30, 2007, the allowance for loan losses totaled $78,973, relating to Single Family mortgage loans, $1,500,000 for Multi-Family mortgage loans and $2,669,756 for operating fund mortgage loans.

Included in Multi-Family mortgage loans receivable is approximately $9.4 million of mortgages funded by excess yield. The Agency estimates that it may be required to forgive or restructure up to this amount of these loans prior to the final maturity of the related 1995 and 1999 bond issues, in order to be in compliance with Federal tax laws. Subsequent to year end, the loans related to the 1995 issuance were refunded as part of the new bond issuance for 2007 Series A and B bonds.

(e) Investments

Investments are comprised of short-term investments other than cash equivalents that mature in one year or less, and long-term investments with maturities in excess of one year. The Agency follows the provisions of GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* GASB No. 31 requires investments to be reported at fair value in the statement of net assets. The net decrease in the fair value of investments, including both realized and unrealized gains and losses, is recognized in the statement of revenues, expenses, and changes in net assets. Fair values of guaranteed investment contracts (GICs) are recorded at contract value. Fair values of all other investments are based upon quoted market prices.

(f) Depreciation

The Agency records purchases of its capital assets at cost and depreciates that cost over the estimated useful lives of the assets, which are forty years for the building and three to five years for furniture and fixtures, using the straight-line method.

(g) Amortization

Costs of bond issuance, which represents underwriters' fees and legal costs are deferred and amortized over the lives of the respective issues using the straight-line method. Bond discounts and premiums are amortized using the effective interest method over the life of the bonds.

The difference between the reacquisition price and net carrying amount of defeased bonds is deducted from, or added to the refunding debt liability and amortized on the straight-line method over the shorter of the maturity of the new debt or the defeased debt.

(h) Income Tax Status

The Agency is generally exempt from Federal and Vermont income taxes under Section 115 of the Internal Revenue Code and applicable state laws.

(i) Deferred Loan Origination Fees and Costs

In accordance with SFAS No. 91, *Accounting for Nonrefundable Fees and Cost Associated with Origination or Acquiring Loans and Initial Direct Costs of Leases,* loan origination fees and certain related costs are deferred and amortized over the estimated lives of the respective loans.

(j) Arbitrage to be Rebated

Bonds issued by the Agency are subject to a variety of Internal Revenue Service (IRS) regulations which limit the amount of income which may be earned with nonmortgage investments to an amount not greater than that amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings must be rebated every five years.

(k) Operating and Nonoperating Revenues and Expenses

The Agency records all revenues and expenses related to its Single Family and Multi-Family loan programs as operating revenues and expenses since they are generated from the Agency's daily operations needed to carry out its statutory purposes. Investment income is recorded as operating revenue in all funds. Net appreciation and depreciation in the fair value of investments is recorded as nonoperating revenues and expenses. Gains and losses on bond redemption are recorded in operating expenses and revenues because they are a part of the normal operations of the Agency's activities.

(l) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires estimates and assumptions that affect the reported amount of the assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to estimates and assumptions include the provision for loan losses and the valuation of investments.

(3) Cash, Cash Equivalents and Investments

For mortgage program investments, bond resolution requirements mandate specific classes of investment vehicles. Qualified investments are: direct obligations of the United States of America; obligations unconditionally guaranteed by the United States of America; indebtedness issued by certain Federal agencies; bank time deposits evidenced by certificates of deposits insured by the Federal Depository Insurance Corporation (FDIC) and, if in excess of insured limits, collateralized in full by the aforementioned Federal government investments; obligations of the State of Vermont, and/or Federal or state insured mortgages; collateralized repurchase agreements secured by obligations of the Federal government; GICs with the collateral held by or at the direction of the appropriate trustee; and, investment agreements with banks or bank holding companies rated in the top categories by nationally recognized rating agencies.

The Agency has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. All investment agreements with banks or bank holding companies, insurance companies or other financial institutions must be rated at least "A" by nationally recognized credit rating agencies. All bonds are issued by U.S. Treasury or U.S. Government agencies such as FNMA, FHLMC and FHLB, and have implied credit ratings of AAA.

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. The deposits (including certificates of deposit) at June 30, 2007, were $5.1 million. Of these, $3.1 million were exposed to custodial credit risk as uninsured and uncollateralized.

(b) Investments

The Agency's investments at June 30, 2007 are presented below.

Investments by Type
June 30, 2007
(Expressed in thousands)

Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Certificate of deposit	$ 100	100	—	—	—
Guaranteed investment contracts	42,910	20,000	2,303	—	20,607
U.S. Treasury securities	9,013	—	—	9,013	—
Government agency securities	2,764	—	987	565	1,212
Common stock	1,721	—	—	—	—
	$ 56,508				

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Agency's investment in a single issuer. More than 5% of the Agency's investments are invested in guaranteed investment contracts; Trinity Plus, AIG, Transamerica, Bayern LB, MBIA, and TMG. These investments are 22.6%, 15.3%, 17.2%, 11.9%, 15% and 6.3%, respectively, of the Agency's total investments. The Agency does not have a formal investment policy that limits the amount invested in a single issue.

(d) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(4) Mortgage and Construction Loans Receivable

(a) Single Family Mortgage Loans Receivable

Single Family mortgage loans earn interest at annual rates ranging predominantly from 5.30% to 10.5%. Mortgage payments are received monthly by the Agency from which a service fee is generally retained by servicing lenders or the subservicer.

At June 30, 2007, approximately 74% of the Single Family mortgage portfolios consist of primary insured mortgages.

Mortgage loans, not requiring primary insurance, are limited to 75% of the appraised value of the property.

(b) Multi-Family Mortgage Loans and Construction Loans Receivable

Multi-Family mortgage loans receivable earn interest at annual rates ranging predominantly from 4.5% to 14%, and are collateralized by first mortgage liens on all real and personal property of the mortgaged premises. As of June 30, 2007, $156,105 of the Multi-Family mortgage loans receivable under the Multi-Family Housing Program were financed from funds transferred from the Agency's Operating Fund.

(5) Real Estate Owned

Real estate owned at June 30, 2007 consists of properties held pending sale as a result of foreclosure by the Agency. Real estate owned is carried at the lower of cost or fair value less estimated costs to sell. A valuation allowance has been established to account for the reduction in value of properties held. At June 30, 2007, the valuation allowance totaled $6,498.

(6) Escrowed Cash Deposits

Escrowed cash deposits are received primarily from multi-family housing developers at the time the Agency makes permanent mortgage loans. Escrowed deposits are governed by agreements, and released upon satisfactory compliance with their terms.

(7) Bonds Payable

All bonds payable are general or special obligations of the Agency and are collateralized by the operating revenues, loans, funds and investments pledged pursuant to the respective bond resolutions. Interest is payable semi-annually. All bonds are subject to redemption after various dates at prices ranging from 100% to 103% of par value.

(Continued)

Outstanding bonds payable at June 30, 2007 are as follows (in thousands):

A.	Single Family Mortgage Program Fund:	
	Home Mortgage Purchase Program:	
	1989 Series B, maturing 2007 to 2009, interest at 7.45%	$ 1,770,000
	Housing Program:	
	Series 8, maturing in 2031, interest at 6.05%	4,945,000
	Series 9, maturing 2007 to 2037, interest at 4.45% to 5.4%	15,605,000
	Series 10, maturing 2007 to 2030, interest at 4.25% to 5.25%	9,585,000
	Series 11, maturing 2007 to 2030, interest at 4.95% to 5.95%	4,150,000
	Series 12, maturing 2007 to 2031, interest at 5.4% to 6.4%	4,125,000
	Series 13, maturing 2007 to 2031, interest at 4.95% to 5.97%	8,845,000
	Series 14, maturing 2008 to 2032, interest at 4.375% to 6.05%	11,820,000
	Series 15, maturing 2007 to 2032, interest at 4.1% to 5.7%	16,340,000
	Series 16, maturing 2008 to 2033, interest at 4.4% to 5.6%	35,740,000
	Series 17, maturing 2008 to 2034, interest at 2.95% to 5.1%	23,305,000
	Series 18, maturing 2008 to 2034, interest at 2.7% to 4.95%	24,510,000
	Series 19, maturing 2007 to 2035, interest at 2.05% to 5.0%	26,355,000
	Series 20, maturing 2007 to 2035, interest at 3.15% to 5.5%	26,650,000
	Series 21, maturing 2007 to 2035, interest at 2.1% to 5.0%	40,235,000
	Series 22, maturing 2007 to 2035, interest at 3.1% to 5.0%	38,980,000
	Series 23, maturing 2007 to 2035, interest at 3.15% to 5.0%	54,905,000
	Series 24, maturing 2007 to 2036, interest at 3.6% to 5.0%	41,765,000
	Series 25, maturing 2008 to 2037, interest at 3.8% to 6.0%	51,760,000
	Series 26, maturing 2007 to 2038, interest at 3.5% to 5.75%	53,820,000
	Series 27, maturing 2008 to 2038, interest at 3.65% to 5.5%	42,350,000
	Total Housing Program	535,790,000
	Total Single Family Mortgage Program Fund	537,560,000
B.	Multi-Family Mortgage Program Fund:	
	Mortgage Program:	
	1999 Series A, maturing 2008 to 2020, interest at 4.45% to 5.125%	3,695,000
	1999 Series B, maturing 2008 to 2030, interest at 5.15% to 6.0%	3,695,000
	1999 Series C and D, maturing 2008 to 2021, interest at 5.0% to 5.8%	24,415,000
	2000 Series A, maturing in 2039, interest at 5.9%	5,025,000
	2000 Series B, C, and D, maturing 2014 to 2031, interest at 5.65% to 6.7%	2,610,000
	2001 Series A, B, C, and D, maturing 2031 to 2032, interest at 5.4% to 7.27%	5,185,000
	2002 Series A and B, maturing 2007 to 2039, interest at 4.1% to 7.2%	11,685,000
	2003 Series A, maturing 2023 to 2043, interest at 5.05% to 5.25%	4,225,000
	2003 Series C, maturing 2008 to 2034, interest at 2.95% to 5.1%	10,530,000
	2004 Series A, B, and C, maturing 2007 to 2046, interest at 2.85% to 6.3%	14,410,000
	2004 Series D, maturing 2024 to 2039, interest at 4.65% to 4.9%	2,750,000
	2005 Series A, B, C, and D, maturing 2015 to 2035, interest at 4.4% to 5.75%	4,380,000
	Total Mortgage Program	92,605,000

Housing Program:		
1995 Series A, maturing 2008 to 2014, interest at 6.15%	$	11,050,000
1997 Series A, maturing 2008 to 2029, interest at 5.0% to 5.75%		5,280,000
Total		16,330,000
Direct Placement Program:		
Northgate Housing Program:		
Eleven series of bonds, issued December 1989, maturing 2007 to 2031, interest at 7.085% to 9.23%		6,447,114
Highgate Housing Program:		
Two series of bonds, issued May 1991, maturing 2007 to 2031, interest at 6.45% to 7.741%		1,352,516
Pine Meadow Development Bond:		
Taxable bond, issued July 1991, maturing 2008 to 2016, interest at 6%		347,500
Kilbourn Mobile Home Park Bond:		
Taxable bond, issued May 1996, maturing 2007 to 2016, interest at 7.5%		203,700
T.D. Banknorth Borrowing – Chittenden Housing Corp. Bond:		
Issued June 2006, maturing 2007 to 2012, interest at 5.41%		3,674,560
Multi-Family variable rate demand bonds, Series 1		
Maturing 2037 to 2038, interest at 4.18% to 5.49%		4,150,000
Total Direct Placement Programs		16,175,390
Total Multi-Family Mortgage Program Fund		125,110,390
C. Operating Fund:		
Northgate Housing Site Acquisition, issued December 1989, maturing 2007 to 2031, interest at 7%		563,082
Total bonds payable	$	663,233,472

All calendar year 2007 maturities on bonds payable occur after June 30, 2007.

In 2007, the Agency issued Single Family Housing Series 26 bonds for a total of $53.8 million. The proceeds were used to finance Single Family Mortgage loans and refund $11 million in Single Family Housing Series 7 bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $243,000. This difference has been deferred and is being charged to operations through the year 2031, using the effective interest method. The bonds were refunded to reduce total debt service payments over the next thirty years by approximately $2.8 million and to obtain an economic gain of approximately $635,000.

