

NEW ISSUE AND CONVERSION—BOOK-ENTRY ONLY

In the opinion of Special Tax Counsel, assuming the accuracy of certain representations and continuing compliance with certain covenants designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and subject to the exceptions described herein, under existing laws, regulations, rulings and judicial decisions, (1) interest on the 2011 Series A Bonds and, from and after the Release Date, interest on the 2009 Series AC2 Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation, and (2) interest on the 2011 Series A Bonds and, from and after the Release Date, interest on the 2009 Series AC2 Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. See "TAX TREATMENT AND RELATED CONSIDERATIONS" herein.



WASHINGTON STATE HOUSING FINANCE COMMISSION
\$40,000,000 Homeownership Program Bonds, 2011 Series A (Non-AMT)
\$59,990,000 Homeownership Program Bonds, 2009 Series AC2 (Non-AMT)

Dated: Date of Initial Delivery—2011 Series A Bonds
December 21, 2009—2009 Series AC2 Bonds

Due: As shown on the inside front cover

The Washington State Housing Finance Commission (the "Commission") provides this Official Statement in connection with the issuance of its Homeownership Program Bonds, 2011 Series A (Non-AMT) (the "2011 Series A Bonds") and the Conversion of certain Outstanding Bonds, such Bonds to be re-designated as Homeownership Program Bonds, 2009 Series AC2 (Non-AMT) (the "2009 Series AC2 Bonds" and, collectively with the 2011 Series A Bonds, the "Series Bonds").

Proceeds of the Series Bonds will be used to finance the purchase of mortgage-backed certificates guaranteed as to timely payment of principal and interest by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. The mortgage-backed certificates will be backed by pools of mortgage loans that have been or will be made by participating lenders to persons or families of low and moderate income to finance the purchase of single-family residential housing located in Washington State.

The 2011 Series A Bonds will accrue interest from their date of initial delivery (which is expected to be March 24, 2011), payable semiannually on each April 1 and October 1 (or if such date is not a Business Day, on the next succeeding Business Day) commencing October 1, 2011, and upon redemption or maturity. The 2009 Series AC2 Bonds accrue interest from December 23, 2009, payable first on the Release Date (which is expected to be March 24, 2011), then on the date two months after the Release Date, and semiannually thereafter on each April 1 and October 1 (or if such date is not a Business Day, on the next succeeding Business Day) commencing October 1, 2011, and upon redemption or maturity.

The 2011 Series A Bonds are being issued only as fully registered bonds under a book-entry system and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC") in New York, New York, which will act as securities depository for the 2011 Series A Bonds. Individual purchases of the 2011 Series A Bonds will be made in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the 2011 Series A Bonds will not receive actual certificates representing their interest in such Bonds. Both principal and interest on the Series Bonds will be paid by Wells Fargo Bank, National Association, as Trustee, to DTC, which is obligated to remit both principal and interest when due to its participants for subsequent disbursements to Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds. See Appendix C hereto for a description of DTC and its book-entry system.

Except as described herein, the Series Bonds, certain outstanding bonds, and any bonds and notes that may hereafter be issued under the Indenture (as defined herein) (collectively, the "Bonds"), other than subordinate lien bonds, will have an equal security interest in all Eligible Collateral and Investment Securities and other sources of payment of all Bonds. Deficiencies in funds available for deposits and payments with respect to any Series of Bonds may be made up from certain funds available with respect to any other Series of Bonds. See "SECURITY FOR THE BONDS."

A MATURITY SCHEDULE APPEARS ON THE INSIDE FRONT COVER

The Series Bonds are subject to redemption as described under the heading "REDEMPTION PROVISIONS" herein. See also "BONDHOLDER RISKS."

THE SERIES BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION. PAYMENT OF THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE SERIES BONDS WILL BE A VALID CLAIM ONLY AGAINST THE SPECIAL FUND OR FUNDS OF THE COMMISSION RELATING THERETO AND WILL NOT BE AN OBLIGATION OF THE STATE OF WASHINGTON OR ANY MUNICIPAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE OTHER THAN THE COMMISSION. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY MUNICIPAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES BONDS. THE SERIES BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR OF ANY AGENCY THEREOF OR OF GNMA, FANNIE MAE OR FREDDIE MAC AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

This cover page and the inside front cover contain certain information for quick reference only and are not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2011 Series A Bonds are offered when, as, and if issued by the Commission and accepted by the Underwriters, and the proceeds related to the 2009 Series AC2 Bonds will be released from escrow on the Release Date, all subject to the delivery of the opinion of K&L Gates LLP, Seattle, Washington, General Counsel to the Commission and Bond Counsel, as to the validity of the Series Bonds, and the delivery of the opinion of Kutak Rock LLP, Omaha, Nebraska, Special Tax Counsel to the Commission, as to the tax-exempt status of the Series Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Pepper PLLC, Spokane, Washington. It is expected that the 2011 Series A Bonds will be available for delivery through DTC's facilities via Fast Automated Securities Transfer (FAST) on or about March 24, 2011.

RBC Capital Markets
Edward Jones

George K. Baum & Co.
Morgan Keegan

MATURITY SCHEDULE

Homeownership Program Bonds, 2011 Series A (Non-AMT)†

\$16,610,000 Serial Bonds – Price: 100%

Maturity Dates	Principal Amounts	Interest Rates	CUSIP	Maturity Dates	Principal Amounts	Interest Rates	CUSIP
October 1, 2011	\$310,000	0.700%	93978XCF5	October 1, 2017	\$725,000	3.250%	93978XCT5
April 1, 2012	585,000	0.850	93978XCG3	April 1, 2018	745,000	3.500	93978XCU2
October 1, 2012	730,000	1.050	93978XCH1	October 1, 2018	770,000	3.600	93978XCV0
April 1, 2013	740,000	1.375	93978XCJ7	April 1, 2019	745,000	3.875	93978XCW8
October 1, 2013	750,000	1.500	93978XCK4	October 1, 2019	770,000	3.950	93978XCX6
April 1, 2014	710,000	1.875	93978XCL2	April 1, 2020	800,000	4.125	93978XCY4
October 1, 2014	725,000	2.000	93978XCM0	October 1, 2020	825,000	4.125	93978XCZ1
April 1, 2015	735,000	2.450	93978XCN8	April 1, 2021	705,000	4.375	93978XDA5
October 1, 2015	755,000	2.550	93978XCP3	October 1, 2021	745,000	4.375	93978XDB3
April 1, 2016	720,000	2.800	93978XCQ1	April 1, 2022	775,000	4.550	93978XDC1
October 1, 2016	735,000	2.900	93978XCR9	October 1, 2022	805,000	4.550	93978XDD9
April 1, 2017	705,000	3.125	93978XCS7				

\$7,675,000 Term Bonds Due on October 1, 2026 – Interest Rate 5.10% – Price: 100.00% – CUSIP: 93978XDE7

\$4,415,000 Term Bonds Due on October 1, 2028 – Interest Rate 5.30% – Price: 100.00% – CUSIP: 93978XDF4

\$11,300,000 “PAC” Term Bonds Due on April 1, 2029 – Interest Rate 4.50% – Price: 104.091% – CUSIP: 93978XDG2

Homeownership Program Bonds, 2009 Series AC2 (Non-AMT)♦

\$59,990,000 Term Bonds Due on October 1, 2041 – Interest Rate TBD¹ – CUSIP: 93978XDH0†

♦ Not publicly offered; not offered by the Underwriters.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers are included above for convenience of the holders and potential holders of the Series Bonds. No assurance can be given that the CUSIP numbers for the Series Bonds will remain the same after the date of issuance and delivery of the Series Bonds.

¹ From the Release Date until the Conversion Date, the lesser of (i) 3.55%, (ii) 0.60% plus the Four Week T-Bill Rate (as defined in the Commission’s 2009 Series A Indenture) as of the second business day prior to the Release Date, and (iii) 0.60% plus the lowest 10 Year Constant Maturity Treasury rate reported by the U.S. Treasury Department during the period specified in the Commission’s 2009 Series A Indenture; and from and after the Conversion Date, the lesser of (i) 3.55% or (ii) 0.60% plus the lowest 10 Year Constant Maturity Treasury rate reported by the U.S. Treasury Department during the period specified in the Commission’s 2009 Series A Indenture.

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No dealer, broker, salesman, underwriter or other person has been authorized by the Commission or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Commission and other sources believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors of the 2011 Series A Bonds under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commission or any other parties described herein since the date as of which such information is presented.

Upon issuance, the 2011 Series A Bonds will not be registered under the Securities Act of 1933, as amended, or under any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Commission, will pass upon the accuracy or adequacy of this Official Statement or approve the 2011 Series A Bonds for sale.

IN CONNECTION WITH THIS OFFERING OF THE 2011 SERIES A BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2011 SERIES A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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WASHINGTON STATE HOUSING FINANCE COMMISSION
\$40,000,000 Homeownership Program Bonds, 2011 Series A (Non-AMT)
\$59,990,000 Homeownership Program Bonds, 2009 Series AC2 (Non-AMT)

INTRODUCTION

The purpose of this Official Statement of the Washington State Housing Finance Commission (the "Commission") is to provide certain information in connection with the issuance of its Homeownership Program Bonds, 2011 Series A (Non-AMT) (the "2011 Series A Bonds") and the Conversion of certain Outstanding Bonds, such Bonds to be re-designated the Homeownership Program Bonds, 2009 Series AC2 (Non-AMT) (the "2009 Series AC2 Bonds" and, collectively with the 2011 Series A Bonds, the "Series Bonds"). Certain capitalized terms used in this Official Statement are defined in Appendix A. Reference is made to the Indenture (as defined below) for the definitions of capitalized terms used and not otherwise defined herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change. The information contained under this heading "INTRODUCTION" is qualified by reference to the entire Official Statement. This introduction is only a brief description and potential investors should review the entire Official Statement, as well as the documents summarized or described herein, in order to make an informed investment decision.

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

Authority for Issuance

The Series Bonds are issued pursuant to chapter 43.180 Revised Code of Washington (the "Act"), under the Homeownership General Trust Indenture dated as of December 1, 2009, as the same has been and may be supplemented and amended (the "General Indenture"), between the Commission and Wells Fargo Bank, National Association, as trustee (the "Trustee"), a Series Indenture dated as of December 1, 2009, as amended (the "2009 Series A Indenture"), and a 2011 Series A and 2009 Series AC2 Series and Conversion Indenture dated as of March 1, 2011 (the "Series and Conversion Indenture"), between the Commission and the Trustee. See "THE TRUSTEE" herein. The General Indenture, the Commission's various Series Indentures, and any amendments thereto, are collectively referred to herein as the "Indenture." The Series and Conversion Indenture is intended to be a "Conversion Indenture" with respect to the 2009 Series AC2 Bonds and, as such, supplements and amends certain provisions of the 2009 Series A Indenture. Resolution Nos. 09-105 and No. 11-43, adopted by the Commission on November 19, 2009, and January 27, 2011, respectively, authorize the issuance of the Series Bonds.

New Issue Bond Program

General. The 2009 Series AC2 Bonds are being converted pursuant to the New Issue Bond Program HFA Initiative (the "Initiative") undertaken by the U.S. Department of Treasury pursuant to authority under the Housing and Economic Recovery Act of 2008. The Commission was allocated capacity to issue up to \$200,000,000 of bonds to finance single-family mortgage loans under the Initiative. All of that allocation was used with respect to the \$170,000,000 Homeownership Program Bonds, 2009 Series A (Taxable) (the "2009 Series A Bonds") and \$30,000,000 Homeownership Program Bonds, 2009 Series B2 (Non-AMT) (the "2009 Series B2 Bonds") that the Commission issued in December 2009.

With respect to Bonds that were issued pursuant to the Initiative, such as the 2009 Series A Bonds (including the portion thereof being re-designated as the 2009 Series AC2 Bonds) and the 2009 Series B2 Bonds, the Series Indentures (as amended) authorizing the initial issuance of such Bonds provide certain rights to Fannie Mae and Freddie Mac that are not provided to owners of other Bonds. These include rights to approve the appointment of a successor Trustee, to receive certain reports and to directly enforce certain provisions of the Series Indentures, among others.