Future maturities on bonds payable as of June 30, 2007 are as follows (in thousands):

		Multi-Family Mortgage Programs					
		Mortgage Program		Housing Program		Direct Placement Programs	
		Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year ending June 30:							
2008	$	2,785	5,030	1,730	976	467	880
2009		2,915	4,894	1,845	871	518	837
2010		3,060	4,749	1,960	759	475	800
2011		3,230	4,592	2,085	640	461	763
2012		3,375	4,422	2,050	513	235	836
2013-2017		17,710	19,274	2,980	1,386	5,148	3,174
2018-2022		18,570	13,917	1,225	924	1,324	2,455
2023-2027		11,050	10,007	1,650	528	1,517	1,958
2028-2032		13,750	6,603	805	70	1,880	1,314
2033-2037		11,620	2,888	—	—	2,415	961
2038-2042		3,855	599	—	—	1,735	56
2043-2047		685	84	—	—	—	—
Total	$	92,605	77,059	16,330	6,667	16,175	14,034

		Single Family Mortgage Programs							
		Home Mortgage Purchase Program		Housing Program		Operating Fund		Agency Totals	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year ending June 30:									
2008	$	665	120	9,785	25,576	9	39	15,441	32,621
2009		725	69	11,460	24,881	10	39	17,473	31,592
2010		380	14	11,690	24,415	10	38	17,576	30,775
2011		—	—	12,160	23,917	11	37	17,946	29,949
2012		—	—	12,630	23,375	12	37	18,301	29,183
2013-2017		—	—	72,800	107,529	72	170	98,710	131,533
2018-2022		—	—	91,470	88,307	101	141	112,690	105,743
2023-2027		—	—	103,560	64,906	141	100	117,919	77,499
2028-2032		—	—	116,610	38,311	197	43	133,242	46,341
2033-2037		—	—	87,230	11,416	—	—	101,265	15,265
2038-2042		—	—	6,395	206	—	—	11,985	860
2043-2047		—	—	—	—	—	—	685	84
Total	$	1,770	203	535,790	432,839	563	644	663,233	531,445

A summary of bonds payable, discount on bonds, and premium on bonds and arbitrage rebate payable activity for the year ended June 30, 2007 is as follows (in thousands):

		Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007	Amounts due within one year	Amounts due thereafter
Bonds payable	$	574,785	152,110	(63,662)	663,233	15,441	647,792
Discount on bonds		(5,581)	(1,130)	638	(6,073)	(300)	(5,773)
Premium on bonds		3,370	1,942	(758)	4,554	165	4,389
Arbitrage rebate payable		70	1,042	(35)	1,077	—	1,077

The Agency has entered into interest rate swap agreements with counterparties in connection with the Single Family Housing Bonds Variable Rate Demand Bonds (VRDB) and Auction Rate Certificates (ARC) in order to obtain a synthetic fixed interest rate at a cost expected to be less than that associated with variable rate debt. Under the swap agreement, the swap provider pays the Agency an amount based on the London InterBank Offered Rate (LIBOR) or the Bond Market Association Index (BMA), and the Agency pays the swap provider an amount at a fixed rate of interest.

Using rates as of June 30, 2007, debt service requirements of the variable rate bonds and net swap payments, assuming current interest rates remain constant, were as follows (in thousands):

	Variable rate		Interest rate	
	Principal	Interest	swaps, net	Total
Fiscal year ending June 30:				
2008	$ 396	4,083	(220)	4,259
2009	453	4,067	(227)	4,293
2010	920	4,047	(242)	4,725
2011	4,830	4,006	(242)	8,594
2012	1,260	3,826	(188)	4,898
2013-2017	11,519	18,181	(1,040)	28,660
2018-2022	22,935	15,027	(927)	37,035
2023-2027	21,455	10,445	(662)	31,238
2028-2032	24,510	6,157	(452)	30,215
2033-2037	18,221	1,427	(166)	19,482
	$ 106,499	71,266	(4,366)	173,399

A summary of the swap agreements follows:

Issue		Effective date	Face amount	Termination date	Termination option date	Fixed swap payment rate	Variable receivable rate	Fair value at June 30, 2007
Series 17	VRDB	5/1/2004	$ 7,090,000	5/1/2019	–	3.182%	70% of LIBOR	$ (180,503)
Series 19	ARC	4/8/2004	7,550,000	11/1/2027	–	3.492	70% of LIBOR	(187,285)
Series 20	ARC	8/12/2004	7,700,000	5/1/2028	11/1/2014	4.166	70% of LIBOR	(8,592)
Series 21	VRDB	11/30/2004	11,200,000	5/1/2029		3.682	BMA + 0.10% (if LIBOR ≤ 3.00%) 68% of LIBOR (if LIBOR > 3.00%)	(126,573)
Series 22	VRDB	6/8/2005	13,800,000	11/1/2034	5/1/2012	3.731	65% of LIBOR	(391,369)
Series 23	VRDB	10/26/2005	14,500,000	11/1/2034	11/1/2014	3.569	65% of LIBOR + 0.28%	(497,950)
Series 24	VRDB	4/19/2006	10,440,000	11/1/2036	5/1/2015	3.973	65% of LIBOR + 0.28%	(39,438)
Series 25	VRDB	7/12/2006	12,945,000	11/1/2036	11/1/2015	4.251	65% of LIBOR + 0.28%	250,652
Series 26	VRDB	10/26/2006	13,450,000	5/1/2037	5/1/2016	3.897	65% of LIBOR + 0.28%	(134,353)
TD BankNorth: Chittenden Housing		6/28/2006	3,674,560	6/28/2011	–	5.410	69% of LIBOR	(58,287)
Series 1-A	VRDB	1/25/2007	645,000	1/1/2022	–	4.240	BMA + 0.15%	(3,175)
Series 1-B	VRDB	1/25/2007	1,770,000	1/1/2022	–	4.180	BMA + 0.10%	(7,289)
Series 1-C	VRDB	1/25/2007	1,735,000	1/1/2022	–	5.490	LIBOR + 0.05%	22,221
								$ (1,361,941)

By using derivative financial instruments to hedge exposures to changes in interest rates, the Agency exposes itself to credit and market risk. Credit risk is the failure of the counter-party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter-party owes the Agency, which creates credit risk for the Agency. When the fair value of a derivative contract is negative, the Agency owes the counter-party and, therefore, it does not possess credit risk. The Agency minimizes its credit risk in derivative instruments by entering into transactions with high-quality counter-parties whose credit rating is higher than Aa. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rates is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

(8) Notes Payable

The Agency may borrow from the Federal Home Loan Bank (FHLB) in an amount not to exceed assets pledged to the FHLB. As of June 30, 2007, the Agency had outstanding borrowings totaling $6,066,655 which are secured by mortgage loans with a carrying value of $7,208,667. These borrowings have interest rates ranging from 6.32% to 7.66% and mature through November 2018.

The Agency is operating under unsecured variable rate lines of credit that total $84,500,000 with lending institutions expiring in 2008. At June 30, 2007, there was a $24,982,200 balance outstanding at 5.22% to 7.29%. The lines of credit were entered into in order to fund working capital, and to be used for specific construction projects financed by the Agency.

The Agency has a $500,000 note payable to the Vermont Community Foundation at a rate of 4%, maturing in February 2010. The note is uncollateralized.

As of June 30, 2007, the Agency had $50,000,000 of notes payable in the Single Family Housing Program fund. These notes have interest rates ranging from 3.8% to 4.25% and mature between November 2007 and May 2008. These notes are uncollateralized. The proceeds of these notes are invested in guaranteed investment contracts, the income on which is used to make scheduled debt service payments, and to provide assisted rates for affordable housing mortgage loans.

Future maturities on notes payable and line of credit borrowings as of June 30, 2007 are as follows (in thousands):

		Operating Fund		Single Family Housing Program		Multi Family Direct Placement Program		Agency totals	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:									
2008	$	3,357	629	50,000	1,420	19,773	835	73,130	2,884
2009		174	436	—	—	2,014	94	2,188	530
2010		812	416	—	—	—	—	812	416
2011		201	377	—	—	—	—	201	377
2012		246	361	—	—	—	—	246	361
2013-2017		3,212	1,413	—	—	—	—	3,212	1,413
2018-2020		1,760	143	—	—			1,760	143
Total	$	9,762	3,775	50,000	1,420	21,787	929	81,549	6,124

A summary of line of credit borrowings and notes payable activity for the year ended June 30, 2007 is as follows (in thousands):

		Balance at June 30, 2006	Increases	Decreases	Balance at June 30, 2007	Amounts due within one year	Amounts due thereafter
Line of credit borrowings	$	14,268	30,795	(20,081)	24,982	22,968	2,014
Notes payable		51,757	20,000	(15,190)	56,567	50,162	6,405
	$	66,025	50,795	(35,271)	81,549	73,130	8,419

(9) Asset Restrictions

Pursuant to the Act and agreements with bondholders and other parties, the Agency's assets are pledged to secure specific obligations or are otherwise restricted.

Programs which are financed by the issuance of bonds are accounted for separately in accordance with each of the general bond resolutions. Program assets and revenues are pledged to bondholders. Revenues in excess of required amounts are available to be transferred to the Operating Fund.

Amounts transferred to the Operating Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions, and may be used for any lawful purpose under the Act, including payments to various accounts within the bond resolutions. All of the outstanding bonds, except for the Single Family Housing Bonds, are general obligations of the Agency. For general obligation bonds, the Agency covenants that it will restore deficiencies to the bond programs, as defined by the bond resolutions, from the Operating Fund.

The Operating Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, and to provide collateral for credit agreements.

(10) Pension Plan

Upon meeting certain eligibility requirements, the Agency's employees are eligible to participate in the Vermont Housing Finance Agency 401(k) Plan, a noncontributory defined contribution pension plan, in accordance with the provisions of the Employee Retirement Income Security Act of 1974. For the year ended June 30, 2007, the Agency had a total payroll of $2,101,255, of which $1,886,746 was covered by the pension plan. The Agency's contribution to the Plan is 10% of the covered payroll. Employees vest in benefits under the Plan at 20% per year of service and are fully vested after five years. Forfeitures of nonvested benefits by terminated employees reduce the Agency's contribution. The cost of the plan was $191,249 for the year ended June 30, 2007, and is included in salaries and benefits expense.

(11) Gain on Bond Redemptions

During the year ended June 30, 2007, the Agency redeemed $49,420,000 of its Single–Family Housing Program Bonds. Gain on bond redemptions of $132,514 was recognized which represents the unamortized balance of bond premium and discount and cost of issuance expenses associated with the bonds retired.

The following is a summary of the redeemed bonds (in thousands):

		Single Family Housing Program
Series 7	$	11,895
Series 8		820
Series 9		3,115
Series 10		1,285
Series 11		595
Series 12		1,045
Series 13		1,945
Series 14		2,305
Series 15		1,790
Series 16		5,800
Series 17		2,225
Series 18		3,135
Series 19		2,355
Series 20		2,840
Series 21		2,930
Series 22		2,280
Series 23		2,875
Series 24		155
Series 25		20
Series 26		10
	$	49,420

(12) Commitments and Contingencies

At June 30, 2007, the Agency had outstanding commitments in the amount of $47,656,750 to purchase or finance mortgage loans pursuant to its normal funding from bond proceeds. In addition, there were commitments of $14,650,000 for general loans or future program subsidy purposes.

Under the Single Family Mortgage Programs, the Agency has obtained surety bonds in the amount of $28,715,840 expiring between 2025 and 2038, which satisfy the requirements of certain bond resolutions.

(13) Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors; and omissions; injuries to employees; employees' health; and natural disasters. The Agency manages these risks through a combination of participating in the State self-insurance program and purchasing commercial insurance packages in the name of the Agency. The Agency has not experienced settled claims resulting from these risks which have exceeded its insurance coverage. In addition, the Agency's bylaws provide for the indemnification of Agency commissioners and officers by the Agency. This indemnification requirement is supported by various statutes related to claims against employees and entities of the State and the Agency's authorizing legislation which includes the benefit of sovereign immunity.

(14) Subsequent Event

In July 2007, the Agency issued $66,625,000 of bonds under the new Multiple Purpose Bonds indenture, 2007 Series A and Series B. The bond proceeds will be used to purchase single and multi-family mortgages, and to refund the multi-family housing bonds.

In September 2007, the Agency issued $66,055,000 of bonds and $28,250,000 of notes under the Multiple Purpose Bonds indenture, 2007 Series C and Series D. The bond proceeds will be used to purchase single family mortgages, while the note proceeds will be invested in guaranteed investment contracts.

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APPENDIX I-B

UNAUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2008

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VERMONT HOUSING FINANCE AGENCY
Statement of Net Assets
March 31, 2008
(Unaudited)

		SINGLE FAMILY					MULTI-FAMILY			
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MULTIPLE PURPOSE BONDS	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL
ASSETS:										
Cash and cash equivalents	10,240,862	639,993	157,222	6,313,494	54,008,049	37,646,571	21,419,901	-	3,547,836	133,973,928
Investments	100,000	559,821	-	-	48,803,433	32,802,548	5,068,871	-	-	87,334,673
Mortgage and const loans receivable	15,382,728	231,335	38,310	1,228,417	463,755,445	108,987,174	74,956,172	-	37,526,879	702,106,460
Less: Reserve for loan losses	(2,669,756)	(420)	-	(1,512)	(77,041)	(1,500,000)	-	-	-	(4,248,729)
Accrued interest receivable:										
Mortgage and construction loans and notes	1,175,714	1,173	319	13,397	1,899,249	298,722	307,508	-	49,243	3,745,325
Investments	11,914	762	191	77,286	1,648,714	1,597,333	108,054	-	4,532	3,448,786
Deferred costs of bond issuance	-	-	-	18,755	2,886,813	660,918	839,777	-	153,925	4,560,188
Deferred mortgage origination fees, net	-	-	-	-	1,748,174	180,553	-	-	-	1,928,727
Land	775,000	-	-	-	-	-	-	-	-	775,000
Building (net of depreciation)	669,308	-	-	-	-	-	-	-	-	669,308
Office furniture and fixtures (net of depreciation)	123,655	-	-	-	-	-	-	-	-	123,655
Other receivables and prepaid expenses	122,656	2,752	8	18,163	4,734,077	1,191,554	20,407	-	111,128	6,200,745
Interfund receivables (payables)	(2,261,596)	875,239	3,912	3,717,826	(848,717)	(1,050,108)	98,705	-	(535,261)	-
Other assets and REO	-	-	-	-	588,426	-	-	-	-	588,426
TOTAL ASSETS	$ 23,670,485	2,310,655	199,962	11,385,826	579,146,622	180,815,265	102,819,395	-	40,858,282	941,206,492
LIABILITIES:										
Deferred loan origination fees	410,050	-	-	-	-	-	-	-	-	410,050
Accounts payable	534,711	36	8	3,578	2,130,868	142,511	48,338	-	52,494	2,912,544
Escrowed cash deposits	2,631,241	-	-	-	-	-	-	-	-	2,631,241
Line of credit borrowings	3,195,000	-	-	-	-	-	-	-	-	3,195,000
Notes payable	6,457,385	-	-	-	20,000,000	28,250,000	-	-	21,616,831	76,324,216
Accrued interest payable	47,919	-	-	35,884	10,442,401	3,797,866	626,367	-	51,507	15,001,944
Bonds payable	554,179	-	-	1,445,000	513,205,000	132,680,000	89,610,000	-	18,413,884	755,908,063
Unamortized premium (discount) on bonds and notes	-	-	-	(74,883)	(137,074)	227,450	(936,662)	-	(43,402)	(964,571)
TOTAL LIABILITIES	13,830,485	36	8	1,409,579	545,641,195	165,097,827	89,348,043	-	40,091,314	855,418,487
NET ASSETS:										
Invested in capital assets	1,567,963	-	-	-	-	-	-	-	-	1,567,963
Restricted	-	2,310,619	199,954	9,976,247	33,505,427	15,717,438	13,471,352	-	766,968	75,948,005
Unrestricted	8,272,037	-	-	-	-	-	-	-	-	8,272,037
TOTAL NET ASSETS	$ 9,840,000	2,310,619	199,954	9,976,247	33,505,427	15,717,438	13,471,352	-	766,968	85,788,005

VERMONT HOUSING FINANCE AGENCY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Nine Months Ended March 31, 2008
(Unaudited)

		SINGLE FAMILY					MULTI-FAMILY			
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MULTIPLE PURPOSE BONDS	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL
OPERATING REVENUES:										
Interest Income:										
Mortgage and construction loans receivable	$ 609,565	12,190	2,917	94,307	21,011,289	3,273,176	3,980,485	92,992	2,022,555	31,099,476
Investments	137,327	33,554	4,068	362,814	4,128,890	2,632,243	959,107	79,897	124,545	8,462,445
Fee Income:										
Multi-Family Mortgage Programs	387,590	-	-	-	-	58,695	-	10,630	-	456,915
Single Family Mortgage Programs	8,033	-	-	-	757	2,635		-	-	11,425
Miscellaneous income	54,550	-	-	-	-	-	-	-	-	54,550
Total operating revenues	1,197,065	45,744	6,985	457,121	25,140,936	5,966,749	4,939,592	183,519	2,147,100	40,084,811
OPERATING EXPENSES:										
Financing costs, including interest and amortization of premium, discount and costs of issuance	525,599	87	25	101,997	20,958,508	4,937,991	3,875,254	209,114	2,002,935	32,611,510
Mortgage service and contract administration fees	-	493	94	4,718	903,523	94,000	-	-	-	1,002,828
Salaries and benefits	2,423,610	-	-	-	-	-	-	-	-	2,423,610
Operating expenses	930,767	-	-	-	-	-	-	-	-	930,767
Professional fees	74,715	-	-	-	-	-	-	-	-	74,715
Trustee and assignee fees	141,240	-	-	-	-	-	-	-	-	141,240
Loss (gain) on bond redemptions	-	-	-	-	(118,038)	-	-	-	-	(118,038)
Property disposition and loan loss expenses (recoveries)	56,093	-	-	90	26,833	-	-	-	-	83,016
Total operating expenses	4,152,024	580	119	106,805	21,770,826	5,031,991	3,875,254	209,114	2,002,935	37,149,648
Operating income (loss)	(2,954,959)	45,164	6,866	350,316	3,370,110	934,758	1,064,338	(25,595)	144,165	2,935,163
NON-OPERATING REVENUES:										
Net appreciation (depreciation) in fair value of investments	-	17,509	-	-	710,335	-	45,273	-	-	773,117
Income (loss) before transfers	(2,954,959)	62,673	6,866	350,316	4,080,445	934,758	1,109,611	(25,595)	144,165	3,708,280
Net transfers to (from) programs	3,691,379	-	-	(2,208,068)	-	14,782,680	(570,000)	(15,678,991)	(17,000)	-
Increase (decrease) in net assets	736,420	62,673	6,866	(1,857,752)	4,080,445	15,717,438	539,611	(15,704,586)	127,165	3,708,280
Net assets at beginning of year	9,103,580	2,247,946	193,088	11,833,999	29,424,982	-	12,931,741	15,704,586	639,803	82,079,725
Net assets at end of period	$ 9,840,000	2,310,619	199,954	9,976,247	33,505,427	15,717,438	13,471,352	-	766,968	85,788,005

APPENDIX II

DEFINITIONS OF CERTAIN TERMS

The following are definitions in summary form of certain terms contained in the Indenture and used in this Official Statement:

"*2008 C Supplemental Indenture*": the Supplemental Indenture of the Agency relating to the Series Bonds, dated as of September 1, 2008.

"*Bondholder*" or "*holder of Bonds*" or "*owner of Bonds*": the registered owner of any Bond.

"*Deferred Interest Bonds*": the Bonds so designated in a Supplemental Indenture but shall not include any such Bond from and after the date, if any, on which such Bond will bear interest that is payable to the holder of such Bond prior to its scheduled maturity.

"*Federal Agency Obligations*" means bonds, debentures or other obligations issued by Fannie Mae, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank, any Federal Home Loan Bank, the Student Loan Marketing Association (more commonly known as Sallie Mae), the Resolution Funding Corporation, the Tennessee Valley Authority, any Federal Loan Bank or the Government National Mortgage Association and any other obligations of any agency controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States.

"*Federal Obligations*" means direct obligations of the United States or other obligations the timely payment of principal and interest of which is fully and unconditionally guaranteed by the United States.

"*Fiscal Year*" means the period of 12 calendar months commencing on July 1 in any calendar year and ending on June 30 in the following year.

"*Hedge Agreement*" means a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Agency providing for payments between the parties based on levels of, or changes in, interest rates or other indices or contracts to exchange cash flows or a series of payments or contracts, including, without limitation, interest rate floors, or caps, options, puts or calls, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to all or a portion of any Series of Bonds or any assets pledged under the Indenture.

"*Home Improvement Loan*": a note, whether or not secured by a Mortgage, evidencing a loan to a borrower to finance alterations, repairs, and improvements on or in connection with Residential Housing to protect or improve the basic livability or energy efficiency of the property, as more fully described in any supplemental indenture.

"*HUD*" means the Department of Housing and Urban Development and any successor thereto and shall include FHA, as dictated by context.

"*Interest*" or 'interest" means, with respect to any Bonds, the amount of interest specified with respect thereto by the Supplemental Indenture authorizing the issuance thereof, and, in reference to debt service on the Bonds, shall include regular payments (but not termination payments or other fees or expenses) required of the Agency for any related Qualified Hedge Agreement to the extent so specified in the Supplemental Indenture authorizing the same.

"*Loan*" or "*Loans*": any Single Family Mortgage Loans.

"*Loan Loss*": the amount of any loss realized by the Agency upon the default on a Loan held under the Indenture for the account of a Series of Bonds, which amount shall not exceed the sum of (a) the unpaid principal balance of the Loan at the date of the default, (b) the amount of accumulated delinquent interest due on the Loan, and (c) the amount of advances made by or for the account of the Agency with respect to such Loan, less the sum of (d) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments collected or received by the Agency from or on account of such Loan, (e) the amount of cash remaining in any escrow account maintained for such Loan, (f) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (g) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in a Loan Loss Claim Fund.

"*Loan Loss Claim Fund Deposits*": any one or more of the following to the extent its deposit in a Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (a) irrevocable and unexpired letters of credit issued by banking institutions, (b) irrevocable policies of insurance in full force and effect issued by insurers, (c) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (d) any other similar security or source thereof; in any case deposited or held under the Indenture for the credit of a Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"*Loan Prepayments*": all payments on a Loan which reduce or eliminate the principal balance due on the Loan by reason of the prepayment of all or a part of such principal before the due date thereof, including, without limitation, amounts paid on account of acceleration, sale or other disposition of such Loan or of the collateral securing such Loan and the proceeds of any private or governmental insurance or guaranty, or any Additional Security applicable to such Loan, but excluding the portion, if any, of such amounts representing the principal which would have been due or past due on such Loan had such Loan not been prepaid.

"*Loan Principal Payments*": all payments, other than Loan Prepayments, on a Loan which reduce or eliminate the principal balance due on a Loan, including without limitation, scheduled payments of principal on such Loan and the current or past due portion, if any, of amounts paid with respect to principal on account of (a) acceleration of the due date of such Loan, (b) sale or other disposition of such Loan or the collateral securing such Loan, and (c) receipt of proceeds of any private or governmental mortgage insurance or guaranty or any Additional Security applicable to such Loan.

"*Loan Security*": a security, instrument of indebtedness or other obligation of or guaranteed by a Mortgage Lender, the Government National Mortgage Association, Fannie Mae, the Federal Home Loan Mortgage Corporation, PMI Mortgage Insurance Company or other agency or instrumentality of the United States of America or the State, payable from or representing an interest in Loans or interests therein and as more fully described in the applicable supplemental indenture authorizing the issuance of a Series of Bonds for the purchase of such Loan Securities.

"*Mortgage*": a mortgage deed, deed of trust, or other instrument which shall constitute a lien on real property in fee simple or on a leasehold under a lease having a remaining term, at the time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by the mortgage as is equal to the number of years remaining until the maturity date of the obligation or on a cooperative interest (as defined in the Act) or on an interest in a mobile home. "Mortgage" shall also include any mortgage or obligation guaranteed by a private mortgage insurance company.

"*Mortgage Lender*": any bank or trust company, Fannie Mae approved mortgage banker, savings bank, savings and loan association, industrial bank, credit union, national banking association, federal savings and loan association, federal credit union or other financial institution or governmental agency or instrumentality which customarily provides or otherwise aids in the financing of mortgage loans on Residential Housing; where the context requires, "Mortgage Lender" shall also mean and include a seller of Loans to the Agency or a servicer of Loans for the Agency or the issuer, guarantor or other obligor on a Loan Security.

"*Mortgage Loan*": (a) an obligation which is secured by a Mortgage or note or bond constituting a lien on land and improvements in the State; or (b) an obligation secured by an owner-occupant's interest in a mobile home provided that: (i) the mobile home is to be sited in a manner intended for continuous residential occupancy by the owner-occupant on land owned by the owner and the obligation is secured by a Mortgage which constitutes a first lien on the mobile home and the real property to which it is affixed; or (ii) the mobile home is to be sited in a manner intended for continuous residential occupancy on land leased by the owner-occupant and the obligation is secured by a note or otherwise and collateral or conditional assignment of a lease of real property which constitutes a first lien upon the mobile home and lease.

"*Multifamily Mortgage Loan*": an interest-bearing loan made by the Agency to a Mortgagor for the financing of a Development secured by a Mortgage on such Development.

"*Multifamily Housing Program*": the Agency's program of making Multifamily Mortgage Loans, including the payment when due of principal and redemption premium, if any, of and interest on Notes.

"*Outstanding*" or "*Bonds Outstanding*" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except (a) bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity; (b) bonds for the payment or redemption of which cash funds or Federal Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; (c) bonds in lieu of which other Bonds have been executed and delivered under the Indenture; and (d) bonds otherwise specified in a Supplemental Indenture.

"*Permitted Investments*" means any of the following which at the time are legal investments under the law of the State for funds held under the Indenture which are then proposed to be invested hereunder: (a) Federal Obligations; (b) obligations of any state of the United States of America or any political subdivision of such a state (such obligations of which are rated in the highest long term rating category by each Rating Agency); (c) Federal Agency Obligations; (d) repurchase agreements collateralized by securities described in (a), (b) or (c) above with any institution that will not adversely affect the Rating of the Bonds at the time of purchase; (e) investment agreements, secured or unsecured as required by the Agency, with any institution that will not adversely affect the Rating of the Bonds at the time of execution; (f) any of the following obligations that would not adversely affect the Rating of the Bonds at the time of purchase: (i) time deposits, certificates of deposit or any other deposit with federally or state chartered banks (including the Trustee and its affiliates), the deposits of which are fully insured by the FDIC, (ii) commercial paper, (iii) shares of a money market mutual fund or other collective investment fund registered under the Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, having assets of at least $100 million, and (iv) any other investment with a financial institution; provided that, for the purposes of (d), (e) or (f) above, unless otherwise notified by a Rating Agency, if the general unsecured obligation of an institution is rated by such Rating Agency at a level which is not lower than one rating below the Rating on the Bonds, any agreement constituting a general unsecured obligation of such an institution shall not be treated as adversely affecting the Rating of the Bonds; and further provided that it is expressly understood that the definition of Permitted Investments shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Indenture, thus permitting investments with different characteristics from those permitted which the Executive Director deems from time to time to be in the interest of the Agency to include as Permitted Investments, as reflected in an Executive Director's Determination, or in a Supplemental Indenture if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current Rating on the Bonds.