Conversions. The Commission reserved the right to convert the interest rate on the 2009 Series A Bonds to a permanent long-term rate on one or more dates (each, a "conversion date"). As a result of changes to the New Issue Bond Program, there now may be as many as six conversion dates with respect to the 2009 Series A Bonds. The second of these conversion dates is expected to occur with respect to the 2009 Series AC2 Bonds. Each conversion

date will occur two months after proceeds of the 2009 Series A Bonds are released from the 2009 Series A Reservation Account and transferred to one or more Series Acquisition Accounts. The dates upon which such proceeds are released from the 2009 Series A Reservation Account are referred to as “release dates.” Unless further extended by the U.S. Department of Treasury, the release dates must occur before 2012.

A Conversion may involve all or only a portion of the 2009 Series A Bonds, provided that such 2009 Series A Bonds may only be converted in integral multiples of \$10,000, and any particular 2009 Series A Bond may be converted to a permanent rate only once. From the release date for each 2009 Series A Bond being converted, the interest payable on the converted 2009 Series A Bond is required to be exempt from federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).

The Commission must satisfy certain conditions before it may release proceeds related to the 2009 Series A Bonds which are on deposit in the 2009 Series A Reservation Account and thereafter convert the interest rate on the 2009 Series A Bonds, as set forth in the Commission’s 2009 Series A Indenture. For example, on the release date pertaining to a conversion, the Commission must issue Bonds to public or private investors (*i.e.* “Market Bonds”) in a principal amount that is at least 2/3rds of the principal amount of the 2009 Series A Bonds the proceeds of which are proposed to be released from the 2009 Series A Reservation Account on such release date. As further conditions to each conversion, the Trustee must be provided the following by the respective release date (among other things): certain opinions of counsel, including an opinion that the interest on such Bonds will be excluded from gross income of the owners thereof from and after the applicable release date; a confirmation by Moody’s of its rating on the Bonds being converted (after giving effect to the proposed conversion); certificates of the Commission; and certificates of Fannie Mae and Freddie Mac.

In connection with the issuance of the 2011 Series A Bonds, the Commission will direct the release of \$59,990,000 of the proceeds of the 2009 Series A Bonds from the 2009 Series A Reservation Account for deposit into the 2011 Series A Acquisition Account. Such released 2009 Series A Bonds will be re-designated as the 2009 Series AC2 Bonds. The release date with respect to the proceeds of the 2009 Series AC2 Bonds (the “Release Date”) will be the date the 2011 Series A Bonds initially are issued (which is expected to be March 24, 2011), and the Conversion Date with respect such 2009 Series AC2 Bonds will be two months thereafter (*i.e.* May 24, 2011, assuming the 2011 Series A Bonds are issued on March 24, 2011).

From and after the Release Date, the 2009 Series AC2 Bonds will not be secured by any pledge of or lien on money deposited in the Commission’s 2009 Series A Reservation Account.

Security and Sources of Payment

Under the Indenture, the Series Bonds will be on a parity with each other and with previously issued Bonds. However, money in the 2009 Series A Reservation Account will be pledged solely to the registered owners of the 2009 Series A Bonds prior to the respective release date(s) for such 2009 Series A Bonds, and will not be pledged to the registered owners of the Series Bonds. The Commission may issue additional Bonds on a parity with the Series Bonds, as well as Bonds that are subordinate to the Series Bonds (“Subordinate Bonds”). Currently, there are no Subordinate Bonds.

All Eligible Collateral, when purchased by the Trustee, will be pledged under the Indenture to the payment of principal of and interest on the Bonds. See “SECURITY FOR THE BONDS.”

THE SERIES BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION. PAYMENT OF THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE SERIES BONDS WILL BE A VALID CLAIM ONLY AGAINST THE SPECIAL FUND OR FUNDS OF THE COMMISSION RELATING THERETO AND WILL NOT BE AN OBLIGATION OF THE STATE OF WASHINGTON OR ANY MUNICIPAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE, OTHER THAN THE COMMISSION. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY MUNICIPAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES BONDS. THE SERIES BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR OF ANY AGENCY THEREOF OR OF GNMA, FANNIE MAE OR FREDDIE MAC AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. SEE “BONDHOLDER RISKS” AND “SECURITY FOR THE BONDS.”

Acquisition and Operating Policy

Certain Commission obligations regarding the deposit of Revenues (as defined below) and application of amounts held under the Indenture that are not otherwise specified in the General Indenture or a Series Indenture are specified

in the Acquisition and Operating Policy. The scope of the Acquisition and Operating Policy is set forth in the Indenture, as are terms under which the Commission may amend the Acquisition and Operating Policy from time to time. See Appendix A hereto under the heading “Acquisition and Operating Policy” for a summary of the General Indenture requirements pertaining to the Acquisition and Operating Policy. The Acquisition and Operating Policy is intended to provide the Trustee with sufficient guidance at any time to administer the Indenture for the remaining term of the Bonds, without further instruction from the Commission.

The Commission expects to amend the Acquisition and Operating Policy to accommodate specific transactions and to provide the Trustee with specific instructions permitted under the Acquisition and Operating Policy so as to permit the active management of the Indenture by the Commission. The Commission also expects to amend the Acquisition and Operating Policy when it issues each Series of Bonds or changes the terms of Eligible Collateral (as defined below) to be acquired. In addition, the Commission expects to provide instructions to the Trustee with respect to the allocation and deposit of Revenues and with respect to the application of amounts on deposit under the Indenture to redeem Bonds or acquire Eligible Collateral. As a result, the current Acquisition and Operating Policy may not reflect the Commission’s evolving plans with respect to the future management of the Indenture, and does not bind the Commission to any specific plan of management. However, in the absence of any future issuance of Bonds, amendment of the Acquisition and Operating Policy, or permitted instructions from the Commission, the Trustee will operate the Indenture in conformance with the Acquisition and Operating Policy then in force. Copies of the Acquisition and Operating Policy are available from the Commission upon payment to the Commission of a charge for copying, mailing and handling. Requests for such copies should be addressed to the Commission’s Senior Director of Finance.

Purpose

The 2011 Series A Bonds are being issued, and proceeds related to the 2009 Series AC2 Bonds are being released from the 2009 Series A Reservation Account, by the Commission to make funds available to finance the origination of qualifying mortgage loans (“Mortgage Loans”) to eligible borrowers for single-family, owner-occupied housing in Washington State as part of the Commission’s Single-Family Mortgage Program (the “Program”), all as more fully described herein. See “PLAN OF FINANCE” herein.

Eligible Collateral

Proceeds of Bonds issued under the Indenture, other than certain short-term Bonds that may be issued as notes from time to time, are used by the Trustee to purchase pass-through mortgage-backed certificates (the “GNMA Certificates”) guaranteed by the Government National Mortgage Association (“GNMA”), single-pool, mortgage pass-through securities (the “Fannie Mae Certificates”) guaranteed by the Federal National Mortgage Association (“Fannie Mae”) and mortgage pass-through securities (the “Freddie Mac Certificates”) guaranteed by the Federal Home Loan Mortgage Corporation (“Freddie Mac”). See “Federal Housing Finance Agency Actions” below for information regarding the conservatorship of Fannie Mae and Freddie Mac. Although the Commission also may use Bond proceeds to purchase Mortgage Loans that are not guaranteed by GNMA, Fannie Mae or Freddie Mac (“Whole Loans”), the Acquisition and Operating Policy currently does not allow for the acquisition of Whole Loans (although this may change in the future). The GNMA Certificates, Fannie Mae Certificates and Freddie Mac Certificates are referred to herein as the “Certificates,” and the Certificates and the Whole Loans are referred to herein as “Eligible Collateral.” See “SECURITY FOR THE BONDS—Eligible Collateral” and “PLAN OF FINANCE” herein.

The Eligible Collateral to be purchased by the Trustee will be backed by Mortgage Loans originated by participating mortgage-lending institutions (the “Mortgage Lenders”) pursuant to Mortgage Origination Agreements (the “Origination Agreements”) entered into, or to be entered into, with the Commission and the Servicer. See “SINGLE-FAMILY MORTGAGE PROGRAM—House Key Program” for more information regarding Mortgage Lenders.

Single-Family Indenture

Pursuant to an Amended and Restated General Trust Indenture dated as of November 1, 2010 (the “Single-Family Indenture”), between the Commission and Wells Fargo Bank, National Association, the Commission has issued numerous series of single-family mortgage revenue bonds to finance Mortgage Loans originated pursuant to the Program. As of February 1, 2011, the Commission had \$841,355,000 of outstanding bonds under the Single-Family Indenture. The Commission may issue additional bonds under the Single-Family Indenture at any time to finance the Program. Any bonds issued under the Single-Family Indenture while there are unexpended proceeds of the Series Bonds in the 2011 Series A Acquisition Account may increase the risk that the Series Bonds will be redeemed prior

to their stated maturities. See “REDEMPTION PROVISIONS—Special Redemption from Unexpended Proceeds” and “BONDHOLDER RISKS—Risk of Early Redemption from Non-Origination” herein. None of the trust estate pledged in the Single-Family Indenture to the owners of bonds issued under that indenture are pledged to or available for payment of the Bonds.

Federal Housing Finance Agency Actions

In accordance with the Federal Housing Finance Regulatory Reform Act of 2008 (the “Regulatory Reform Act”), the Federal Housing Finance Agency (the “FHFA”) was named as the conservator of both Fannie Mae and Freddie Mac (each, a “GSE”) on September 6, 2008. The FHFA immediately succeeded to (1) all rights, titles, powers and privileges of each GSE, and of any stockholder, officer or director of such GSE with respect to the GSE and its assets, and (2) title to all books, records and assets of the GSE held by any other legal custodian or third party. Under the Act, the FHFA is authorized to repudiate contracts entered into by a GSE prior to the FHFA’s appointment as conservator if the FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of the GSEs. This right must be exercised within a reasonable period of time after FHFA’s appointment as conservator.

On September 7, 2008, the U.S. Department of Treasury (“Treasury”) entered into a “Senior Preferred Stock Purchase Agreement” with each GSE. Those agreements were amended and restated on September 26, 2008, and subsequently amended on May 6, 2009 and December 24, 2009. Each such agreement is indefinite in duration and has a maximum capacity of \$200 billion, which amount will increase as necessary to accommodate any cumulative reduction in net worth calculated on a quarterly basis through December 31, 2012. If the FHFA determines that a GSE’s liabilities have exceeded its assets under generally accepted accounting principles, the Treasury is required by the agreement to contribute cash capital to the GSE in an amount equal to the difference between liabilities and assets.

So long as the GSEs remain in their current conservatorship and are not placed into receivership, (i) FHFA has no authority to repudiate any contracts entered into after the GSEs were placed into conservatorship, including the GSEs’ guaranties related to Certificates they issued during their respective conservatorships, and (ii) the rights of holders of certificates issued during such conservatorship are not restricted.

Under the Regulatory Reform Act, FHFA must place a GSE into receivership if the FHFA’s Director makes a determination that the GSE’s assets are, and for a period of 60 days have been, less than the GSE’s obligations, or the GSE is unable to pay its debts and have been unable to do so for a like period. The FHFA Director may also place a GSE into receivership in his or her discretion for certain other reasons. A receivership would terminate the FHFA’s current conservatorship. If FHFA were to become the receiver of a GSE, it could exercise certain powers that could adversely affect the Commission (as holder of the GSE’s Certificates), as explained below.