"*Principal*" or "*principal*": (a) unless otherwise provided in the Indenture or in a Supplemental Indenture, as such term references the principal amount of a Deferred Interest Bond or Deferred Interest Bonds, the Appreciated Amount thereof, and (b) as such term references the principal amount of any other Bond or Bonds, the principal amount at maturity of such Bond or Bonds.

"*Program Expenses*": any fee, premium or other item of expense directly or indirectly payable by or reimbursable to the Agency and related to (a) the compensation and expenses of the Trustee and any other paying agents, (b) the servicing of Loans (whether by the Agency or Mortgage Lenders or others), (c) the maintenance in full force and effect of any Additional Security, (4) any policy or policies of insurance on or relating to Loans maintained by the Agency pursuant to any supplemental indenture and (5) reasonable costs and expenses incurred by the Agency in connection with its ownership, preservation, rehabilitation or disposition of property acquired by the Agency through the protection or enforcement of its rights conferred by law under the applicable Loan.

"*Provider*": any person or entity providing a Hedge Agreement pursuant to agreement with or upon the request of the Agency.

"*PSA Prepayment Model*": the standard or model developed by the Securities Industry and Financial Markets Association (formerly the Public Securities Association) to measure prepayments on mortgage loans. The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of the Mortgage Loans. The PSA Prepayment Model has an increasingly large percentage of the mortgages prepaying each month for the first thirty (30) months of the mortgages' life and then assumes a constant prepayment rate of six percent (6%) per annum of the unpaid principal balance for the remaining life of the mortgages.

"*Qualified Rehabilitation Loan*": a Mortgage Loan or a Cooperative Housing Loan that is a "qualified rehabilitation loan" within the meaning of Section 143(k)(5) of the Code and which meets the requirements of the Indenture.

"*Qualified Hedge Agreement*": a Hedge Agreement is a Qualified Hedge Agreement if, at the time of execution of such Hedge Agreement, (i) the Provider of the Hedge Agreement is a Qualified Institution or the Provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution and (ii) the Agency designates it as such by a certificate of an Authorized Officer.

"*Qualified Institution*": (a) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Qualified Hedge Agreement is entered into by the Agency are either (i) rated at least as high as the Bonds by each Rating Agency which rates such obligations or (ii) such that entering into a Qualified Hedge Agreement with such entity will not adversely affect the then current unenhanced Ratings, if any, assigned to the Bonds by each Rating Agency or (b) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality the obligations of which are backed by the full faith and credit of the United States of America.

"*Rating*": with respect to any Series of Bonds, the then-current rating or ratings assigned by the Rating Agency pursuant to the request of the Agency without regard to the benefit of any bond insurance or other credit enhancement relating to any Bond.

"*Rating Agency*": a nationally recognized organization that has an outstanding rating on the Bonds pursuant to the request of the Agency.

"*Rebate Requirement*": means with respect to a particular Series of Bonds, the amount determined to be the Rebate Requirement, if any, for such Series pursuant to the applicable supplemental indenture.

"*Reserve Requirement*": as of any particular date of calculation, the aggregate of the amounts specified, if any, as the Reserve Requirement in the Supplemental Indentures authorizing the outstanding Series of Bonds.

"*Series*": unless otherwise specified in a Supplemental Indenture, all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction pursuant to a Supplemental Indenture, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"*Sinking Fund Installment*": any amount of money required by or pursuant to the Indenture or a Supplemental Indenture to be paid on a specified date toward the retirement of any particular Term Bonds of a Series before maturity.

"*Single Family Housing*": owner-occupied, single family dwellings located or to be located in the State comprised of one-to-four residential housing units, including without limitation cooperative interests (as defined in the Act) and mobile homes, designed primarily to provide permanent dwelling accommodations for persons and families.

"*Single Family Loan*": an unsecured note, bond or other obligation representing a loan on, or financing of, Single Family Housing.

"*Single Family Mortgage Loan*": a Mortgage Loan, a Home Improvement Loan, a Cooperative Housing Loan, a Loan Security, a Residential Housing Loan or any other single family Mortgage Loan which (1) complies, at the time or purchase by the Agency, with the provisions of the Act and the Indenture and any additional provisions provided in any supplemental indenture, (2) is purchased or made with proceeds of Bonds or other moneys held under the Indenture, (3) is held under the Indenture, (4) represents a loan or other form of financing (or an interest therein) for the purchase, construction, rehabilitation, refinancing or improvement of Single Family Housing, and (5) if a variable rate loan, the purchase or making of which will not adversely affect the ratings on the Bonds.

"*Supplemental Indenture*": an indenture supplemental to or amendatory of the Indenture, adopted by the Agency in accordance with the Indenture.

"*Tender Bonds*": Bonds which include an option exercisable by either the Agency or the Owners thereof to have such Bonds either repurchased or redeemed by the Agency or the Trustee prior to the maturity thereof.

"*Trust Estate*": all moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Agency), and other assets from time to time held by the Trustee under and subject to the terms of the Indenture or any Supplemental Indenture (other than amounts held in the Rebate Fund, if any) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Agency, or by anyone in its behalf or with its written consent, to the Trustee which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

APPENDIX III

SINGLE FAMILY MORTGAGE LOANS AND THE SINGLE FAMILY PURCHASE PROGRAM

General

The Agency has established a program to use the proceeds of Bonds to finance the purchase or making of Single Family Mortgage Loans to Eligible Borrowers (hereinafter defined) from mortgage lenders (the "Single Family Program"). Pursuant to the Act and the Indenture, proceeds of Bonds may be used to purchase or make Single Family Mortgage Loans, Cooperative Housing Loans (either of which may be Qualified Rehabilitation Loans), Home Improvement Loans, Loan Securities, Residential Housing Loans or any other single family Mortgage Loan that meet the requirements of the Act and the applicable supplemental indenture and that are made to finance the purchase, construction, rehabilitation, refinancing or improvement of Single Family Housing (collectively, the "Single Family Mortgage Loans").

2008 Series C Single Family Program

The Supplemental Indenture limits the 2008 Series C Single Family Program to the purchase or making of Single Family Mortgage Loans (excluding Single Family Mortgage Loans for the construction of Single Family Housing). The Agency has reserved the right to make appropriate modifications to the 2008 Series C Program and to amend the Program Documents (hereinafter defined) in order to finance Single Family Mortgage Loans for the construction of Single Family Housing, Home Improvement Loans, Cooperative Housing Loans and Qualified Rehabilitation Loans, provided that the Agency delivers to the Trustee evidence that such use will not adversely affect the unenhanced ratings then assigned to any Bonds outstanding by any Rating Agency.

Construction loans, if any, will be made to finance the construction and to provide for the permanent financing of Eligible Residences, as hereinafter defined. Construction loans involve a higher degree of risk than permanent financing. For example, due to fraud, negligence or other circumstances, the newly constructed residence may, after expending the proceeds of the construction loan, have a fair market value that is less than the proceeds of the construction loan. In the event that upon the default of the Single Family Mortgagor it is necessary to sell the residence in order to realize the value of the Single Family Mortgage Loan, the 2008 Series C Single Family Program may suffer a loss that may not be covered by the mortgage insurance on the Single Family Mortgage Loan.

Approximately $50,733,000 is expected to be on deposit in the 2008 Series C Single Family Program Account and available to purchase Single Family Mortgage Loans. Of such amount, it is expected that approximately $49,950,000 will be used to purchase Single Family Mortgage Loans, approximately $96,450 will be used to provide down payment assistance grants in an amount equal to 3.00% of the principal amount of certain Single Family Mortgage Loans to be purchased with proceeds of the Series Bonds and approximately $686,550 will be used for the payment of origination fees and servicing release fees to single family lenders. The Agency's program of financing Single Family Mortgage Loans made from proceeds of the Series Bonds is referred to herein as the "2008 Series C Single Family Program."

It is anticipated that the Agency will offer several Loan products to finance Eligible Residences. The Agency anticipates that approximately $3,215,000 of the amount available to finance single family mortgage loans will be made available to Eligible Borrowers who opt to receive downpayment assistance grants (repayable in certain instances) in the amount of 3.00% of the principal amount of each Single Family Program Loan ("Downpayment Assistance Loans"). Such Downpayment Assistance Loans will be offered at zero points and will bear interest at a weighted average interest rate of approximately 6.80% per annum. In addition, the Agency expects to offer zero point Single Family Mortgage Loans without downpayment assistance ("Unassisted Loans") and three step Single Family Mortgage Loans (the "Stepped Rate Mortgage Loans") at interest rates which result in a weighted average interest rate for such loans of approximately 6.20% per annum. A one point option will be available with respect to the Unassisted Loans at an interest rate thirty-five basis points lower than the then applicable interest rate for zero point Unassisted Loans. The Agency has reserved the right to finance all or a portion of such Single Family Mortgage Loans at higher or lower rates than described above and to provide other forms of Single Family Mortgage Loan products.

The Agency will implement the 2008 Series C Single Family Program in accordance with the provisions of the Mortgage Loan Origination and Purchase Agreements (the "Origination Agreements") between the Agency and the mortgage lenders (the "Mortgage Lenders"), the Mortgage Loan Servicing Agreements between the Agency and the Mortgage Lenders (the "Servicing Agreements"), and the Agency's procedural guide that establishes standards and requirements for the purchase and servicing of eligible Single Family Mortgage Loans under the Single Family Program (the "Procedural Guide"). The Origination Agreements, Servicing Agreements, and Procedural Guide are hereinafter collectively called the "Single Family Program Documents." The eligibility criteria and procedures set forth in the Single Family Program Documents have been established by the Agency. The provisions of the Single Family Program Documents, except those required by the Act and those required by the Indenture (which may only be modified by amendment of the Indenture) may be modified by the Agency from time to time or waived on a case-by-case basis.

The Agency expects that amounts on deposit in the 2008 Series C Single Family Program Account will be used primarily to purchase Eligible Mortgage Loans. An Eligible Single Family Mortgage Loan is a Single Family Mortgage Loan made by a Mortgage Lender to an Eligible Borrower to finance the purchase of eligible single family residential property (an "Eligible Residence"). Eligible Borrowers are Persons and Families of Low and Moderate Income (a) none of whom had a present ownership interest in a dwelling at any time during the three-year period prior to the closing of this Single Family Mortgage Loan, unless the residence financed is located in certain "targeted areas," (b) none of whom is qualified without governmental assistance (including a mortgage credit certificate) for a loan of equal down payment and amortization requirements under any other fixed interest-rate mortgage loan program then being offered by the Mortgage Lender, (c) who otherwise meet the requirements of the Agency in the Procedural Guide, and (d) who intend to occupy the Eligible Residence as a permanent principal residence within 60 days (90 days in the case of Qualified Rehabilitation Loans) after the date the Single Family Mortgage Loan is made.

The term "Persons and Families of Low and Moderate Income" means persons and families whose annualized gross monthly income does not exceed the amounts established by the Agency from time to time pursuant to the Act and which does not exceed the maximum amounts permitted by the Internal Revenue Code of 1986, as amended (the "Code"), which amounts will be adjusted for family size as required by the Code. As of March 31, 2008, the maximum gross family income for Eligible Borrowers ranges from $62,100 to $75,000 for families of one or two persons and from $71,900 to $88,000 for families of three or more persons. Such amounts are either at or lower than the amounts currently permitted under the Code.

An Eligible Residence may consist of an owner-occupied single family residence consisting of not more than two dwelling units (other than a mobile home or manufactured housing that is not permanently affixed to real property) and such appurtenant land as is reasonably necessary to maintain the basic livability of the dwelling unit and as does not provide, other than incidentally, a source of income to the Eligible Borrower to whom a Mortgage Loan is made (a "Mortgagor"), which dwelling and land (a) is occupied or intended for occupancy by the Mortgagor as his domicile and not as an investment property, a recreational home, or for use primarily in a trade or business and (b) has a purchase price that does not exceed the limits established by the Agency pursuant to the Procedural Guide. The purchase price limitations are subject to change from time to time. As of March 31, 2008, the maximum purchase price for new residences ranges from $257,000 to $275,000. The maximum purchase price for existing single family residences ranges from $237,000 to $275,000 for residences with one dwelling unit and from $257,000 to $275,000 for residences with two dwelling units.

Mortgagors who sell a home purchased with a Single Family Mortgage Loan within nine years of the date of the purchase of such home may be subject to a federal recapture tax. For Mortgage Loans made on or after February 1, 2006, the Agency has agreed to reimburse Single Family Mortgagors for any recapture tax actually paid by single Family Mortgagors.

Single Family Mortgage Loan Origination and Purchase Agreements

The Agency has entered, or will enter, into an Origination Agreement with each of the Single Family Mortgage Lenders, pursuant to which the Single Family Mortgage Lenders agree to originate from time to time and sell to the Agency, at par, and, unless the Agency directs otherwise, to service on its behalf, an unspecified principal amount of eligible Single Family Mortgage Loans. Although a single Family Mortgage Lender is not required to originate a specified principal amount of Single Family Mortgage Loans, once the Single Family Mortgage Lender has originated Single Family Mortgage Loans and the Agency has reserved funds for those Single Family Mortgage Loans, such Single Family Mortgage Loans must be offered for sale and delivered to the Agency.

Under the Agency's current Single Family Program Documents, the Origination Agreements relate only to eligible Single Family Mortgage Loans and do not contemplate the origination of Cooperative Housing Loans, Qualified Rehabilitation Loans or Home Improvement Loans. The Origination Agreements provide that the term of each eligible Single Family Mortgage Loan will be a maximum of 30 years, and that each eligible Single Family Mortgage Loan must be guaranteed by the United States Department of Agriculture/Rural Development (formerly the Farmers Home Administration, "USDA/RD"), insured by the Federal Housing Administration ("FHA") or by private mortgage insurance, guaranteed by the Veteran's Administration (the "VA") or meet the requirements specified in the Procedural Guide and the Act for uninsured Single Family Mortgage Loans.

Each Single Family Mortgage Lender represents and warrants in the Origination Agreement, among other things, that (a) each Single Family Mortgage Loan is evidenced by a note and secured by a mortgage and constitutes a first lien on an Eligible Residence, (b) each Single Family Mortgage Loan would be a prudent investment for its own account, (c) each Single Family Mortgage Loan complies with the provisions of the Act, and (d) each Single Family Mortgage Loan is an eligible Single Family Mortgage Loan.

In addition to the representations and warranties made by the Single Family Mortgage Lenders with respect to Single Family Mortgage Loans to be purchased by the Agency, certain other conditions, some of which are outlined below, must exist or must be warranted to exist by the Single Family Mortgage Lender at each date on which the Agency buys Single Family Mortgage Loans (the "Closing Date"). The Single Family Mortgage Loans must be current in payments of principal and interest and no counterclaim, offset, defense, or right of rescission may exist that can be asserted and maintained by the Mortgagor against the Agency, as assignee of the Single Family Mortgage Loans. The assignment to the Agency of each Single Family Mortgage Loan must convey a valid first lien on an Eligible Residence as to which the Mortgagor has marketable record title. The Single Family Mortgage Lender is to hold each executed assignment of Single Family Mortgage Loans in its files and is to agree to record such assignment upon the Agency's request. The improvements upon the real property subject to each Single Family Mortgage Loan must be covered by a valid and subsisting policy of hazard insurance issued by a company lawfully doing business in the State in an amount equal to the lesser of 100% of the insurable value of said improvements at the time of the origination of said Single Family Mortgage Loan and the original principal amount of the Single Family Mortgage Loan, and such improvements must be fully completed except to the extent disclosed to and approved by the Agency. As of the Closing Date, the Single Family Mortgage Lender must certify that it has complied with the requirements of the Procedural Guide with respect to all Single Family Mortgage Loans offered for purchase (except to the extent waived in writing by the Agency).

Notwithstanding the warranties and certifications of the Single Family Mortgage Lender, the Agency reserves the right at all times to decline to purchase any Single Family Mortgage Loan that, in its reasonable opinion, does not conform to the requirements of Section 143 of the Code, and the regulations thereunder ("Section 143"), the Act, the Origination Agreement, the Servicing Agreement and the Single Family Procedural Guide.

If any representation of the Single Family Mortgage Lender in the Origination Agreement proves to have been untrue when made, or in the event of breach or failure of any warranty made therein or any term thereof, the Single Family Mortgage Lender will be liable to the Agency for all damages suffered by the Agency as a result thereof. In addition, the Single Family Mortgage Lender may be required to repurchase any Single Family Mortgage Loan if (a) the Agency discovers facts that existed as of the Closing Date that, among other things, cause the Single Family Mortgage Loan to be other than an eligible Single Family Mortgage Loan, or (b) the Single Family Mortgage Lender fails to obtain or maintain mortgage insurance upon which the Agency relies in purchasing the Single Family Mortgage Loan.

The Agency has reserved the right to act in the future as a direct lender to Eligible Borrowers pursuant to its Single Family Program.

Credit, Property & Compliance Underwriting

As of May 1, 2008, the Agency will rely on participating lenders and mortgage insurance companies to provide credit and property underwriting on Single Family Mortgage Loans to be originated under its Single Family Program. Credit and property underwriting requires an analysis of the creditworthiness of borrowers and the condition of the property to be financed based upon Agency guidelines set forth in the Single Family Procedural Guide. Agency staff provides credit and property underwriting on all Single Family Mortgage Loans that are uninsured. Additionally, compliance underwriting is performed by Agency staff on all Single Family Mortgage Loans. Compliance underwriting requires an analysis of eligibility criteria designed to satisfy federal and state laws, i.e. acquisition cost limits and income limits.

Single Family Mortgage Loan Servicing Agreements

The Agency has entered or will enter into a Servicing Agreement with each Single Family Mortgage Loan servicer (a "Servicer") that is to service Single Family Mortgage Loans under its Single Family Program. It is anticipated that certain Single Family Mortgage Lenders will originate and service their own loans. The Single Family Mortgage Loans originated by Single Family Mortgage Lenders that are not acting as Servicers are to be serviced by the Agency (or a subservicer of the Agency) or assigned to a Servicer.

Each Servicer is to collect on the terms and on the several payment dates specified in the mortgage notes, the moneys and escrow payments, if any, on each Single Family Mortgage Loan in the same manner as is employed by the Servicer with respect to servicing its own Single Family Mortgage Loans and in accordance with the provisions of the Procedural Guide. Each month the Servicer may withhold, as its servicing fee, an amount equal to one-twelfth of one quarter of one percent of the principal balance of each Single Family Mortgage Loan, but only to the extent monthly payments are received with respect to a Single Family Mortgage Loan. In the event of any default in the payment of any Single Family Mortgage Loan, the Agency, upon recommendation of the Servicer, is to commence, and prosecute to judgment, appropriate legal proceedings to collect such payments and to take such other action as the Agency may reasonably require. Under Vermont law, a mortgagor has a period of redemption of up to six months from the entry of judgment to pay all interest and principal due in order to maintain ownership, provided, however, that such redemption period may be reduced in the court's discretion. Except for the prevention of waste, during the period of redemption, the Agency will be precluded from exercising rights of ownership in the mortgaged Eligible Residence, including the renting or selling of the same. A mortgagor or a mortgagee may request a public sale of mortgaged property. However, under Vermont law, no sale of a dwelling house of two units or less, when occupied by the owner as a principal residence, may take place within seven months of service of the foreclosure complaint, unless the court finds that the occupant is making waste of the property. The Servicer is also required to collect all insurance proceeds and remit the same in accordance with Agency requirements.

All collections of moneys, after deducting the servicing fee, are to be received in trust by the Servicer for the Agency and deposited with a depository in an account or accounts in the name of the Trustee (which may be non-interest bearing) and retained until required by the Single Family Procedural Guide to be remitted to the Trustee.

Under each Servicing Agreement, the Servicer is required to obtain all municipal and other tax or assessment statements against the mortgaged Eligible Residence and pay the same in time to prevent any interest penalty; it is to advance on behalf of the Agency, in time to avoid an involuntary sale, any taxes, assessments or other charges for which escrow payments could be provided that are not paid when due and that could become a lien under Vermont law or federal law against the mortgaged premises superior to the lien of the Single Family Mortgage Loan; and it is to advance on behalf of the Agency any premiums for hazard insurance not paid when due within sufficient time to keep said policies in force.

Under each Servicing Agreement the Servicer is to notify the Agency of any Single Family Mortgage Loan that is two payments in arrears on a form prescribed by the Agency and at the same time is to recommend to the Agency the appropriate action to be taken to cure such delinquency or default. The Servicer is required to keep detailed books and records pertaining to each Single Family Mortgage Loan, and all moneys, escrow payments, collections, and defaults on Single Family Mortgage Loans, all in accordance with generally accepted accounting principles and the Single Family Procedural Guide, and to make such books and records available for examination by the Agency or its designated agents at all times during the regular business hours of the Servicer.

A Servicer may assign its servicing obligations under the Servicing Agreement to another Single Family Mortgage Loan servicer or to the Agency, subject to the prior written approval of the Agency, provided that the Servicer shall remain liable to the Agency for any breach of duty or misconduct whatsoever of its assignee to the same extent as it would be liable if there were no assignment.

The Agency may terminate any Servicing Agreement if the Servicer thereunder initiates or suffers any proceedings of insolvency or reorganization under the Bankruptcy Code or other federal or state receivership laws or makes any common law assignment for the benefit of creditors, assigns its rights and duties under the Servicing Agreement without consent of the Agency, or fails to perform any one or more of its obligations under the Servicing Agreement or the Single Family Procedural Guide and continues in default thereof for a period of 60 days after notice by the Agency of said failure.

The Servicing Agreement requires each Servicer to maintain a blanket coverage fidelity bond in an amount and form acceptable to the Agency with a surety duly authorized to issue such coverage in the State. The fidelity bond is to cover all employees of the Servicer or other persons who, under the direction, control or permission of the Servicer, will from time to time deal with the collections of moneys and escrow payments, earned interest, documents, papers or things of value relating to the Single Family Mortgage Loans of the Agency, and must insure the Servicer against loss resulting from dishonesty or fraud by such employees.

In the event that the Agency determines to finance Qualified Rehabilitation Loans, Cooperative Housing Loans, Loans for the construction of Single Family Housing, Home Improvement Loans or any other single family loan as allowed under the Act with amounts in the 2008 Series C Single Family Program Account, the Agency will make appropriate modifications to the Single Family Program Documents.

Mortgage Insurance Requirements

As of March 31, 2008, all Single Family Mortgage Loans and Cooperative Housing Loans purchased with amounts in the 2008 Series C Single Family Program Account shall:

- be in an amount not more than 80% of the value of the property securing such loan; or
- be insured or guaranteed by the USDA/RD, the FHA or the VA, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guarantee of Single Family Mortgage Loans, or be insured by a private mortgage insurance company qualified to do business in the State and to provide insurance on mortgages purchased by the Federal Home Loan Mortgage Corporation ("FHLMC") or Fannie Mae, in either case provided that the insured portion of any claim is at least equal to the amount by which the Loan exceeds 80% of the appraised value of the property subject to the Mortgage; or
- be insured, guaranteed or otherwise secured by a program of self-insurance established by or on behalf of the Agency provided that the use of any such program does not adversely affect the unenhanced ratings then assigned to the Bonds by any Rating Agency.

The aforementioned insurance and guarantee programs provide different, although comparable, coverage for losses. In addition, any mortgage insurance or guarantee program requirements that may be applicable to Single Family Mortgage Loans financed with the proceeds of additional Bonds may not provide comparable coverage for losses. There is no requirement that Home Improvement Loans, if any, be insured or guaranteed. See "**SECURITY FOR THE BONDS—Additional Security**."

Pursuant to federal law, primary mortgage insurance with respect to residential Single Family Mortgage Loans, such as the Single Family Mortgage Loans, originated after July 28, 1999, will automatically terminate when the scheduled principal balance of the Single Family Mortgage Loan, based on the original amortization schedule for the Single Family Mortgage Loan, is reduced to 78% or less of the value of the mortgaged property at the time of origination, provided the Single Family Mortgage Loan is current.

For information concerning certain mortgage insurance and guarantee programs and procedures see **APPENDIX V**.

Schedule of Mortgage Lenders

The following schedule sets forth the Single Family Mortgage Lenders that have indicated their intention to participate in the 2008 Series C Single Family Program. The schedule may be amended to reflect the participation of additional Single Family Mortgage Lenders in, or the withdrawal of any mortgage lenders listed below from, the 2008 Series C Single Family Program.

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Mortgage Lenders for the 2008 Series C Single Family Program

Berkshire Bank
Brattleboro Savings and Loan Association
CCO Mortgage Corporation
Chittenden Bank d/b/a Chittenden Mortgage Services
Community National Bank
Connecticut River Bank, N.A.
Countrywide Home Loan
CTX Mortgage Co.
GMAC Mortgage Corporation
Heritage Family Credit Union
Lake Sunapee Bank
Liberty Quest Financial, Inc.
Mascoma Savings Bank
Merrimack Mortgage
Mortgage Financial, Inc.
National Bank of Orwell
National City Mortgage
New England Federal Credit Union
North Country Federal Credit Union
Northeast Home Loan, LLC
Northfield Savings Bank
Opportunities Credit Union
Peoples Trust Company of St. Albans
River Valley Credit Union
The Bank of Bennington
The National Bank of Middlebury
Union Bank
Universal Mortgage Corporation
Vermont Federal Credit Union
Vermont State Employees Credit Union
Wells Fargo Bank N.A.*

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*An affiliate of the Trustee for the Series Bonds

APPENDIX IV

CERTAIN INFORMATION RELATING TO THE SINGLE FAMILY MORTGAGE LOANS OUTSTANDING UNDER THE INDENTURE

The following summarizes certain characteristics of Mortgage Loans purchased by the Agency with the proceeds of the Multiple Purpose Bonds as of June 30, 2008, unless otherwise noted.