As receiver, FHFA could repudiate any contract entered into by a GSE prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of the GSE’s affairs. The Regulatory Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver. If FHFA, as receiver, were to repudiate the guaranty obligations of Fannie Mae or Freddie Mac, the receivership estate would be liable for actual direct compensatory damages as of the date of receivership under the Regulatory Reform Act. Any such liability could be satisfied only to the extent the GSE’s assets were available for that purpose. Moreover, if a GSE’s guaranty obligations were repudiated, payments of principal and/or interest to holders of the GSE’s certificateholders would be reduced as a result of borrowers’ late payments or failure to pay or a servicer’s failure to remit borrower payments to the trust. In that case, trust administration fees would be paid from mortgage loan payments prior to distributions to certificateholders. Any actual direct compensatory damages owed due to the repudiation of the GSE guaranty obligations may not be sufficient to offset any shortfalls experienced by certificateholders.

In its capacity as receiver, FHFA would have the right to transfer or sell any asset or liability of a GSE without any approval, assignment or consent. If FHFA, as receiver, were to transfer a GSE’s guaranty obligation to another party, the Commission (as a certificateholder) would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party.

During a receivership, certain rights of certificateholders may not be enforceable against FHFA, or enforcement of such rights may be delayed. The Regulatory Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which a GSE is a party, or

obtain possession of or exercise control over any property of a GSE, or affect any contractual rights of the GSE, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver. If a GSE is placed into receivership and does not or cannot fulfill its guaranty to certificateholders, certificateholders could become unsecured creditors of the GSE with respect to claims made under the GSE's guaranty.

If a GSE emerges from conservatorship and, at a later date, FHFA again were to place the GSE into conservatorship, (i) FHFA would have all of the authority of a new conservator, including the authority to repudiate the guaranty associated with certificates issued by the GSE during the current conservatorship, and (ii) certain rights of holders of certificates issued during the current conservatorship would again be restricted or eliminated. FHFA currently has all of the authority of a conservator as to certificates issued before September 6, 2008, the date the GSEs were placed into conservatorship.

Although the Treasury owns the GSEs' senior preferred stock and has made a commitment under the respective Senior Preferred Stock Purchase Agreements to provide the GSEs with funds under specified conditions to maintain a positive net worth, the U.S. government does not guarantee the GSEs' securities or other obligations.

Fannie Mae currently is required to file periodic financial disclosures with the U.S. Securities and Exchange Commission (the "SEC"), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac requires Freddie Mac to provide the Treasury with annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. The Commission makes no representation regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae or Freddie Mac with the SEC, or any information provided at such web site. The SEC's web site is not part of the Official Statement.

THE SERIES BONDS

General

2011 Series A Bonds. The 2011 Series A Bonds will be dated as of their date of initial delivery (which is expected to be March 24, 2011), will bear interest from their dated date, or the most recent date to which interest has been paid thereon, and will be issued in authorized denominations of \$5,000, or any integral multiple thereof within a maturity.

Interest on the 2011 Series A Bonds will be payable semiannually on each April 1 and October 1 (or if such date is not a Business Day, on the next succeeding Business Day thereafter), commencing October 1, 2011, and on the respective date that such 2011 Series A Bond matures or is redeemed.

The 2011 Series A Bonds will mature, subject to earlier redemption, on the respective dates and bear interest at the respective rates *per annum* (calculated on the basis of a 360-day year consisting of twelve 30-day months) set forth on the inside front cover of this Official Statement.

2009 Series AC2 Bonds. The 2009 Series AC2 Bonds bear interest from December 23, 2009, or, if later, the most recent date to which interest has been paid thereon. The "Authorized Denominations" of the 2009 Series AC2 Bonds for purposes of initial issuance and redemption are \$10,000 or any integral multiple of \$10,000 in excess thereof, and for any other purpose are \$5,000 and integral multiples thereof.

Interest on the 2009 Series AC2 Bonds will be payable initially on the Release Date for the 2009 Series AC2 Bonds (which is expected to be March 24, 2011), then on the date two months after such Release Date (which is expected to be May 24, 2011), and semiannually on each April 1 and October 1 (or if such date is not a Business Day, on the next succeeding Business Day thereafter), commencing October 1, 2011, with the final interest payment being due on the date that the 2009 Series AC2 Bond matures or is redeemed.

The 2009 Series AC2 Bonds mature, subject to earlier redemption, on October 1, 2041, and bear interest at the "Short-Term Rate" from the Release Date until the Conversion Date and the "Permanent Rate" from and after the Conversion Date. The "Short-Term Rate" for the 2009 Series AC2 Bonds will be the lower of (i) 3.55%, (ii) 0.60% plus the Four Week T-Bill Rate (as defined in the Commission's 2009 Series A Indenture) as of the second business day prior to the Release Date, and (iii) 0.60% plus the lowest 10 Year Constant Maturity Treasury rate reported by

the U.S. Treasury Department during the period specified in the Commission's 2009 Series A Indenture. The "Permanent Rate" for the 2009 Series AC2 Bonds will be the lower of (i) 3.55% or (ii) 0.60% plus the lowest 10 Year Constant Maturity Treasury rate, as reported by Treasury as of the close of business on any business day during the period beginning on the business day immediately prior to receipt by the GSEs and others of the Commission's intent to convert the interest rate on the 2009 Series AC2 Bonds, and ending on the first business day not less than eight days before the Release Date. From and after the Release Date, interest on the 2009 Series AC2 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Book-Entry System

The 2011 Series A Bonds are being issued only as fully registered bonds under a book-entry system and will be initially registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee for The Depository Trust Company ("DTC") in New York, New York, which will act as securities depository for the 2011 Series A Bonds. Purchasers of the 2011 Series A Bonds will not receive certificates representing their interest in such Bonds. Payments on the Series Bonds will be made by the Trustee to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC, which is obligated to remit both principal and interest when due to its participants for subsequent disbursements to Beneficial Owners of the Series Bonds. Beneficial ownership interests in the Series Bonds will be subject to transfer and exchange pursuant to DTC's operating procedures. See Appendix C hereto for a description of DTC and its book-entry system.

The Commission and the Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements that may be in effect from time to time.

Neither the Commission nor the Trustee will have any responsibility or obligation to DTC participants, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners of the Series Bonds. The Commission cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of principal or of interest on the Series Bonds paid to Cede & Co., or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis, nor that DTC will act in a manner described in this Official Statement.

REDEMPTION PROVISIONS

Optional Redemption

2011 Series A Bonds. To the extent not otherwise redeemed pursuant to another redemption provision described under this heading, the 2011 Series A Bonds may be redeemed prior to their stated maturities as a whole or in part on any date on and after October 1, 2020, at the option of the Commission, from any available money, at the price of par, together with accrued interest to the redemption date.

2009 Series AC2 Bonds. To the extent not otherwise redeemed pursuant to another redemption provision described under this heading, the 2009 Series AC2 Bonds may be redeemed prior to their stated maturity as a whole or in part (but not in denominations less than \$10,000) on the first Business Day of any month, commencing April 1, 2011, at the option of the Commission, from any available money, at the price of par, together with accrued interest to the redemption date.

Covenant Regarding Sale of Eligible Collateral. The Commission at any time may direct the Trustee to sell Eligible Collateral, subject to the conditions set forth in the Indenture. By selling Eligible Collateral, the Commission can derive money with which to optionally redeem the Series Bonds. The Commission will covenant in the Series and Conversion Indenture not to redeem 2011 Series A Bonds from proceeds of the sale of Eligible Collateral before October 1, 2020. The Commission may direct the sale of Eligible Collateral to fund the optional redemption of the 2009 Series AC2 Bonds at any time.

Mandatory Sinking Account Redemption

To the extent not redeemed pursuant to the other redemption provisions described herein, the following Series Bonds (each of which are Term Bonds) will be redeemed prior to their stated maturities in part and by lot from

Mandatory Sinking Account Payments at a price of par plus accrued interest to the date of redemption, on the dates and in the amounts set forth in the following tables:

2011 Series A Term Bonds Maturing on October 1, 2026

<u>Redemption Dates</u>	<u>Amounts</u>	<u>Redemption Dates</u>	<u>Amounts</u>	<u>Redemption Dates</u>	<u>Amounts</u>
April 1, 2023	\$840,000	October 1, 2024	\$ 950,000	April 1, 2026	\$1,020,000
October 1, 2023	875,000	April 1, 2025	990,000	October 1, 2026 [†]	1,060,000
April 1, 2024	910,000	October 1, 2025	1,030,000		

[†] Maturity

2011 Series A Term Bonds Maturing on October 1, 2028

<u>Redemption Dates</u>	<u>Amounts</u>	<u>Redemption Dates</u>	<u>Amounts</u>
April 1, 2027	\$1,060,000	April 1, 2028	\$1,110,000
October 1, 2027	1,110,000	October 1, 2028 [†]	1,135,000

[†] Maturity

2011 Series A “PAC” Term Bonds Maturing on April 1, 2029

<u>Redemption Dates</u>	<u>Amounts</u>	<u>Redemption Dates</u>	<u>Amounts</u>	<u>Redemption Dates</u>	<u>Amounts</u>
October 1, 2012	\$100,000	October 1, 2018	\$250,000	October 1, 2024	\$450,000
April 1, 2013	100,000	April 1, 2019	300,000	April 1, 2025	450,000
October 1, 2013	100,000	October 1, 2019	300,000	October 1, 2025	450,000
April 1, 2014	150,000	April 1, 2020	300,000	April 1, 2026	500,000
October 1, 2014	150,000	October 1, 2020	300,000	October 1, 2026	500,000
April 1, 2015	150,000	April 1, 2021	450,000	April 1, 2027	550,000
October 1, 2015	150,000	October 1, 2021	450,000	October 1, 2027	550,000
April 1, 2016	200,000	April 1, 2022	450,000	April 1, 2028	600,000
October 1, 2016	200,000	October 1, 2022	450,000	October 1, 2028	590,000
April 1, 2017	250,000	April 1, 2023	450,000	April 1, 2029 [†]	10,000
October 1, 2017	250,000	October 1, 2023	450,000		
April 1, 2018	250,000	April 1, 2024	450,000		

[†] Maturity

2009 Series AC2 Term Bonds Maturing on October 1, 2041

<u>Redemption Dates</u>	<u>Amounts</u>	<u>Redemption Dates</u>	<u>Amounts</u>	<u>Redemption Dates</u>	<u>Amounts</u>
October 1, 2028	\$ 30,000	April 1, 2033	\$2,160,000	October 1, 2037	\$2,630,000
April 1, 2029	1,800,000	October 1, 2033	2,210,000	April 1, 2038	2,690,000
October 1, 2029	1,850,000	April 1, 2034	2,250,000	October 1, 2038	2,750,000
April 1, 2030	1,890,000	October 1, 2034	2,300,000	April 1, 2039	2,810,000
October 1, 2030	1,930,000	April 1, 2035	2,360,000	October 1, 2039	2,870,000
April 1, 2031	1,980,000	October 1, 2035	2,410,000	April 1, 2040	2,940,000
October 1, 2031	2,020,000	April 1, 2036	2,460,000	October 1, 2040	3,000,000
April 1, 2032	2,060,000	October 1, 2036	2,520,000	April 1, 2041	1,930,000
October 1, 2032	2,110,000	April 1, 2037	2,570,000	October 1, 2041 [†]	1,460,000

[†] Maturity

Upon a redemption (other than a redemption occurring on account of a Mandatory Sinking Account Payment) or purchase of Term Bonds other than the 2009 Series AC2 Bonds, the Mandatory Sinking Account Payments with respect to such Term Bonds will be reduced in accordance with the Acquisition and Operating Policy. Upon a redemption (other than a redemption occurring on account of a Mandatory Sinking Account Payment) or purchase of the 2009 Series AC2 Bonds, the Mandatory Sinking Account Payments with respect to the 2009 Series AC2 Bonds will be reduced on a *pro rata* basis.

Special Redemption from Unexpended Proceeds

The redemptions described under this heading are referred to as “Unexpended Proceeds Redemptions.” See “BONDHOLDER RISKS—Risk of Early Redemption from Non-Origination” herein for certain considerations regarding the potential for an Unexpended Proceeds Redemption.