Single Family Mortgage Loans Outstanding Under the Indenture

Series	Original Amount Available For Single Family Mortgage Loans	Outstanding Principal Amount of Single Family Mortgage Loans	Interest Rates
2007 Series A	$50,240,000	$49,251,337	5.45 – 6.20%
2007 Series C	60,450,000	53,992,805	4.50 – 6.70%

Insurance Information Relating to the Single Family Mortgage Loans Outstanding Under the Indenture

Type of Insurance	Number	Principal Amount	% of Principal Amount
Privately Insured[(1)]			
PMI Mortgage Insurance	23	$ 1,311,379	1.27%
Mortgage Guaranty Insurance Corporation	450	67,799,915	65.67%
GE	2	235,523	0.23%
CUNA	1	147,346	0.14%
United Guaranty	2	510,413	0.49%
Federally Guaranteed			
Rural Development	60	6,681,312	6.47%
FHA	0	-	0.00%
VA	0	-	0.00%
Uninsured[(2)]	237	26,558,254	25.72%
Total	775	$103,244,142	100.00%

(1) Recent rating agencies' reviews of private mortgage insurers may be indicative of some future inability of these insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. The Agency makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Agency on Single Family Mortgage Loans on which losses are incurred.

(2) Loan to value ratio of 80% or less. See "**APPENDIX III—SINGLE FAMILY MORTGAGE LOANS AND THE SINGLE FAMILY PURCHASE PROGRAM—Mortgage Insurance Requirements**."

Delinquency Statistics Relating to the
Single Family Mortgage Loans Outstanding Under the Indenture

	No.	%
Total Loans Outstanding	775	100.00%
Loans in Default 60 Days or More	0	0.00%
Loans in Default 90 Days or More	3	0.39%
Loans in Foreclosure	1	0.13%
Single Family Residences Owned by Agency and Held for sale	0	0.00%

APPENDIX V

SINGLE FAMILY MORTGAGE INSURANCE PROGRAMS

The following description of certain mortgage insurance programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty contracts embodied in the regulations of the FHA, the VA and USDA/RD, respectively.

Private Mortgage Insurance Programs

The Supplemental Indenture requires that, with respect to all Single Family Mortgage Loans and Cooperative Housing Loans to be purchased with the proceeds of Bonds and to be the subject of private mortgage insurance, each private mortgage insurer insuring such loans must be qualified to insure mortgages purchased by Fannie Mae or FHLMC. Both Fannie Mae and FHLMC require approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

Among the considerations taken into account by Fannie Mae in determining whether to approve a private mortgage insurer are the following: (a) experienced mortgage insurers are expected to have policyholder's surplus of not less than $5 million; (b) it is preferred that an insurer's principal insurance activity relate to loss resulting from nonpayment of mortgages and deeds of trust on residential structures, with total liability not in excess of twenty-five times its policyholders' surplus; (c) a private mortgage insurer must demonstrate that it possesses the technical expertise necessary to properly evaluate property and credit; and (d) an insurer must expressly consent to and comply with Fannie Mae's requirements for audit and reports concerning changes in personnel, financial structure, qualifications, and rates.

FHLMC eligibility requirements for approving private mortgage insurers presently provide that: (a) not more than 10% of an insurer's mortgage insurance risk may be represented by mortgage insurance covering property other than real property improved by a building or buildings designed for occupancy by one to four families, (b) an insurer shall not insure mortgages secured by properties in a single housing tract or contiguous tracts where the insurance risk applicable thereto is in excess of 10% of its policyholders' surplus, (c) no insurer shall have more than 100 of its total insurance in force in any one Standard Metropolitan Statistical Area nor may any combination of insurance in force in any one state exceed 60% of its total insurance in force, and (d) an insurer shall limit its insurance risk with respect to each insured to the maximum permitted under state law. Prior to insuring a loan for any mortgage lender, such mortgage lender should be thoroughly investigated and evaluated by the insurer in the areas of (a) quality of appraisal ability, (b) quality of underwriting ability, (c) net worth and quality of assets, and (d) ability and past performance of servicing staff and adequacy of servicing procedures. A report with respect to each lender demonstrating that the investigation and evaluation has been made must be retained by the insurer.

FHLMC also requires the private mortgage insurer to meet the following financial requirements: (a) policyholders' surplus must be maintained at not less than $5 million of which at least $3 million shall be represented by capital stock and capital surplus, of which not less than $1,250,000 shall be represented by fully paid and non-assessable stock; (b) on annual policies an insurer shall maintain an unearned premium reserve computed on a monthly pro rata basis unless a greater unearned premium reserve is required by the state where the insurer is licensed, then such greater requirement shall be met, and on single premium policies issued for more than one year an insurer shall maintain an unearned premium reserve of not less than that computed under the laws of the state where the insured is licensed or more if

FHLMC determines that amount to be inadequate; (c) an insurer shall establish and maintain a contingency reserve in an amount equal to 50% of earned premiums; (d) an insurer shall maintain a loss reserve which includes a provision for claims incurred but not reported, including estimated losses on insured mortgages which have resulted in the conveyance of property which remains unsold, mortgages in the process of foreclosure or mortgages in default for four or more months; (e) an insurer shall maintain no less than 85% of its total assets in the form of marketable securities or other highly liquid investments which qualify as insurance company investments under the laws and regulations of the state of its domicile and the standards and interpretations of the National Association of Insurance Commissioners; and (f) an insurer shall not at any time have total insurance risk outstanding in excess of twenty-five times its policyholders' surplus. Approved private mortgage insurers must file quarterly and annual reports and an annual Certificate of Compliance with FHLMC.

Private mortgage insurance policies currently being issued by such private mortgage insurers contain provisions substantially as follows: (a) the private mortgage insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within 60 days of presentation of the claim by the Agency; (b) in order for the Agency to present a claim the Agency must have acquired, and tendered to the insurer, title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor and must have restored the property to substantially its original condition, reasonable wear and tear excepted; (c) when a claim is presented, the insurer will have the option of paying the claim in full and taking title to the property and arranging for its sale or of paying the insured percentage of the claim and allowing the Agency to retain title to the property; and (d) claims may also be settled by the insurer at the option of the insured for actual losses where such losses are less than the insured percentage of the claim.

Recent rating agencies' reviews of private mortgage insurers may be indicative of some future inability of these insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. The Agency makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Agency on Single Family Mortgage Loans on which losses are incurred.

Federal Housing Administration Mortgage Insurance Programs

Section 203(b) of the National Housing Act, as amended (the "Housing Act"), authorizes the Federal Housing Administration of the Department of Housing and Urban Development (HUD) to insure mortgage loans of up to 30 years duration for the purchase of one-to-four family dwelling units.

Mortgage loans under the foregoing program must be in conformity with the maximum mortgage loan amount limitations and minimum down payment requirements specified in the Housing Act and regulations promulgated thereunder. In addition, the mortgagor under this program must establish to the satisfaction of the FHA that his income is adequate to meet the periodic payments required in the mortgage loan.

Currently, less than 1% of the Mortgage Loans financed with the proceeds of Prior Bonds are insured under FHA insurance programs.

Veterans Administration Guaranty Program

The Veterans Administration (VA) is authorized by Chapter 37 of Title 38 of the United States Code to make mortgage loan guaranties for the purchase by veterans of one-to-four family dwelling units. This program has no mortgage loan amount limitations, other than that the amount may not exceed the property's reasonable value as determined by the VA and requires no down payment from the purchaser. The maximum guaranty that may be issued by the VA under this program is a percentage of the original principal amount of the mortgage loan that varies depending upon the principal amount of the loan, but in no event will it exceed 50%. Currently, less than 1% of the Mortgage Loans financed with the proceeds of the Prior Bonds are insured under VA programs.

United States Department of Agriculture/Rural Development Guaranty Program

The United States Department of Agriculture/Rural Development (formerly, the Farmers Home Administration, "USDA/RD") is authorized to make mortgage loan guaranties for the purchase of new or the purchase and improvement of existing dwellings, provided that any such dwelling is to be used by the purchaser as a primary residence, that the loan is made to a borrower who is a low or moderate income family or person whose income does not exceed 115% of the median income of the area as determined by the Secretary and the interest rate on the mortgage loan is a fixed rate not exceeding the higher of the maximum interest rate set by the VA from time to time or the then applicable Fannie Mae posted yield for 30-year mortgage commitments, whichever is higher. Properties on which the USDA/RD guarantee may apply must be located in a rural area designated by the USDA/RD State Director. The mortgage loan amount may not exceed the maximum dollar amount specified in Section 203(b)(2) of the Housing Act or 100% the acquisition cost, the current market value or the sale price of the dwelling, whichever is less. The maximum guaranty that may be issued by USDA/RD is equal to 90% of the amount of the mortgage note. The amount paid by USDA/RD under the guarantee is equal to 100% of the loss on the first 35% of the original loan amount and 85% of the loss on the balance.

Guaranteed Mortgage Lenders are required to notify USDA/RD, within 20 days, when any guaranteed mortgage loan becomes 30 days delinquent.

Upon default (failure of the borrower to comply with any of the terms of the mortgage loan), USDA/RD may order the lender to foreclose or otherwise take title to the property. After acquisition and disposition of the acquired property the lender may file a claim for loss pursuant to the terms of the USDA/RD loan guarantee agreement with the mortgage lender.

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APPENDIX VI

MULTIFAMILY MORTGAGE LOAN PROGRAM

Multifamily Mortgage Loan Portfolio of the Agency

Since 1975, the Agency has financed 184 multifamily residential rental developments. These developments comprise 5,999 units of rental housing, of which 2,751 are assisted under the Section 8 program.

In deciding whether to make a Multifamily Mortgage Loan on a development the Agency considers, among other things, the extent of the need for affordable rental housing in the market area, the quality and location of the proposed site, the experience and stability of the developers, the quality of management experience, and the sufficiency of projected revenues to pay anticipated operating expenses in the face of expected economic trends and conditions. In addition, the Agency may also consider the loan-to-value ratio of the Agency's Multifamily Mortgage Loan.

The ability of owners of multifamily residential rental developments to make mortgage payments is affected by a variety of factors, including the achievement and maintenance of a sufficient level of occupancy; sound management of the developments; timely and adequate increases in rents to cover increases in operating expenses, including taxes, utility rates and maintenance costs; changes in applicable laws and governmental regulations; and social and economic trends affecting the communities in which the developments are located, the State and the United States in general.

Multifamily Mortgage Loans Securing the Bonds

Under the Multifamily Program, the Agency may make Mortgage Loans secured by a first lien on real property or a leasehold estate for the construction or rehabilitation and permanent financing of multifamily residential housing intended for occupancy primarily by persons and families of low and moderate income. *Proceeds of the Series Bonds will not be used to fund Multifamily Mortgage Loans.*

All of the Multifamily Mortgage Loans related to the Developments funded by Prior Bonds are current in payment and there are no delinquencies or foreclosures. As of December 31, 2007, the average vacancy rate over the past three years for the Developments funded by the Mortgage Loans held under the Indenture has been less than 2%.

Section 8 Housing Assistance Program

All except one of the Developments financed with proceeds of Prior Bonds are assisted by the United States Department of Housing and Urban Development ("HUD") under the Section 8 program. The Section 8 program involves the distribution of housing assistance payments on behalf of the qualifying tenants to the owners of housing developments assisted under such program. The housing assistance payments program for each Section 8 Development is administered at the state level by the Vermont State Housing Authority, the Agency or both (collectively, the "Contract Administrator").

Eligible tenants for rental units assisted under the Section 8 program, as implemented by the Contract Administrator, are families with family income not in excess of 50% of the median income for the area in which the development is located, as determined by HUD and adjusted for family size. In the State of Vermont, 50% of median income ranges from a low of $20,600 per year for one person to a high of $46,000 for a family of eight persons.

Section 8 housing assistance payments are provided through an Annual Contributions Contract ("ACC") between HUD and the Contract Administrator, and a Housing Assistance Payment Contract ("HAPC") between the Contract Administrator and the owner of the assisted development. Pursuant to the ACC, the Contract Administrator will receive an annual contribution from HUD, payable monthly in advance, with respect to each assisted dwelling unit and will, in turn, disburse monthly housing assistance payments to the owner of the development under the HAPC.

The amount of the subsidy payable to the Contract Administrator for the account of the owner under the HAPC is the applicable contract rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30% of family income. Present federal law directs HUD to mandate a minimum rent of between $25 and $50 for all tenants, and a minimum rent of up to $50 for project-based Section 8 programs, such as the Section 8 Developments. HUD has implemented a $25 minimum rent for most families (HUD Notice H 96-89). Thus, the total rental income from Section 8 housing units payable to or for the account of the owner is equal to the contract rent, part being paid by the tenants directly to the owner and the remainder being paid by HUD through the Contract Administrator to the owner in the form of HAPC Payments. The proportion of the contract rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

If a vacancy exists, other than as a result of action by the owner which is in violation of the lease, the owner will be entitled to housing assistance payments equal to 80% of the contract rent for a vacancy period not exceeding 60 days, so long as the owner diligently endeavors to fill the vacancy with an eligible tenant. In addition, if a unit continues to be vacant after this 60-day period, under certain conditions the owner may receive additional payments of up to one year for each vacancy equal to the principal and interest payments required to amortize the debt attributable to that unit.

HUD's Section 8 regulations and the ACCs provide that the initial contract rents for the assisted dwelling units in each development may be adjusted annually pursuant to a HUD-established automatic annual adjustment factor. Under the Housing Act, the annual adjustment factor is applied on the anniversary date of each HAPC, resulting in upward or downward adjustment, except that contract rents may not be reduced below the contract rents in effect on or after April 15, 1987, for newly constructed or substantially rehabilitated projects, unless the project has been refinanced in a manner that reduces the periodic payment of the owner. However, pursuant to several appropriations acts by Congress applicable to the 1995 and subsequent federal fiscal years and made permanent by legislation in 1997, contract rents may not be increased beyond HUD Fair Market Rents (as described below) plus the differential between the initial contract rent and comparable rents at the time of execution of the HAPC (the "Initial Difference"), unless the owner submits evidence of higher comparable market rents as determined by independent appraisals of at least three comparable local developments. Special additional adjustments may be approved by HUD to reflect actual and necessary expenses of owning and maintaining the development that have resulted from substantial general increases in real property taxes, utility rates or similar costs (i.e., assessments and utilities not covered by regulated rates), but only to the extent that such general increases are not compensated for by the automatic annual adjustment. Adjustments, however, are limited to 120% of the HUD Fair Market Rents plus the Initial Difference. Present HUD policy also provides that the annual adjustment factors for Section 8 units which experienced no turnover in tenants since the preceding HAPC anniversary date will be one percentage point less than the annual adjustment factors that would otherwise apply. Consequently, there can be no assurance that increases in contract rents, if any, will result in revenues sufficient to compensate for increased operating expenses of the Section 8 Developments.

Each year, HUD publishes its determination of fair market rents ("HUD Fair Market Rents"). The following table sets forth the range of monthly rents for the Section 8 Developments effective on October 1, 2007 based on unit size and the current range of HUD Fair Market Rents effective as of October 1, 2007 and October 1, 2008 in Vermont:

Range of Section 8 Development Monthly Rents and HUD Fair Market Rents

	One Bedroom	**Two Bedrooms**	**Three Bedrooms**
Section 8 Developments	$697-$1,057	$746-$1,145	$956-$1,278
HUD Fair Market Rents (as of October 1, 2007)	$516-$807	$699-$1,013	$727-$1,297
HUD Fair Market Rents (as of October 1, 2008)	$563-$883	$630-$1,108	$796-$1,418

At this time, the Agency is unable to predict what actions, if any, HUD or the Congress will take in the future with respect to such rent adjustments. Actions by HUD in the future could have the effect of limiting upward adjustments in contract rents or of decreasing contract rents currently in effect to eliminate any material difference between the contract rents and rents charged for comparable unassisted units, except to the extent of the Initial Differences. Such actions, if taken, could adversely affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Indenture. Congress has passed legislation and HUD has implemented procedures to restrict contract rent increases above fair market rents for each fiscal year since 1995. Any of the actions mentioned above could adversely affect the ratings on, and the market price of, the Bonds, including the Series Bonds.

Although the Section 8 housing assistance payments are made directly or indirectly to the owner and, in effect, represent rental income, the HAPC may, with HUD's approval, be pledged by the owner to the Agency as mortgage lender on the development. All of the HAPCs covering the Agency's Section 8 Developments have been so pledged. However, the owner will retain the right to collect such payments so long as the owner is in compliance with the provisions of the HAPC and the Agency's Mortgage Loan documents. The Agency's rights to receive Section 8 subsidy payments under the Multifamily Mortgage Loans with respect to the developments have been pledged and assigned to the Trustee as part of the security for the Bonds. Under federal laws, the United States government may have the right to set off liabilities of the Agency to the United States against the payments under ACCs. Housing assistance payments by HUD do not terminate if the mortgage on the development goes into default, so long as the owner has not breached any of its obligations under the HAPC, including, among other responsibilities, its obligation to maintain and operate the development so as to provide decent, safe and sanitary housing. In the event of breach by the owner, HUD may abate or terminate housing assistance payments after giving the owner and the Contract Administrator an opportunity to take corrective action.

Seven of the Developments assisted under the Section 8 program have HAPCs that expire more than 18 months prior to the maturity date of the related Mortgage Loan.

For additional information regarding the Developments and related outstanding Mortgage Loans funded by Prior Bonds, see **APPENDIX VII** hereto.

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APPENDIX VII

CERTAIN INFORMATION REGARDING THE MULTIFAMILY MORTGAGE LOANS OUTSTANDING UNDER THE INDENTURE

Project Name	Total Units[2]	Total Annual Income (2007)[3]	HAP Payments (2007)	HAP Expiration Date[4]	Annual Expenses (2007)[5]	Outstanding Loan Balance as of 06-30-2008	Mortgage Loan Interest Rate	Loan Maturity Date
ABENAKI ACRES[1, 7]	12F	$152,429	$104,567	04/01/2012	$150,473	$ 214,766	7.31%	05/10/2012
BARDWELL HOUSE[7]	75E	792,850	549,996	03/01/2014	774,835	1,652,450	10.45	04/10/2014
BENSON HEIGHTS[1, 7]	15E	162,467	116,892	07/17/2012	155,794	249,269	7.31	08/10/2013
BOBBIN MILL APARTMENTS[7]	51F	559,451	474,600	12/28/2012	483,037	877,070 33,552	7.31 8.00	02/10/2013
CHESTER ARTHUR APARTMENTS	8E	83,486	64,848	10/01/2012	79,678	121,666	13.75	02/10/2013
GREEN HILL APARTMENTS	12E	130,979	100,860	03/01/2013	130,055	200,392	14.00	03/10/2013
HOLY ANGELS COMMONS	31E	366,999	252,492	11/24/2011	366,951	463,826 44,888	13.75 8.00	02/10/2012
HOMESTEAD MEWS	24E	272,199	190,010	03/01/2012	271,078	347,728	14.00	03/10/2012
JERI-HILL APARTMENTS[1, 7]	24E	274,017	192,348	10/10/2011	237,867	834,288	6.75	08/10/2037
KING STREET APTS[1, 7]	7F	83,541	56,004	07/13/2011	73,563	318,542	6.75	08/10/2037
LAKE CHAMPLAIN APARTMENTS[1, 7]	27F	273,436	197,503	07/30/2012	220,550	623,397	6.75	08/10/2037
LINDEN TERRACE[1, 6, 7]	18E, 4F	223,304	131,388	05/15/2018	218,919	802,496	6.50	08/10/2037
LOWER WELDEN STREET APTS	12F	147,942	111,436	04/01/2013	138,538	235,168	7.31	09/10/2013
MILL VILLAGE[7]	10E, 4F	165,352	116,760	04/30/2011	151,944	166,244	7.31	11/10/2011
MONROE STREET APARTMENTS	7F	73,510	62,724	11/03/2013	70,997	121,064	10.45	01/10/2014
MOUNTAIN VIEW/FAIRFAX[7]	20E	222,311	158,844	05/15/2012	214,540	218,743	14.00	07/10/2012
PARSONS HILL[7]	12F	$148,899	137,694	04/04/2013	121,594	279,484	6.75%	08/10/2027
PINE GROVE	6E, 8F	161,259	135,980	06/27/2011	159,056	185,466	13.75	02/10/2012
PINE MANOR[7]	16E	170,528	116,240	03/18/2012	170,304	209,989	7.31	05/10/2012

Project Name	Total Units[2]	Total Annual Income (2007)[3]	HAP Payments (2007)	HAP Expiration Date[4]	Annual Expenses (2007)[5]	Outstanding Loan Balance as of 06-30-2008	Mortgage Loan Interest Rate	Loan Maturity Date
PINES, PHASE IV[6, 7,]	60E	712,272	$ -0-	N/A	$594,588	$ 3,245,596	6.75	01/10/2029
POINT SCHOOL[1, 7]	5F	66,300	48,491	7/15/2011	57,589	176,768	6.75	08/10/2037
PROCTOR PLACE	12E	146,342	83,544	10/22/2012	141,709	188,650	7.31	01/10/2013
PROSPECT/FOREST HOMES[1, 7]	9F	111,016	77,868	02/19/2013	102,312	59,470	6.75	08/10/2037
SCHOOLHOUSE APARTMENTS	11E	119,342	88,236	11/15/2011	117,341	128,090	14.00	02/10/2012
SOUTH SQUARE [1, 6, 7]	65E	597,103	351,564	06/23/2010	504,291	1,555,413	6.90	09/10/2027
SOUTH ST PAUL TOWNHOUSES[1, 7]	15F	166,979	127,932	03/31/2013	162,505	401,637	7.60	06/10/2023
SUGARWOOD APARTMENTS[7]	12F	138,134	99,600	02/05/2012	133,829	144,335	13.75	03/10/2012
SUNRISE MANOR[7]	22E	227,370	142,896	04/01/2011	223,183	223,867	9.50	12/10/2011
WEST BURKE HOUSING[7]	9E, 6F	160,972	127,760	06/07/2012	155,672	252,506	7.31	02/10/2013
WILLEY LANE HOUSES[7]	12F	128,055	108,668	12/31/2014	112,357	258,318	7.31	02/10/2015
TOTAL						$14,835,138		

1. These Developments are owned by (i) either a 501(c)(3) or 501(c)(4) nonprofit corporation, (ii) a governmental unit or (iii) a limited partnership or limited liability company organized for limited profit.
2. E=Elderly Units; F=Family Units.
3. Includes Housing Assistance Payments Contract ("HAPC") Payments and is based on the income figures reflected on owner's 2007 audit.
4. Assumes all permitted renewals. Renewals of the HAPCs are subject to certain conditions.
5. Includes Multifamily Mortgage Loan debt service, administrative expenses, management fee, utilities, ordinary maintenance, real estate taxes, and reserve for replacements reflected on owner's 2007 audit. All of the Multifamily Mortgage Loans provide for principal and interest on a level debt service basis.
6. Development involving low income housing tax credits.
7. Prepayment of Multifamily Mortgage Loan is prohibited.

APPENDIX VIII

BOOK ENTRY SYSTEM

When the Series Bonds are issued, ownership interests will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by The Depository Trust Company ("DTC"), New York, New York, or such other depository institution designated by the Agency pursuant to the Indenture. Purchasers of beneficial interests in the Series Bonds will not receive certificates reflecting their interests in the Series Bonds.

DTC will act as securities depository for the Series Bonds. The Series Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered security certificate will be issued for each series and maturity of the Series Bonds in the aggregate principal amount thereof, and will be deposited with DTC.

DTC 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 securities that its Direct Participants deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating 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 its Direct Participants and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, 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 corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Obligation (a "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, but Beneficial Owners are 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series Bonds, except in the event that use of the book-entry system for the Series Bonds is discontinued.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OR OWNERS OF THE SERIES BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES BONDS.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series Bonds are credited, which may or may not be the Beneficial Owners. The Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyances 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.

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Series Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal or redemption price of and interest payments on the Series Bonds is to be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date payment is due in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payment is due. Payments by Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Bond Registrar, the Paying Agent or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

In the case of the Variable Rate Demand Bonds, a Beneficial Owner shall give notice to elect to have its Variable Rate Demand Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Variable Rate Demand Bonds by causing the Direct Participant to transfer the Participant's interest in the Variable Rate Demand Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Variable Rate Demand Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Variable Rate Demand Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Variable Rate Demand Bonds to the Remarketing Agent's DTC account.

The Agency and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name (or the name of its nominee) for the purpose of payment of the principal of and premium, if any, or interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and shall not be affected by any notice to the contrary.

Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant, an Indirect Participant or otherwise) to notify the Beneficial Owner of any such notice and its content or effect shall not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

When reference is made to any action which is required or permitted to be taken by the Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC. DTC shall forward (or cause to be forwarded) the notice to the DTC Participants so that such DTC Participants may forward (or cause to be forwarded) the notices to the Beneficial Owners.

For every transfer and exchange of a beneficial ownership interest in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Series Bonds at any time by giving reasonable notice to the Agency or the Trustee. In the event that no satisfactory substitute depository is found to replace DTC, or if the Agency determines that Beneficial Owners should be able to obtain Series Obligation certificates, the Agency or the Trustee is obligated to deliver Series Bonds, as appropriate, as described in the Indenture. In the event such Series Obligation certificates are issued, the Beneficial Owner, upon registration of the Series Bonds held in such Beneficial Owner's name, shall become the Owner for purposes of the Indenture and the provisions of the Indenture shall apply to, among other things, the transfer and exchange of certificates and the method of payment of principal of and interest on the Series Bonds.

NEITHER THE AGENCY, NOR THE TRUSTEE, NOR THE BOND REGISTRAR, NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, TO THE INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (ii) THE TIMELY PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS BY DTC UNDER THE INDENTURE; (iv) THE SELECTION BY DTC OF ANY DIRECT OR INDIRECT PARTICIPANT AND THE SELECTION BY SUCH DIRECT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The information included under this caption (except for the preceding paragraph) has been provided by DTC. No representation is made by the Agency, the Underwriters or the Trustee as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

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APPENDIX IX

CERTAIN INFORMATION REGARDING CREDIT ENHANCEMENT PROVIDER

FSA HAS NOT PROVIDED A MUNICIPAL BOND INSURANCE POLICY WITH RESPECT TO THE SERIES BONDS. FSA, HOWEVER, HAS PROVIDED MUNICIPAL BOND INSURANCE POLICIES AND A SURETY BOND WITH RESPECT TO OTHER BONDS ISSUED UNDER THE TRUST INDENTURE.