2009 Series AC2 Bonds—2011 Series A Non-Targeted Area Subaccount. The 2009 Series AC2 Bonds may be redeemed prior to their stated maturities, in whole or in part on October 1, 2011 (or such later date to which an Unexpended Proceeds Redemption is extended by the Commission with a Cash Flow Certificate), at a price of par plus accrued interest to the date of redemption, from proceeds of the 2009 Series AC2 Bonds that are transferred from the 2011 Series A Non-Targeted Area Subaccount into the 2011 Series A Redemption Subaccount in accordance with the Acquisition and Operating Policy.

2009 Series AC2 Bonds—2011 Series A Special Acquisition Subaccount. The 2009 Series AC2 Bonds may be redeemed prior to their stated maturities, in whole or in part on January 1, 2012 (or such later date to which an Unexpended Proceeds Redemption is extended by the Commission with a Cash Flow Certificate), at a price of par plus accrued interest to the date of redemption, from proceeds of the 2009 Series AC2 Bonds that are transferred from the 2011 Series A Special Acquisition Subaccount into the 2011 Series A Redemption Subaccount in accordance with the Acquisition and Operating Policy.

PAC Bonds—2011 Series A Non-Targeted Area Subaccount. The 2011 Series A Bonds maturing on April 1, 2029 (the “PAC Bonds”) may be redeemed prior to their stated maturity, in whole or in part on October 1, 2011 (or such later date to which an Unexpended Proceeds Redemption is extended by the Commission with a Cash Flow Certificate), at a price of par plus the unamortized premium thereon as determined by the Commission by a straight-line amortization of the original issue premium thereof (based on the issue price thereof set forth on the inside front cover of this Official Statement) between the date of issue of the PAC Bonds and April 1, 2021 (as of which date such premium would reduce to zero), plus accrued interest to the date of redemption, from proceeds of the 2011 Series A Bonds that are transferred from the 2011 Series A Non-Targeted Area Subaccount into the 2011 Series A Redemption Subaccount in accordance with the Acquisition and Operating Policy.

PAC Bonds—2011 Series A Special Acquisition Subaccount. The PAC Bonds may be redeemed prior to their stated maturity, in whole or in part on January 1, 2012 (or such later date to which an Unexpended Proceeds Redemption is extended by the Commission with a Cash Flow Certificate), at a price of par plus the unamortized premium thereon as determined by the Commission by a straight-line amortization of the original issue premium thereof (based on the issue price thereof set forth on the inside front cover of this Official Statement) between the date of issue of the PAC Bonds and April 1, 2021, plus accrued interest to the date of redemption, from proceeds of the 2011 Series A Bonds that are transferred from the 2011 Series A Special Acquisition Subaccount into the 2011 Series A Redemption Subaccount in accordance with the Acquisition and Operating Policy.

Other 2011 Series A Bonds—2011 Series A Non-Targeted Area Subaccount. All 2011 Series A Bonds other than the PAC Bonds may be redeemed prior to their stated maturities, in whole or in part on October 1, 2011 (or such later date to which an Unexpended Proceeds Redemption is extended by the Commission with a Cash Flow Certificate), at a price of par plus accrued interest to the date of redemption, from proceeds of the 2011 Series A Bonds that are transferred from the 2011 Series A Non-Targeted Area Subaccount into the 2011 Series A Redemption Subaccount in accordance with the Acquisition and Operating Policy.

Other 2011 Series A Bonds—2011 Series A Special Acquisition Subaccount. All 2011 Series A Bonds other than the PAC Bonds may be redeemed prior to their stated maturities, in whole or in part on January 1, 2012 (or such later date to which an Unexpended Proceeds Redemption is extended by the Commission with a Cash Flow Certificate), at a price of par plus accrued interest to the date of redemption, from proceeds of the 2011 Series A Bonds that are transferred from the 2011 Series A Special Acquisition Subaccount into the 2011 Series A Redemption Subaccount in accordance with the Acquisition and Operating Policy.

Selection of Series Bonds to Be Redeemed. If less than all of the Series Bonds of a particular Series are called for redemption pursuant to an Unexpended Proceeds Redemption, the Trustee will select the Series Bonds of each Series to be redeemed on a Proportionate Basis within such Series. Solely for the purpose of determining the Proportionate Basis of Series Bonds to be redeemed pursuant to an Unexpended Proceeds Redemption, the redemption prices (as opposed to the principal amounts) of the respective Series Bonds subject to such redemption will be treated as the “Bond Value” of such Series Bonds.

Special Redemption from Amounts in the Revenue Fund

The redemptions described under this heading are referred to as “Revenue Fund Redemptions.” See “BONDHOLDER RISKS” for a description of certain events and circumstances that could lead to the early redemption of the Series Bonds pursuant to a Revenue Fund Redemption.

While 2009 Series AC2 Bonds Remain Outstanding. The Series Bonds may be redeemed prior to their stated maturities, in whole or in part, on any date on and after October 1, 2011 at a price of par plus accrued interest to the date of redemption, from amounts deposited in the 2011 Series A Redemption Subaccount from Principal Receipts in the 2011 Series A Unrestricted Principal Receipts Subaccount and the 2011 Series A Restricted Principal Receipts Subaccount. If less than all of the Series Bonds are called for redemption pursuant to a Revenue Fund Redemption while the 2009 Series AC2 Bonds remain Outstanding, then the Commission will use the Program Bond Portion (as defined below) of the Principal Receipts so deposited in the 2011 Series A Redemption Subaccount to redeem 2009 Series AC2 Bonds and the Market Bond Portion (as defined below) of the Principal Receipts so deposited in the 2011 Series A Redemption Subaccount to redeem 2011 Series A Bonds. The Market Bond Portion of the Principal Receipts transferred into the 2011 Series A Redemption Subaccount shall be applied on the date of each Revenue Fund Redemption in the following order of priority:

- First,* to redeem the PAC Bonds in an amount such that, after all Revenue Fund Redemptions and Principal Payments scheduled for the same date, the resulting principal balance of the Outstanding PAC Bonds may equal, but will not be less than, the Priority Amortization Balance (as defined below) for the PAC Bonds as of such redemption date; and
- Second,* if, after all Revenue Fund Redemptions and Principal Payments scheduled for the same date, the resulting principal balance of the Outstanding PAC Bonds will equal the Priority Amortization Balance for the PAC Bonds as of such redemption date, then to redeem on a Proportionate Basis the Outstanding 2011 Series A Bonds other than PAC Bonds; and
- Third,* if (and to the extent) any such funds remain available for such purpose in the 2011 Series A Redemption Subaccount after providing for redemptions described in *First* and *Second* above, then to redeem the remaining PAC Bonds.

In the event PAC Bonds are redeemed pursuant to a Revenue Fund Redemption on a date other than a Regular Payment Date, the Priority Amortization Balance as of such redemption date will be determined by straight-line interpolation between the Priority Amortization Balances for the Regular Payment Dates immediately preceding and succeeding such redemption date.

Notwithstanding the foregoing, if the 2009 Series AC2 Bonds are called for a Revenue Fund Redemption at a time when no 2011 Series A Bonds remain Outstanding, then the Commission will use all of the Principal Receipts so deposited in the 2011 Series A Redemption Subaccount to redeem 2009 Series AC2 Bonds.

When 2009 Series AC2 Bonds Are No Longer Outstanding. The 2011 Series A Bonds may be redeemed prior to their stated maturities, in whole or in part, on any date on and after the date the 2009 Series AC2 Bonds are defeased or retired (but not earlier than October 1, 2011), at a price of par plus accrued interest to the date of redemption, from amounts deposited in the 2011 Series A Redemption Subaccount from any available amounts in the Revenue Fund or the Reserve Fund, in accordance with the Indenture and the then-current Acquisition and Operating Policy. If less than all of the 2011 Series A Bonds are called for redemption pursuant to such a Revenue Fund Redemption, then for so long as the PAC Bonds remain Outstanding, the money deposited in the 2011 Series A Redemption Subaccount for such Revenue Fund Redemption shall be applied on the date of the Revenue Fund Redemption in the following order of priority:

- First,* to redeem the PAC Bonds in an amount such that, after all Revenue Fund Redemptions and Principal Payments scheduled for the same date, the resulting principal balance of the Outstanding PAC Bonds may equal, but will not be less than, the Priority Amortization Balance for the PAC Bonds as of such redemption date; and
- Second,* if, after all Revenue Fund Redemptions and Principal Payments scheduled for the same date, the resulting principal balance of the Outstanding PAC Bonds will equal the Priority Amortization Balance for the PAC Bonds as of such redemption date, then to redeem on a Proportionate Basis the Outstanding 2011 Series A Bonds other than PAC Bonds; and

Third, if (and to the extent) any such funds remain available for such purpose in the 2011 Series A Redemption Subaccount after providing for redemptions described in *First* and *Second* above, then to redeem the remaining PAC Bonds.

In the event PAC Bonds are redeemed pursuant to a Revenue Fund Redemption on a date other than a Regular Payment Date, the Priority Amortization Balance as of such redemption date will be determined by straight-line interpolation between the Priority Amortization Balances for the Regular Payment Dates immediately preceding and succeeding such redemption date.

Definitions of Program Bond Portion and Market Bond Portion. For purposes of Revenue Fund Redemptions, (i) the phrase “Program Bond Portion” means, as of any particular date, a fraction, the numerator of which is the principal amount of 2009 Series AC2 Bonds that are Outstanding on such date and the denominator of which is the principal amount of all Series Bonds that are Outstanding on such date, and (ii) the phrase “Market Bond Portion” means, as of any particular date, a fraction, the numerator of which is the principal amount of 2011 Series A Bonds that are Outstanding on such date and the denominator of which is the principal amount of all Series Bonds that are Outstanding on such date.

Sources of Funds for Revenue Fund Redemptions. The Commission may fund a Revenue Fund Redemption from certain Revenues that are in excess of the amounts otherwise necessary to pay debt service on the Bonds. See “SECURITY FOR THE BONDS—Revenues” herein for general discussion of the collection, allocation and use of Revenues. The deposits into the 2011 Series A Redemption Subaccount for a Revenue Fund Redemption may be from excess amounts in the Revenue Fund or the Reserve Fund, including amounts in the various accounts and subaccounts maintained therein for the Series Bonds or, once the 2009 Series AC2 Bonds are no longer Outstanding, for any other Series of Bonds (unless otherwise restricted by the applicable Series Indenture, the Indenture or the then-current Acquisition and Operating Policy). See “BONDHOLDER RISKS—Risk of Early Redemption from Prepayment” and “—Risk of Early Redemption from Cross-Calling” herein for a discussion regarding certain risks that the 2011 Series A Bonds may be cross-called from Revenues allocable to other Series of Bonds.

At such time that the 2009 Series AC2 Bonds are no longer Outstanding, amounts in the 2011 Series A Revenue Account may be transferred to the 2011 Series A Acquisition Account (*i.e.*, to acquire additional Eligible Collateral) or to the Redemption Subaccount of any other Series of Bonds (*i.e.*, to cross-call such other Bonds), subject to the certain limitations described under the heading “Certain Covenants Regarding Revenue Fund Redemptions” below and under the heading “Creation of Funds and Accounts” in Appendix A.

Certain Covenants Regarding Revenue Fund Redemptions

Revenue Fund Redemption of PAC Bonds. For so long as PAC Bonds remain outstanding, the Commission shall redeem the 2011 Series A Bonds pursuant to a Revenue Fund Redemption no less frequently than on each Regular Payment Date for the 2011 Series A Bonds.

2011 Series A Restricted Principal Receipts Subaccount. The Commission will covenant in the Series and Conversion Indenture to deposit into the 2011 Series A Restricted Principal Receipts Subaccount all principal amounts derived from the 2011 Series A Eligible Collateral (as defined below) that must be used pursuant to the Code to pay principal or redeem the Series Bonds, and to transfer money from the 2011 Series A Restricted Principal Receipts Subaccount on a monthly basis in the following order of priority:

First, to the 2011 Series A Redemption Subaccount and 2011 Series A Principal Subaccount, the amounts sufficient, together with amounts on deposit therein, to bring the amounts on deposit therein to the Principal Payment coming due on the next succeeding Regular Payment Date of the Series Bonds (including principal paid as a result of a mandatory sinking account redemption of Term Bonds); and

Second, to the 2011 Series A Redemption Subaccount, all remaining amounts (which amounts will be used to fund Revenue Fund Redemptions of the Series Bonds).