The information in this Appendix IX has been provided for inclusion herein by FSA. None of such information or any of the statements referred to in this Appendix VI is guaranteed as to accuracy or completeness by the Agency or the Underwriters of the Series Bonds or is to be construed as a representation by the Agency or such Underwriters. Furthermore, neither the Agency nor the Underwriters of the Series Bonds makes any representations as to the financial condition or resources of FSA or as to the absence of material adverse changes in the information contained in the statements referred to above.

Financial Security Assurance Inc.

Financial Security Assurance Inc. ("FSA") is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or FSA is liable for the obligations of FSA.

At March 31, 2008, FSA's consolidated policyholders' surplus and contingency reserves were approximately $3,012,872,486 and its total net unearned premium reserve was approximately $2,419,501,630 in accordance with statutory accounting practices. At March 31, 2008, FSA's consolidated shareholders' equity was approximately $3,053,752,711 and its total net unearned premium reserve was approximately $1,882,057,335 in accordance with generally accepted accounting principles.

The consolidated financial statements of FSA included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of FSA included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Series Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any municipal bond insurance policy provided by FSA for other Bonds issued under the Indenture does not protect investors against changes in market value of the related series of bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. FSA has not provided a municipal bond insurance policy with respect to the Series Bonds and makes no representation regarding the Series Bonds or the advisability of investing in the Series Bonds. FSA makes no representation regarding the Official

Statement, nor has it participated in the preparation thereof, except that FSA has provided to the Agency the information presented under this caption for inclusion in the Official Statement.

Recent Events Regarding FSA's Moody's Ratings

On August 6, 2008, Standard & Poor's Ratings Services revised its outlook on FSA to negative from stable, and affirmed FSA's "AAA" claims paying rating.

On August 6, 2008, Fitch Ratings affirmed FSA's "AAA"/Stable insurer financial strength rating.

On July 21, 2008, Moody's Investors Service, Inc. ("Moody's") placed FSA's "Aaa" insurance financial strength ratings on review for possible downgrade due to concerns regarding elevated risks with the financial guaranty insurance market and within FSA's insured portfolio. Moody's noted that, while the outcome of the review is uncertain at this time, a downgrade of FSA's insurance financial strength rating below "Aa2" is currently seen as unlikely. In response to Moody's ratings action, FSA stated that it "take[s] note of the concerns Moody's has expressed, and… will work closely with [Moody's] to reestablish [FSA's] Aaa-stable claims paying ratings."

APPENDIX X

CERTAIN INFORMATION PROVIDED BY THE BANK

The following information has been provided by the Bank (at times referred to hereinafter as "TD Bank") for use in this Official Statement. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Agency or the Underwriters. This information has not been independently verified by the Agency or the Underwriters. No representation is made by the Agency or the Underwriters as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Bank

TD Bank, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly owned subsidiary of The Toronto Dominion Bank ("TD") and, operating under the brand names TD Banknorth and Commerce Bank, offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer, trust, investment advisory and insurance agency services. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont and Virginia.

On October 2, 2007, TD entered into a merger agreement with Commerce Bancorp, Inc. ("Commerce"), the holding company for Commerce Bank, N.A., Philadelphia, Pennsylvania, and Commerce Bank/North, Ramsey, New Jersey (together, the "Commerce Banks"), which provided for Commerce to be acquired by TD. The acquisition was consummated on March 31, 2008. On May 31, 2008, the Commerce Banks merged with and into TD Banknorth, N.A. ("TD Banknorth"). In connection with this merger, the Bank's legal name was changed to "TD Bank, N.A." As of March 31, 2008, TD Banknorth had consolidated assets of $43.4 billion, consolidated deposits of $28.5 billion and stockholder's equity of $9.2 billion, Commerce Bank had consolidated assets of $51.4 billion, consolidated deposits of $41.7 billion and stockholder's equity of $9.0 billion, and Commerce Bank/North had consolidated assets of $5.6 billion, consolidated deposits of $4.6 billion and stockholder's equity of $972.3 million, all based on regulatory accounting principles.

Additional information regarding the foregoing is available from the filings made by TD with the U.S. Securities and Exchange Commission (the "SEC"), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD, the Bank and the Commerce Banks contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Standby Bond Purchase Agreement has been issued by the Bank and is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank (or its predecessor banks) delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
P.O. Box 9540
Portland, ME 04112 9540
Attn: Corporate Communications
Mail Stop: ME 089 71

Information regarding the financial condition and results of operations of the Bank will be contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at https://cdr.ffiec.gov/public. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or the Bank since the date hereof, or that the information contained or referred to in Appendix X is correct as of any time subsequent to its date.

APPENDIX XI

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

Vermont Housing Finance Agency
Multiple Purpose Bonds, 2008 Series C

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Vermont Housing Finance Agency (the "Agency") and Wells Fargo Bank, National Association (the "Trustee") in connection with the offering and sale of $38,000,000 aggregate principal amount of the Agency's Multiple Purpose Bonds, 2008 Series C-1 and $12,000,000 aggregate principal amount of the Agency's Multiple Purpose Bonds, 2008 Series C-2 (the "2008 Bonds") as more fully described in the official statement of the Agency dated August 21, 2008 (the "Official Statement"). The 2008 Bonds are being issued pursuant to a Trust Indenture by and between the Agency and the Trustee, dated as of June 1, 2007 (the "Trust Indenture") as supplemented by the 2008 C Supplemental Indenture (the "2008 C Supplemental Indenture"). The Trust Indenture and the 2008 C Supplemental Indenture are sometimes collectively referred to herein as the "Indenture." The Agency and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency and the Trustee for the benefit of the Holders and Beneficial Owners of the 2008 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2008 Bonds (including persons holding 2008 Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Chief Financial Officer of the Agency or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Agency, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are available as public information on the SEC's Internet site at http://www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters of the 2008 Bonds required to comply with the Rule in connection with offering of the 2008 Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Vermont.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Agency's fiscal year (presently June 30), commencing with the report for the 2008 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Agency shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Agency and the Dissemination Agent to determine if the Agency is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the Agency and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Agency's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Agency for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The financial information and operating data of the Agency for the prior fiscal year generally consistent with the financial information and operating data contained in the Official Statement under the headings "INTRODUCTORY STATEMENT", "THE AGENCY - Operations to Date" and "- Outstanding Indebtedness" and "SECURITY FOR THE BONDS" and in "APPENDIX III – SINGLE FAMILY MORTGAGE LOANS AND THE SINGLE FAMILY PURCHASE PROGRAM", "APPENDIX VI – MULTIFAMILY MORTGAGE LOAN PROGRAM" and "APPENDIX VII – CERTAIN INFORMATION REGARDING THE MULTIFAMILY MORTGAGE LOANS OUTSTANDING UNDER THE INDENTURE."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2008 Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events adversely affecting the tax-exempt status of the 2008 Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform or;

11. release, substitution or sale of property securing repayment of the 2008 Bonds.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Agency promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Agency shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material under applicable federal securities laws, the Agency shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Agency to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2008 Bonds pursuant to the Resolution.

SECTION 6. Management Discussion of Items Disclosed in Annual Reports or as Significant Events. If an item required to be disclosed in the Agency's Annual Report under Section 4, or as a Listed Event under Section 5, would be misleading without discussion, the Agency shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in the context in which it was made.

SECTION 7. Termination of Reporting Obligation. The Agency's 2008 Bonds under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2008 Bonds. If such termination occurs prior to the final maturity of the 2008 Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Agreement.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Agency), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2008 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2008 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 2008 Bonds in the same manner as provided in the Trust Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2008 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. (a) In the event of a failure of the Agency or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding 2008 Bonds, shall), or any Holder or Beneficial Owner of the 2008 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency or Trustee, as the case may be, to comply with its 2008 Bonds under this Disclosure Agreement.

(b) Notwithstanding the foregoing, no Holder or Beneficial Owner of the 2008 Bonds shall have the right to challenge the content or adequacy of the information provided pursuant to Sections 3, 4 or 5 of this Disclosure Agreement by mandamus, specific performance or other equitable proceedings unless Holders or Beneficial Owners of 2008 Bonds representing at least 66 2/3% in aggregate principal amount of the 2008 Bonds shall join in such proceedings.

(c) A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article X of the Trust Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The 2008 Bonds of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2008 Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Agency: Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401-4634
Attention: Chief Financial Officer
Telephone/Fax: (802) 864-5743/(802) 864-5746

To the Trustee: Wells Fargo Bank, National Association
Corporate Trust Services
10 Orms Street, Suite 325
Providence, RI 02904
Telephone/Fax: (401) 277-3180/(401) 277-3165

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2008 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: September __, 2008

VERMONT HOUSING FINANCE AGENCY

By: ____________________________
Title: Authorized Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By: ____________________________
Title: Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND
STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Vermont Housing Finance Agency (the "Agency")
Name of Bond Issue: $38,000,000 Multiple Purpose Bonds, 2008 Series C-1
$12,000,000 Multiple Purpose Bonds, 2008 Series C-2

Date of Issuance: September __, 2008

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named 2008 Series C-1 and 2008 Series C-2 Bonds Bonds as required by Section 3 of the Continuing Disclosure Agreement dated September __, 2008 between the Agency and Trustee. The Agency anticipates that the Annual Report will be filed by ____________________________.

Dated: ________________

WELLS FARGO BANK, NATIONAL ASSOCIATION
On behalf of the AGENCY

cc: Agency

APPENDIX XII

PROPOSED FORM OF OPINION OF BOND COUNSEL

September 24, 2008

Vermont Housing Finance Agency
Burlington, Vermont

Vermont Housing Finance Agency
Multiple Purpose Bonds
2008 Series C-1
2008 Series C-2

We have acted as Bond Counsel in connection with the issuance by the Vermont Housing Finance Agency (the "Agency") of $38,000,000 aggregate principal amount of its Multiple Purpose Bonds, 2008 Series C-1 (the "2008 Series C-1 Bonds") and $12,000,000 aggregate principal amount of its Multiple Purpose Bonds, 2008 Series C-2 (the "2008 Series C-2 Bonds," and together with the 2008 Series C-1 Bonds, the "Series Bonds"). The Series Bonds are authorized to be issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"), and under and pursuant to the Agency's Trust Indenture, adopted as of June 1, 2007 (the "Trust Indenture"), resolutions of the Agency authorizing the issuance and sale of bonds and notes to finance single family housing, and the 2008 C Supplemental Indenture dated September 1, 2008 (the "2008 C Supplemental Indenture"). The Trust Indenture and the 2008 C Supplemental Indenture are sometimes collectively referred to herein as the "Indenture."

The Series Bonds are being issued to (a) make moneys available to purchase loans made to finance the purchase or improvement of single family housing in the State of Vermont (the "State") by persons and families of low and moderate income, and (b) to make deposits in certain funds and accounts under the Indenture. The Series Bonds, as well as any additional bonds to be issued under the Indenture (collectively, the "Bonds"), are equally and ratably secured by the Indenture.

The Series Bonds are dated, mature in the years, in the respective principal amounts and bear interest at the rates per annum set forth in the 2008 C Supplemental Indenture. The Series Bonds are also subject to redemption prior to maturity upon the terms and conditions and at the redemption prices provided in the 2008 C Supplemental Indenture and in the Indenture.

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 Series Bonds. The Agency has covenanted in the Indenture to do all things necessary to assure that interest on the Series Bonds will not be includable in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder. Under Sections 142, 143 and 148 of the Code, certain requirements must be met subsequent to the delivery of the Series Bonds in order that interest on the Series Bonds not be includable in gross income for federal income tax purposes under the Code. Certain covenants of the Agency and other parties, as well as affidavits and other procedures, are set forth in the documents relating to the issuance of the Series Bonds and the Agency's single family mortgage purchase program to comply with the requirements of the Code. We have examined such documents and such covenants, affidavits and other procedures and are of the opinion that they are sufficient to enable the Agency to comply with the requirements of the Code.

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 adopt the Indenture and to authorize, issue and deliver the Series 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 Series Bonds have been duly authorized, executed, issued and delivered by the Agency in accordance with the Act and the Indenture and constitute valid and binding general 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 Series Bonds are general obligations of the Agency, payable from any of the Agency's revenues, assets or moneys, subject only to agreements made with holders of notes and bonds or other indebtedness pledging particular revenues, moneys or assets for the payment thereof. The Series 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, assuming continuing compliance by the Agency with covenants contained in the Indenture concerning federal tax law described above, interest on the Series Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Series Bonds is not a separate tax preference item for purposes of calculating the alternative minimum tax imposed by the Code on individuals and corporations and such interest on the Series Bonds will not be included in corporations' calculations of adjusted current earnings for purposes of the federal alternative minimum tax. No opinion as to the exclusion from gross income of interest on any of the Series Bonds is expressed subsequent to any date on which action is taken pursuant to the Indenture for which action the Indenture requires a legal opinion to the effect that taking such action will not adversely affect such exclusion, should the undersigned not deliver an opinion as of such date to such effect.

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

The foregoing opinions are qualified only to the extent that the enforceability of the Series 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.

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