See Appendix F (Table F-3) for a schedule showing the Commission’s expectations of how principal receipts from 2011 Series A Eligible Collateral are expected to be allocated to 2011 Series A Restricted and Unrestricted Principal Receipts Subaccounts, assuming relevant provisions of the Code are not revised.

2011 Series A Unrestricted Principal Receipts Subaccount. The Commission will covenant in the Series and Conversion Indenture that it will deposit into the 2011 Series A Unrestricted Principal Receipts Subaccount all

principal amounts derived from the 2011 Series A Eligible Collateral (as defined below) not deposited to the 2011 Series A Restricted Principal Receipts Subaccount and transfer money from the 2011 Series A Unrestricted Principal Receipts Subaccount on a monthly basis in the following order of priority:

- First*, to the 2011 Series A Redemption Subaccount and 2011 Series A Principal Subaccount, the amounts sufficient, together with amounts on deposit therein, to bring the amounts on deposit therein to the Principal Payment coming due on the next succeeding Regular Payment Date of the Series Bonds (including principal paid as a result of a mandatory sinking account redemption of Term Bonds) to the extent that such amounts are not funded by the 2011 Series A Restricted Principal Receipts Subaccount;
- Second*, for so long as the 2009 Series AC2 Bonds remain Outstanding, to the 2011 Series A Redemption Subaccount, all remaining amounts (which amounts will be used to fund Revenue Fund Redemptions of the Series Bonds);
- Third*, if the 2009 Series AC2 Bonds are no longer Outstanding, to the extent of 100% of any remaining amount in the 2011 Series A Unrestricted Principal Receipts Subaccount, to the 2011 Series A Redemption Subaccount, the amount necessary to fund Revenue Fund Redemptions of the PAC Bonds described under the heading “Special Redemption from Amounts in the Revenue Fund--*When 2009 Series AC2 Bonds Are No Longer Outstanding*,” and
- Fourth*, if the 2009 Series AC2 Bonds are no longer Outstanding, to make other transfers from the 2011 Series A Unrestricted Principal Receipts Subaccount authorized by the Indenture.

Definition of “2011 Series A Eligible Collateral.” The “2011 Series A Eligible Collateral” is any Eligible Collateral or participation therein that (i) is financed utilizing the initial proceeds of the Series Bonds, or (ii) is financed utilizing Mortgage Loan repayments and prepayments transferred in connection with the Series Bonds (e.g. recycling proceeds).

Priority Amortization Balances

The following table (the “PAC table”) sets forth the initial “Priority Amortization Balances” for the dates indicated in the PAC table. The initial Priority Amortization Balances are based generally on certain expectations about the timing of the origination of the Mortgage Loans and the levels of prepayments expected to be received by the Commission. See “Projected Weighted Average Lives of PAC Bonds” below and “BONDHOLDER RISKS—Weighted Average Life Projections” for discussions of certain circumstances that could affect the weighted average life of the PAC Bonds. The initial Priority Amortization Balances are based on the assumptions that (i) the prepayment of Mortgage Loans financed with the Series Bonds will occur at 75% PSA, and (ii) all of the money in the 2011 Series A Acquisition Account will be used to purchase Certificates in a timely manner. The following Priority Amortization Balances will be reduced on a *pro rata* basis if the PAC Bonds are redeemed pursuant to an Unexpended Proceeds Redemption.

Initial Priority Amortization Balances

Date	Priority Amortization Balance	Date	Priority Amortization Balance
Date of issuance	\$11,300,000	October 1, 2016	\$4,015,000
October 1, 2011	11,075,000	April 1, 2017	3,360,000
April 1, 2012	10,685,000	October 1, 2017	2,755,000
October 1, 2012	10,125,000	April 1, 2018	2,195,000
April 1, 2013	9,410,000	October 1, 2018	1,685,000
October 1, 2013	8,605,000	April 1, 2019	1,195,000
April 1, 2014	7,735,000	October 1, 2019	755,000
October 1, 2014	6,915,000	April 1, 2020	355,000
April 1, 2015	6,130,000	October 1, 2020	5,000
October 1, 2015	5,405,000	April 1, 2021	0
April 1, 2016	4,685,000		

Projected Weighted Average Lives of PAC Bonds

The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid to the bondholder weighted by the amount of such installment. The weighted average life of the PAC Bonds will be influenced by, among other things, the rate at which principal payments (including scheduled payments and principal prepayments) are made on the 2011 Series A Eligible Collateral. See “Certain Covenants Regarding Revenue Fund Redemptions” above for the definition of the phrase “2011 Series A Eligible Collateral.”

Prepayments of mortgage loans are commonly projected in accordance with a prepayment standard or model. The PAC is based on The Standard Prepayment Model of The Bond Market Association. The Standard Prepayment Model is based upon an assumed rate of prepayment each month of then unpaid principal balance of the mortgage loans. Prepayment speeds are projected as percentages of The Standard Prepayment Model, and are referred to as Prepayment Speed Assumptions (each, a “PSA”). At 0% PSA, The Standard Prepayment Model assumes no prepayment of mortgage loans. At 100% PSA, The Standard Prepayment Model assumes an increasingly larger percentage of the mortgage loans prepaying each month for the first 30 months of the mortgages’ lives and then assumes a constant prepayment rate of 6% per annum of the unpaid principal balance for the remaining life of each of the mortgage loans.

THE PSA DOES NOT PURPORT TO BE A PREDICTION OF THE ANTICIPATED RATE OF PREPAYMENTS OF THE 2011 SERIES A ELIGIBLE COLLATERAL. THERE IS NO ASSURANCE THAT THE PREPAYMENTS OF SUCH ELIGIBLE COLLATERAL WILL CONFORM TO ANY OF THE ASSUMED PREPAYMENT RATES. SEE “BONDHOLDER RISKS—RISK OF EARLY REDEMPTION FROM PREPAYMENT” FOR A DISCUSSION OF CERTAIN FACTORS THAT MAY AFFECT THE RATE OF PREPAYMENT OF THE 2011 SERIES A ELIGIBLE COLLATERAL.

The following table sets forth projected weighted average lives of the PAC Bonds. It is based on many assumptions, some of which may not reflect actual results. These assumptions include: (i) all amounts in the 2011 Series A Acquisition Account will be used to acquire Eligible Collateral; (ii) Eligible Collateral will be so acquired during the period beginning on March 24, 2011, and ending on May 1, 2011; (iii) all of the Mortgage Loans relating to the 2011 Series A Eligible Collateral will be 30-year mortgage loans (although the remaining terms of such Mortgage Loans may be less than 30 years depending on when the Mortgage Loans are pooled by the Servicer); (iv) the Mortgage Loans will be prepaid at the indicated percentage of the PSA; (v) the only redemptions of the PAC Bonds that will occur are of the type described under the headings “REDEMPTION PROVISIONS—Mandatory Sinking Account Redemption” and “—Special Redemption from Amounts in the Revenue Fund”; (vi) the 2011 Series A Bonds will not be cross-called from amounts in the Series Revenue Account for another Series of Bonds; (vii) to the degree that funds are available, the PAC Bonds will be redeemed pursuant to Revenue Fund Redemptions in the amounts, and on the dates, necessary to cause the outstanding principal balance of the PAC Bonds to equal the Priority Amortization Balance for each such date specified in the PAC table; and (viii) the Commission will cause Revenue Fund Redemptions to occur between Regular Payment Dates if \$2,500,000 or more is on deposit in the 2010 Series A Redemption Subaccount to fund such redemptions. Based on the foregoing and other assumptions, some or all of which are unlikely to reflect actual experience, the following table indicates the projected weighted average life of the PAC Bonds. See “BONDHOLDER RISKS—Weighted Average Life Projections.” In particular, the PAC table does not reflect the fact that the PAC Bonds may be redeemed at a more accelerated rate than reflected in the PAC table due to Unexpended Proceeds Redemptions or cross-calling down to the PAC table. The Priority Amortization Balances set forth under the heading “Priority Amortization Balances” will be reduced on a *pro rata* basis in the event the PAC Bonds are redeemed pursuant to an Unexpended Proceeds Redemption.

Projected Weighted Average Lives (in Years) of PAC Bonds (Assuming Full Origination)

<u>Prepayment Speed</u>	<u>Projected Weighted Average Life</u>	<u>Prepayment Speed</u>	<u>Projected Weighted Average Life</u>
0% PSA	11.3 years	200% PSA	4.7 years
25% PSA	8.6 years	300% PSA	4.7 years
50% PSA	6.3 years	400% PSA	4.7 years
75% PSA	4.8 years	500% PSA	4.7 years
100% PSA	4.8 years		

THE COMMISSION MAKES NO REPRESENTATION AS TO THE PERCENTAGE OF THE PRINCIPAL BALANCE OF THE 2011 SERIES A ELIGIBLE COLLATERAL THAT WILL BE PAID AS OF ANY DATE, AS TO THE OVERALL RATE OF PREPAYMENT OR AS TO THE PROJECTIONS OR METHODOLOGY SET FORTH UNDER THIS SUBHEADING.

General Provisions Pertaining to Redemptions

The General Indenture sets forth certain provisions that generally pertain to the redemption of any Series of Bonds, including the Series Bonds. Certain of those provisions are summarized below.

Selection of Series Bonds for Redemption. For purposes of selecting 2011 Series A Bonds for redemption, the Trustee will consider each \$5,000 par amount of a 2011 Series A Bond as a separate and distinct 2011 Series A Bond. Any 2011 Series A Bond may be partially redeemed in the principal amount of \$5,000 or any integral multiple thereof so long as the principal amount of such 2011 Series A Bond that remains Outstanding is not less than an Authorized Denomination for the 2011 Series A Bonds. Any 2009 Series AC2 Bond may be partially redeemed in the principal amount of \$10,000 or any integral multiple thereof so long as the principal amount of such 2009 Series AC2 Bond that remains Outstanding is not less than an Authorized Denomination for the 2009 Series AC2 Bonds. The Trustee, in accordance with the Acquisition and Operating Policy and the Series and Conversion Indenture, will select the maturities of such Bonds to be redeemed or purchased. In selecting which maturities of the Series Bonds to redeem, the Trustee will be subject to the limitations (if any) described under the headings “Special Redemption from Unexpended Proceeds” and “Special Redemption from Amounts in the Revenue Fund.”

In the event that less than all of a maturity of any subseries of the Series Bonds is to be redeemed, the Bonds (or portions thereof) to be redeemed will be selected by the Trustee randomly within such maturity. However, for so long as the Series Bonds are registered in the name of DTC or its nominee, DTC will select for redemption the Beneficial Owners’ interests in a maturity of Series Bonds that is subject to a partial redemption. Neither the Commission nor the Trustee will have any responsibility for selecting for redemption any Beneficial Owner’s interest in a Series Bond. See Appendix C for a discussion of DTC and its book-entry system.

Notice of Redemption. The Trustee will give a written redemption notice to Cede & Co. (or any subsequent registered owner of the Series Bonds to be redeemed): not less than 30 days (or more than 90 days) before the scheduled redemption date of any 2011 Series A Bonds to be redeemed; and not less than 10 days (or more than 90 days) before the scheduled redemption date of any 2009 Series AC2 Bonds to be redeemed. Neither the Commission nor the Trustee will have any responsibility or obligation to DTC participants, or the persons for whom they act as nominees, with respect to the providing of redemption notices to the direct participants, the indirect participants or the beneficial owners of the Series Bonds. The Commission cannot and does not give any assurances that DTC, its direct participants or others will distribute any redemption notices to the beneficial owners or that they will do so on a timely basis. See Appendix C for a discussion of DTC and its book-entry system.

Pursuant to the Commission’s continuing disclosure undertaking, the Commission also is required to cause timely notice of material Bond redemptions to be provided to the Municipal Securities Rulemaking Board. See “CONTINUING DISCLOSURE” herein for a description of the Commission’s undertaking to provide certain notices.

The notice of redemption may be conditional and rescindable. If conditional, the notice will summarize the conditions precedent to such redemption. A conditional redemption notice will be of no force and effect if such conditions have not been satisfied on or before the redemption date, and the Series Bonds described in such notice will not be redeemed on the specified redemption date. The Trustee is required to notify the affected Bondowners (which may not include Beneficial Owners) that the conditions to redemption were not satisfied or that the Commission has revoked the redemption and rescinds the notice.

Once notice is sent in accordance with the provisions of the General Indenture, it will be effective whether or not such notice is received by the owners of the Series Bonds to be redeemed.

Effect of Redemption. Once notice of redemption is duly given, and money is held by the Trustee for payment of the redemption price of and interest accrued to the redemption date on the Bonds (or portions thereof) so called for redemption, such Bonds will become due and payable on the redemption date. The Bonds so called will cease to be Outstanding, and interest on the Bonds so called for redemption will cease to accrue as of the redemption dates. All Bonds so called will cease to be entitled to any benefit or security under the Indenture as of the redemption date, and the Owners of those Bonds will have no rights in respect thereof except to receive payment of the redemption price of and accrued interest to the date of redemption and to receive Bonds for any unredeemed portion of Bonds.

SECURITY FOR THE BONDS

General

The Bonds, including the Series Bonds, are limited obligations and not general obligations of the Commission. The Bonds are payable solely from payments made on and secured by Eligible Collateral and Investment Securities pledged to the Trustee under the Indenture (regardless of Series), and amounts (including interest earnings thereon) held for the benefit of the Bondowners pursuant to the Indenture. The Bonds are not payable from any other revenues, funds or assets of the Commission. Payment of the principal of and interest on the Bonds will be a valid claim only against the special fund or funds of the Commission relating thereto and is not an obligation of the State of Washington (the “State”) or any municipal corporation, subdivision or agency of the State, other than the Commission, and neither the full faith and credit nor the taxing power of the Commission, the State or any municipal corporation, subdivision or agency of the State is pledged to the payment of the principal of or interest on the Bonds. THE SERIES BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR OF ANY AGENCY THEREOF OR OF GNMA, FANNIE MAE OR FREDDIE MAC AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Pledge Under the Indenture

To secure its obligations to make payments on the Bonds and to observe the covenants in the Indenture and the Bonds, the Commission has irrevocably pledged and assigned the Trust Estate to the Trustee. The Trust Estate includes the following:

1. The Commission’s right, title and interest in the Mortgage Loans or Certificates securing such Bonds, including the right to receive any sums of money receivable by the Commission under the Mortgage Loans or the Certificates; and
2. All money, contracts and securities from time to time held by the Trustee pursuant to the Indenture, including money held in all funds other than certain Series Reservation Accounts (such as the 2009 Series A Reservation Account), the Rebate Fund, the Cost of Issuance Fund, the Expense Fund and the Homeownership Commission Fund.

Except as described above with respect to certain Series Reservation Accounts, the Commission has pledged the Trust Estate for the equal and proportionate benefit and security of all present and future owners of all Bonds subject to the terms of such trusts, without preference of any Bond over any other. The Trustee is required to take all actions consistent with the Indenture that are reasonably necessary, in its judgment, to enforce the terms of the Certificates and the Mortgage Loans financed with Bond proceeds, and to protect the priority of its interest in each Certificate and the Mortgage Loans financed with Bond proceeds.

The Commission has covenanted to defend, preserve and protect (to the extent permitted by law) its pledge of the Trust Estate and all the rights of the Bondowners under the Indenture against all claims and demands of all persons whomsoever. However, the Commission is not obligated to honor such covenant using funds other than Revenues available under the Indenture.

Special Pledge of Series Reservation Accounts

To secure its obligations to make payments on the 2009 Series A Bonds prior to the respective Release Date(s) with respect to such 2009 Series A Bonds—but no other Bonds, including the 2009 Series AC2 Bonds—the Commission has irrevocably pledged and assigned money on deposit in the 2009 Series A Reservation Account solely for the equal and proportionate benefit and security of all present and future owners of the 2009 Series A Bonds for which a Release Date has not occurred, without preference of any such 2009 Series A Bond over any other. The Owners of the Series Bonds will have no right to any money in the 2009 Series A Reservation Account. The Commission has reserved the right to exclude from the Trust Estate money on deposit in any Series Reservation Account. However, the Commission must affirmatively elect to do so in the Series Indenture that establishes the particular Series Reservation Account being excluded from the Trust Estate.

Revenues

The principal and Redemption Price of every Bond and the interest thereon are payable solely from Revenues and other assets pledged under the Indenture. “Revenues” include (i) all amounts received by or payable to the Trustee in

connection with the Eligible Collateral (see “SECURITY FOR THE BONDS—Eligible Collateral”), (ii) all amounts received by or payable to the Trustee under the Origination Agreements or the Servicing Agreements, and (iii) all earnings derived from the investment of the various funds established pursuant to the Indenture (other than interest on amounts in the Cost of Issuance Fund, Expense Fund, Homeownership Commission Fund or Rebate Fund, or a Series Reservation Account excluded pursuant to a Series Indenture). See Appendix A hereto for a more detailed definition of “Revenues.”

Nevertheless, “Revenues” do not include: (i) amounts retained by a Servicer as a Servicing Fee or other compensation; (ii) amounts to be paid to the United States Government (such as arbitrage rebate); and (iii) earnings derived from the investment of a Series Acquisition Account to the extent the applicable Series Indenture or Remarketing Indenture provides that such earnings are not to be considered as “Revenues.”

See Appendix A hereto for a detailed summary of the Indenture provisions pertaining to the collection, segregation and use of Revenues.

Eligible Collateral

As described under the heading “PLAN OF FINANCE,” proceeds of the Series Bonds will be used by the Trustee primarily to purchase “Eligible Collateral”. Once purchased, the Eligible Collateral will secure the Series Bonds and all other Bonds. The Indenture defines “Eligible Collateral” to be Certificates and Whole Loans, but only if such Certificates or Whole Loans are eligible to be purchased by the Trustee in accordance with the Acquisition and Operating Policy. Currently, the Series and Conversion Indenture and the Acquisition and Operating Policy provide only for the acquisition of Certificates. The Series and Conversion Indenture and the Acquisition and Operating Policy do not allow for the purchase of Whole Loans, although this may change in the future.

GNMA Certificates. The Government National Mortgage Association (“GNMA”) is a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development (“HUD”). GNMA’s powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C. § 1716 *et seq.*).

GNMA is authorized to guarantee the timely payment of the principal of and interest on certificates (“GNMA Certificates”) that represent undivided ownership interests in pools of mortgage loans that are: (i) insured by the Federal Housing Administration (“FHA”) under the National Housing Act of 1934, as amended; (ii) guaranteed by the Department of Veterans Affairs (“VA”) under the Servicemen’s Readjustment Act of 1944, as amended; (iii) guaranteed by the Rural Housing Service (“RHS”) of the U.S. Department of Agriculture pursuant to Section 502 of Title V of the Housing Act of 1949, as amended; or (iv) guaranteed by the Secretary of HUD under Section 184 of the Housing and Community Development Act of 1992, as amended and administered by the Office of Public and Indian Housing (“PIH”). The GNMA Certificates are issued by approved servicers and not by GNMA. GNMA guarantees the timely payment of principal of and interest on the GNMA Certificates. The full faith and credit of the United States is pledged to the payment of all amounts required to be paid under each such guaranty. To the extent necessary, GNMA will borrow from the United States Treasury any amounts necessary to enable GNMA to honor its guaranty of the GNMA Certificates. GNMA is required to honor its guaranty only if a servicer is unable to make the full payment on any GNMA Certificate, when due.

GNMA administers two guarantee programs—the “Ginnie Mae I MBS Program” and the “Ginnie Mae II MBS Program.” The principal differences between the two programs relate to the interest rate structure of the mortgages backing the GNMA Certificates and the means by which principal and interest payments are made. These differences are not expected to affect adversely the availability of Revenues to pay principal of and interest on the Bonds.

See Appendix B for more information regarding GNMA and its mortgage-backed security program.

Fannie Mae Certificates. The Federal National Mortgage Association (“FNMA” or “Fannie Mae”) is a federally-chartered, private, stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. § 1716 *et seq.*). The Secretary of HUD exercises general regulatory power over Fannie Mae. Among other things, Fannie Mae issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders. See “INTRODUCTION—Federal Housing Finance Agency Actions” for information regarding the conservatorship of Fannie Mae.

Fannie Mae operates a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (“Fannie Mae Certificates”). Each Fannie Mae Certificate represents an undivided ownership interest in a specified pool of mortgage loans purchased by Fannie Mae. Generally, Fannie Mae Certificates are issued in book-entry form, representing a minimum of \$1,000 unpaid principal amount of mortgage loans. Any Fannie Mae Certificates included as Eligible Collateral will represent pools of Mortgage Loans created by the Servicer.

Fannie Mae guarantees to the registered holders of Fannie Mae Certificates that it will distribute amounts representing (i) scheduled principal and interest at the applicable pass-through rate on the mortgage loans in the pools represented by such Fannie Mae Certificates, whether or not received, and (ii) the full principal balance of any foreclosed or other finally liquidated Mortgage Loans, whether or not such principal balance is actually received. FANNIE MAE’S OBLIGATIONS UNDER THE FANNIE MAE CERTIFICATES ARE OBLIGATIONS SOLELY OF FANNIE MAE AND ARE NOT BACKED BY, OR ENTITLED TO, THE FULL FAITH AND CREDIT OF THE UNITED STATES OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES OTHER THAN FANNIE MAE. If Fannie Mae is unable to satisfy such obligations, distributions to the Trustee, as the registered holder of Fannie Mae Certificates, would consist solely of payments and other recoveries on the underlying Mortgage Loans. Accordingly, monthly distributions to the Trustee after a Fannie Mae default could be adversely affected by delinquent payments and defaults on such Mortgage Loans.

See Appendix B for more information regarding Fannie Mae and its mortgage-backed security program.

Freddie Mac Certificates. The Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”) is a corporate instrumentality of the United States organized pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended (12 U.S.C. §§ 1451-1459)). See “INTRODUCTION—Federal Housing Finance Agency Actions” for information regarding the conservatorship of Freddie Mac.

Freddie Mac has established a mortgage purchase program pursuant to which Freddie Mac purchases a pool of mortgages from approved sellers in exchange for a security issued Freddie Mac representing an undivided interest in such mortgage pool (a “Freddie Mac Certificate”). Payments by borrowers on the underlying mortgages are passed through monthly by Freddie Mac to the holders of the Freddie Mac Certificate.

Freddie Mac guarantees the payment of scheduled principal payments on the mortgages underlying each Freddie Mac Certificate, together with interest thereon at the applicable pass-through rate, in each case whether or not received such principal or interest is received from the mortgagors. The obligations of Freddie Mac under such guarantees are obligations of Freddie Mac only. THE FREDDIE MAC CERTIFICATES, INCLUDING THE INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC. If Freddie Mac is unable to satisfy its obligations under its guarantees, distributions on the Freddie Mac Certificates would consist solely of payment and other recoveries on the related mortgage. Accordingly, delinquencies and defaults on the mortgages after a Freddie Mac default may adversely affect distributions on the Freddie Mac Certificates. This could adversely affect payments on the Bonds to the extent Eligible Collateral includes any Freddie Mac Certificates at the time of such a default.

See Appendix B for more information regarding Freddie Mac and its mortgage-backed security program.

Whole Loans. The Indenture defines “Whole Loans” to be Mortgage Loans (or participations therein) that are not included in a mortgage pool underlying a Certificate. A Whole Loan must be backed by a security interest in a single-family residence, but that security interest need not be a first lien. Whole Loans may be FHA-Insured, RHS-Guaranteed, VA-Guaranteed, insured by another governmental program, privately insured through mortgage insurance or mortgage pool insurance, or uninsured. If Bond proceeds are used to acquire Whole Loans, there must be provided Supplemental Mortgage Coverage of a type and in an amount sufficient for the Commission to obtain a written confirmation by the Rating Agency that the proposed use of Bond proceeds for such purpose will not reduce the rating on the Outstanding Bonds (excluding Subordinate Bonds). See Appendix A hereto for a definition of “Supplemental Mortgage Coverage.”

Reserve Account

The Commission will deposit \$200,000 in the 2011 Series A Interest Reserve Account upon the issuance of the Series Bonds. The Commission expects that such funds will be used to pay a portion of the interest on the Series Bonds during the Mortgage Loan origination period. The Commission does not expect to fund any other reserve

account with respect to the Series Bonds. See Appendix A hereto for a summary of the Indenture, including the provisions pertaining to the establishment of reserve accounts for the Bonds.

Outstanding Bonds

The Series Bonds will be issued on a parity with \$258,885,000 outstanding Bonds, as of February 1, 2011. Information regarding the outstanding Bonds is set forth in Appendix F.

Additional Bonds

The Commission has reserved the right to issue additional Bonds, and to remarket Outstanding Bonds, at any time in the future. Such additional Bonds will have an equal lien on the Eligible Collateral as the lien in favor of the Series Bonds (unless they are issued as Subordinate Bonds, in which case they will have a lien on the Eligible Collateral that is subordinate to the lien in favor of the Series Bonds).

Before additional Bonds may be issued, and before Outstanding Bonds may be remarketed, the Trustee must receive, among other things, the following:

- an opinion of a nationally-recognized bond counsel to the effect that (i) the General Indenture and the applicable Series and/or Remarketing Indenture were duly adopted and are valid and binding upon the Commission, and (ii) the Bonds being issued are valid and legally binding special limited obligations of the Commission and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained in the Indenture and the applicable Series and/or Remarketing Indenture;
- a certificate signed by an authorized officer of the Commission that (i) describes the proposed issuance or remarketing and (ii) is attached to cash flow projections demonstrating that, among other things, projected Revenues will be sufficient to provide for timely payments of interest and principal on the Bonds (other than Subordinate Bonds) and that projected asset parity will always be equal to or greater than 100% (see “CASH FLOW CERTIFICATES” for a more detailed description of the requirements applicable to such certificate; also see “SINGLE-FAMILY MORTGAGE PROGRAM—Historical Financial Results” regarding Asset Parity as of the end of the past five fiscal years); and
- a written confirmation by the Rating Agency that the proposed issuance or remarketing of Bonds will not reduce the rating on the Outstanding Bonds (excluding Subordinate Bonds) (a “Rating Confirmation”).

Subordinate Bonds

To date, the Commission has not issued Subordinate Bonds. The Indenture reserves the right for the Commission to do so in the future upon compliance with the requirements described above for issuing additional Bonds. The Indenture currently provides that money in the Revenue Fund can be transferred to funds and accounts for Subordinate Bonds only if the Commission certifies that Asset Parity will be at least 100% after such transfer. See Appendix A hereto for a more detailed definition of the phrase “Asset Parity.” The Indenture further provides that a default with respect to Subordinate Bonds will not constitute a default on the Series Bonds and any other Bonds issued on a parity with the Series Bonds.

CASH FLOW CERTIFICATES

Cash Flow Certificates and Supporting Cash Flows

Under the terms of the Indenture, the Commission must deliver a “Cash Flow Certificate” to the Trustee prior to taking certain actions, including but not limited to, the issuance of additional Bonds, long term remarketing of Outstanding Bonds, and, unless there is no adverse impact, amendment of the Acquisition and Operating Policy. Each Cash Flow Certificate must be accompanied by “Supporting Cash Flows” prepared by a “Cash Flow Consultant,” which demonstrate, under each of the scenarios included, that (1) projected Revenues will be sufficient to provide for timely payments of interest, principal on the Bonds, “Enhancement Payments” and “Expenses,” and (2) projected “Asset Parity” will always be equal to or greater than 100%. See Appendix A hereto for a more detailed definitions of the phrases “Asset Parity,” “Cash Flow Certificate,” “Cash Flow Consultant,” “Enhancement Payments,” “Expenses” and “Supporting Cash Flows.”

The Supporting Cash Flows attached to each Cash Flow Certificate must include each scenario included in the immediately prior Supporting Cash Flows, except that the specification of the scenarios to be included may be modified by the Rating Agency in connection with a Rating Confirmation. Supporting Cash Flows shall (1) take into account the financial position of the Trust Estate as of the stated starting date of the projection, (2) reflect all the significant transactions that have occurred in the period commencing with such starting date and ending with a date no more than 90 days prior to the date of such projections, (3) be consistent with the General Indenture, the Series Indentures, any Conversion Indentures and the Remarketing Indentures and (4) assume compliance with the Acquisition and Operating Policy. The scenarios required by the Rating Agency to be included in the Supporting Cash Flows reflect alternative assumptions with respect to prepayment patterns of the Eligible Collateral, levels of origination of Eligible Collateral, and rates of return on Permitted Investments, and rates of interest on any variable rate Bonds. The scenarios reflect additional assumptions, among others, as to the timing of receipt of Revenues, the level of Expenses and Commission Fees, and the performance of counterparties under Enhancement Agreements and Remarketing Agreements, and Permitted Investments. The Supporting Cash Flows do not reflect (other than the transaction for which prepared) any future issuance of any additional Bonds, long term remarketing of any Outstanding Bonds, adoption of any Supplemental Indenture, or any amendment of the Acquisition and Operating Policy, even though the Commission is permitted to undertake any of the foregoing.

Because actual experience can differ significantly from hypothetical scenarios, the Commission makes no representation that any of the scenarios in any Supporting Cash Flows will reflect the actual course of events or that Revenues will be sufficient to provide for timely payments of interest and principal on the Bonds, Enhancement Payments, and Expenses.

2011 Series A Cash Flow Certificate

As a condition to the issuance of the 2011 Series A Bonds and the Conversion with respect to the 2009 Series AC2 Bonds, the Commission will provide the Trustee with its Cash Flow Certificate in the form required by the Indenture.

BONDHOLDER RISKS

Prospective purchasers of the 2011 Series A Bonds should carefully consider the following risk factors, as well as other information contained in this Official Statement, prior to purchasing the Series Bonds. The information contained under this heading is not intended to be an exhaustive discussion of all possible risks involved with owning the Series Bonds. Prospective purchasers should consult their investment advisors before making any decisions as to the purchase of the 2011 Series A Bonds.

Risk of Early Redemption from Non-Origination

The Series Bonds are subject to Unexpended Proceeds Redemptions as described under the heading “REDEMPTION PROVISIONS—Special Redemption from Unexpended Proceeds.” An Unexpended Proceeds Redemption of the Series Bonds is most likely to occur if Mortgage Lenders encounter delays in originating Mortgage Loans with Bond Proceeds or if the Commission encounters circumstances that delay its expenditure of Bond proceeds.

Delays in expending the proceeds of the Series Bonds might occur under various circumstances, including but not limited to: difficulty in locating borrowers that satisfy the federal tax law requirements described under the heading “SINGLE-FAMILY MORTGAGE PROGRAM” below; difficulties in complying with the requirements of the GNMA, Fannie Mae and Freddie Mac programs; reductions in market interest rates before Eligible Collateral is purchased with proceeds of the Series Bonds, as described below; a decision by the Commission to issue additional series of single-family mortgage revenue bonds under the Single-Family Indenture, or to effect a conversion of the remaining 2009 Series A Bonds, or to issue Additional Bonds under the Indenture; a decision by the Commission to use mortgage prepayments allocated to other bonds to originate new Mortgage Loans (*i.e.* recycling); difficulties in acquiring Certificates as intended pursuant to the Commission’s warehousing program; or any combination of these factors.

Warehousing. The Commission has established a program whereby Certificates are purchased by Banc of America Securities LLC pending the Trustee’s repurchase of those Certificates when Bond proceeds and other amounts become available to do so. See “SINGLE-FAMILY MORTGAGE PROGRAM—Warehousing Program.” Under certain circumstances, Certificates that the Commission expects to acquire using Bond proceeds may not be

delivered to the Trustee. This could result in an increase in negative arbitrage and an increased risk of an Unexpended Proceeds Redemption.

GNMA, Fannie Mae and Freddie Mac Program Constraints. The amount of commitments to guarantee securities that GNMA can approve and the dollar amount that FHA, HUD, VA and RHS can insure or guarantee in any federal fiscal year are limited by statute and administrative procedures. If an appropriations act is not passed in any federal fiscal year or if GNMA, FHA, Freddie Mac, HUD, VA or RHS reaches the limits of its authority, or if the FHA maximum loan amount is not retained, or if GNMA, in its sole discretion, or the federal government, alters or amends the GNMA Certificate programs in such a way as to prevent the Mortgage Lenders from originating Mortgage Loans during the origination period and the Servicer from issuing or delivering Certificates, or if Fannie Mae or Freddie Mac, in its sole discretion, or the federal government, alters or amends the Fannie Mae Certificate or Freddie Mac Certificate programs in such a way as to prevent the Mortgage Lenders from originating Mortgage Loans during the origination period and the Servicer from issuing or delivering Certificates, the Mortgage Lenders might not be able to originate Mortgage Loans and the Servicer might not be able to issue or deliver Certificates in the anticipated principal amounts. The non-origination of Mortgage Loans or the inability of the Servicer to issue or deliver Certificates to the Trustee in amounts contemplated by this financing would result in the redemption of all or a portion of the Series Bonds before their maturity. As noted above, GNMA, Fannie Mae and Freddie Mac may from time to time change their mortgage-backed securities programs and documents governing those programs. See “INTRODUCTION—Federal Housing Finance Agency Actions” below and Appendix B for information about the GNMA, Fannie Mae and Freddie Mac programs.

Market Competition. The Commission generally fixes the interest rates on Mortgage Loans based on the interest rates on the bonds issued by the Commission to finance such Mortgage Loans. Because of the yield restriction and arbitrage rebate limitations applicable to tax-exempt bonds, as well as the practical requirement that the income from the Mortgage Loans be sufficient to pay debt service and other costs of the Program, the Commission currently does not continuously adjust the interest rates on Mortgage Loans once these rates are fixed for the particular House Key Program. However, the Commission may adjust such interest rates, and has done so in the past, at its discretion. While numerous lenders are participants in the Program, those lenders also may originate mortgage loans for their own portfolios. The Program may be less attractive to potential borrowers when the interest rates provided by these lenders is less than the interest rates offered on Mortgage Loans originated through the Program. This can occur, for example, if market interest rates decline after the Commission has fixed the interest rates for Mortgage Loans. Unless the Commission adjusts its interest rates under these circumstances, the Commission might not spend all of its Bond proceeds to originate Mortgage Loans. This might require that the unexpended bond proceeds be used to redeem Bonds as opposed to originating Mortgage Loans. There can be no guarantee that the Series Bonds will not be subject to a redemption resulting from the non-origination of Mortgage Loans.

Disruptions in Residential Mortgage Market and Other Financial Markets. The residential mortgage market has been subject to significant disruptions since mid-2008, including lack of liquidity, bankruptcy or cessation of operations of several lending institutions. Continuing instability in the residential mortgage market that adversely impacts such entities may result in delays in Mortgage Loan originations, failure to originate Mortgage Loans or delays (or failures) by the Servicer to deliver Certificates, any of which could result in an Unexpended Proceeds Redemption of the Series Bonds. The Commission can offer no guidance as to whether the current volatility in the residential mortgage market and the financial markets generally will continue, and if so, whether any of the Mortgage Lenders or the Servicer will be adversely impacted.

Risk of Early Redemption from Prepayment

Mortgage Loans may be terminated before their final maturity. Prepayments in full or other payments in respect of early termination of Mortgage Loans financed with the proceeds of the Series Bonds may be deposited in the 2011 Series A Redemption Account, as described under the heading “REDEMPTION PROVISIONS—Certain Covenants Regarding Revenue Fund Redemptions.” That money may be used, together with certain other amounts then transferred into the 2011 Series A Redemption Account, to redeem the Series Bonds at par before their scheduled maturity. There is no completely reliable statistical base with which to predict the level of prepayment in full or other early termination of the Mortgage Loans financed with proceeds of the Series Bonds and the resulting effect on the average life of the Series Bonds. The Commission does expect prepayment of a substantial number of Mortgage Loans. It is probable that the Series Bonds will have a shorter life than their stated maturities or scheduled mandatory sinking payment redemptions.

Risk of Early Redemption from Cross-Calling

Certain Revenues relating to one Series of Bonds (including money received from the payment of principal of and interest on Eligible Collateral purchased with the proceeds of that Series) in excess of Revenues needed to pay principal and interest currently due on any of the Bonds, to pay Expenses, or to meet other purposes set forth in the Indenture, generally may be used at any time for a special redemption of Bonds of that Series and/or Bonds of certain other Series (subject to limitations, if any, set forth in the applicable Series Indentures). The use of Revenues in respect of one Series to redeem Bonds of another Series is known as “cross-calling.” Pursuant to the Series and Conversion Indenture, the Commission will covenant not to cross-call the Series Bonds for so long as the 2009 Series AC2 Bonds remain Outstanding or to use Revenues associated with the Series Bonds to cross-call any other Bonds. When the 2009 Series AC2 Bonds are no longer Outstanding, the Commission may cross-call any remaining 2011 Series A Bonds and use Revenues associated with the Series Bonds to cross-call other Bonds.

The Series and maturities of Bonds to be cross-called from time to time, if any, will be determined in accordance with the Acquisition and Operating Policy. The Acquisition and Operating Policy may be changed from time to time consistent with the Indenture (which among other things restricts the use of certain Series of Bonds for “cross-calling”). However, it is expected as a general matter that, if Bonds are to be cross-called, higher yielding maturities of Bonds will be redeemed from excess Revenues before lower yielding maturities of Bonds are redeemed (subject to the Indenture and certain Code requirements).

The so-called “10-Year Rule” (Section 143(a)(2)(A)(iv) of the Code) generally provides that repayments of principal on Mortgage Loans must be used to redeem the Series of Bonds that financed such Mortgage Loans to the extent such prepayments are received more than ten years after such Series (or, with respect to refunding bonds, the original bond) was issued as a tax-exempt bond. Such repayments, when received, are considered “restricted principal receipts.” The 10-Year Rule generally limits the Commission’s ability to cross-call Bonds from restricted principal receipts. From time to time, there have been efforts to repeal the 10-Year Rule. Any repeal of the 10-Year Rule after the 2009 Series AC2 Bonds are defeased or retired, but during the period other 2011 Series A Bonds remain Outstanding, may increase the risk that the 2011 Series A Bonds would be cross-called or that Revenues associated with the Series Bonds might be used to cross-call other Bonds.

Loss of Premium from Early Redemption

Any person who purchases a 2011 Series A Bond or purchased a 2009 Series AC2 Bond at a price in excess of its principal amount should consider the fact that the Bonds are subject to acceleration of maturity at par under the conditions described in Appendix A under the heading “Defaults and Remedies,” and are subject to various forms of redemption prior to maturity at a redemption price equal to their principal amount plus accrued interest, without premium. See “REDEMPTION PROVISIONS” herein.

Weighted Average Life Projections

Potential purchasers of the PAC Bonds should consider certain factors that could extend or shorten the weighted average life of such Bonds. The schedule of Priority Amortization Balances contained under the heading “REDEMPTION PROVISIONS—Priority Amortization Balances” was based on various assumptions described therein. These assumptions generally relate to the receipt of sufficient and timely payments of principal of and interest on the Eligible Collateral and the investment or reinvestment of money held under the Indenture. While the Commission believes such assumptions are reasonable, the Commission can give no assurance that the actual receipt of money will correspond to estimated Revenues available to fund payments in connection with the Series Bonds. For example, the weighted average life of the PAC Bonds may be shortened if, among other things, the Series Bonds are redeemed pursuant to an Unexpended Proceeds Redemption. See “Risk of Early Redemption of Series Bonds from Non-Origination” above. The weighted average life of the PAC Bonds may be extended if Eligible Collateral is purchased at times later than those projected by the Commission or if the actual rate of prepayment for Mortgage Loans underlying the 2011 Series A Eligible Collateral is less than 75% PSA. See “REDEMPTION PROVISIONS—Special Redemption from Amounts in the Revenue Fund.” The rate at which such prepayments occur can be expected to change from time to time based on then-current market conditions. For instance, the rate of prepayment may decline as home mortgage interest rates increase, and may increase as home mortgage interest rates decline (whether due to corresponding increases in refinancings or home sales). The foregoing may not identify all potential circumstances under which the weighted average life of the PAC Bonds may be extended or shortened.

Investment Agreements

Money held in various accounts related to the Bonds may be invested under one or more Investment Agreements. See “PLAN OF FINANCE—Investment of Proceeds” herein with respect to the Commission’s expectation regarding the investment of certain proceeds of the Series Bonds. When the Commission has selected Investment Agreement providers in the past, it has done so based upon competitive bids most favorable to the Commission obtained from multiple eligible institutions by an independent broker. The failure of any provider to pay amounts when due under an Investment Agreement pertaining to the Acquisition Fund could result in the Trustee’s inability to acquire Eligible Collateral in an amount necessary to fully collateralize the Bonds. A failure by the provider to pay amounts due under an Investment Agreement pertaining to the other Funds could result in the Trustee’s inability to pay interest on the Bonds.

As of the date of this Official Statement, none of the funds and accounts relating to the Bonds are invested in an Investment Agreement. The Commission may elect at any time to invest certain of such funds and accounts in an Investment Agreement. Notwithstanding any decision it may make to do so, the Commission makes no representations regarding (i) the ability of any Investment Agreement provider to make payments required under an Investment Agreement, (ii) the ability of any Investment Agreement provider to maintain its credit ratings, (iii) the effect any downgrade in such credit ratings may have on the rating then assigned to the Bonds, including the Series Bonds, or (iv) the Trustee’s ability to recover amounts owed by an Investment Agreement provider in the event of a bankruptcy or other default under an Investment Agreement.

Limited Security

The Series Bonds are limited obligations of the Commission. Payment of the principal of and premium, if any, and interest on the Series Bonds will be a valid claim only against the special fund or funds of the Commission relating thereto and will not be an obligation of the State or any municipal corporation, subdivision or agency of the State other than the Commission. Neither the full faith and credit nor the taxing power of the State or any municipal corporation, subdivision or agency of the State is pledged to the payment of the principal of or interest on the Series Bonds. Further, the Series Bonds do not constitute nor give rise to a pecuniary liability, general or moral obligation or a pledge of the full faith and credit or taxing power of the United States of America, HUD or any other agency thereof, GNMA, Fannie Mae or Freddie Mac. The Commission has no taxing power. See “SECURITY FOR THE BONDS” herein.

No Redemption upon Taxability

The Series Bonds are not subject to redemption prior to maturity solely as a result of the interest on such Bonds becoming includable in gross income for federal income tax purposes, nor will the interest rates on the Series Bonds be increased in such an event. The exclusion of interest on the Series Bonds from gross income for federal income tax purposes depends on the Commission’s continued compliance with federal tax laws, including requirements with respect to the investment of Bond proceeds and the continued character of such Bonds as “Qualified Mortgage Bonds” under Section 143 of the Code. See “TAX TREATMENT AND RELATED CONSIDERATIONS—Series Bonds” herein. The Commission’s failure to maintain the tax-exempt status of such Bonds will not constitute a default under the Mortgage Loans. Consequently, it will not be possible to accelerate the debt evidenced by the Mortgage Loans or to seek HUD, GNMA, Fannie Mae or Freddie Mac guaranty benefits if interest on such Bonds becomes taxable.

Secondary Market and Prices

It has been the Underwriters’ practice to maintain a secondary market in municipal securities that they sell. The Underwriters currently intend to engage in secondary market trading of the 2011 Series A Bonds, subject to applicable securities laws. However, the Underwriters are not obligated to engage in secondary trading or to repurchase any of the 2011 Series A Bonds at the request of the owners thereof. No assurance can be given that a secondary market for the 2011 Series A Bonds will be available and no assurance can be given that the initial offering prices for the 2011 Series A Bonds will continue for any period of time.

The Underwriters currently do not expect to engage in secondary market trading of the 2009 Series AC2 Bonds.

Enforceability of Remedies

The remedies available to the Bond owners upon an event of default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy laws, the Indenture and the various related 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 bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by principles of equity.

Ratings Downgrade

The rating awarded to the Series Bonds by Moody's Investors Service, Inc. ("Moody's"), is based on various factors, including the credit of GNMA, Fannie Mae, Freddie Mac and the providers of the Investment Agreements pertaining to the Bonds. If the rating awarded to the securities issued or guaranteed by GNMA, Fannie Mae and Freddie Mac is reduced, or if the rating awarded to the claims paying ability of the providers of such Investment Agreements is reduced, the rating on the Series Bonds may be reduced. Any reduction of the rating in effect for the Series Bonds will adversely affect the market price of the Series Bonds. See "RATING" herein. See also "INTRODUCTION—Federal Housing Finance Agency Actions" for information regarding the conservatorship of Fannie Mae and Freddie Mac.

PLAN OF FINANCE

General

The 2011 Series A Bonds are being issued, and proceeds related to the 2009 Series AC2 Bonds on deposit in the 2009 Series A Reservation Account are being released and the interest rate on the 2009 Series AC2 Bonds is being converted, to make available additional money to purchase Certificates, including principal-only participations therein, if any. The Commission intends to use amounts deposited to the 2011 Series A Acquisition Account to finance the origination of Mortgage Loans through the purchase (or repurchase) of Certificates as part of a program designed to provide money for single-family housing loans and accomplish specific housing goals of the Commission (as more fully described herein, the "Program"). See "SINGLE-FAMILY MORTGAGE PROGRAM" herein for a discussion of the Program. The Commission expects that such Mortgage Loans will include loans for the acquisition or the acquisition and rehabilitation of residences in Washington State. The initial fixed interest rates on the Mortgage Loans allocable to the Series Bonds may change from time to time at the Commission's discretion. See "SINGLE-FAMILY MORTGAGE PROGRAM—House Key Program" for a discussion of how Bond proceeds are used to originate Mortgage Loans.

The Servicer will be required to purchase Mortgage Loans from Mortgage Lenders, to issue Certificates backed by such Mortgage Loans, and to sell those Certificates to the Trustee or the Repurchase Provider (as defined below). The Trustee is expected to use money in the 2011 Series A Acquisition Account to purchase Certificates (including principal-only participations therein, if any) from the Servicer, and to repurchase Certificates that the Commission purchased through its warehousing program pending the issuance and release of the Series Bonds. See "SINGLE-FAMILY MORTGAGE PROGRAM—House Key Program" and "—Warehousing Program."

Sources and Uses of Funds

On the Release Date for the 2009 Series AC2 Bonds and the date the 2011 Series A Bonds initially are issued, a portion of the money currently on deposit in the Commission's 2009 Series A Reservation Account, the proceeds of the 2011 Series A Bonds, and other money under the Indenture are expected to be used as follows:

Sources of Funds

Par amount of the 2011 Series A Bonds	\$ 40,000,000.00
Transfer from the 2009 Series A Reservation Account	59,990,000.00
Original Issue Premium on the 2011 Series A Bonds	462,283.00
Commission contribution	741,154.75
Total	<u>\$101,193,437.75</u>

Uses of Funds

Deposit to 2011 Series A Acquisition Account	\$100,452,283.00
Deposit to 2011 Series A Interest Reserve Account	200,000.00
Payment of Underwriters' fees with respect to 2011 Series A Bonds	339,143.75
Deposit to Cost of Issuance Fund	202,011.00
Total	<u>\$101,193,437.75</u>

A portion of the funds deposited into 2011 Series A Acquisition Account may be held in the 2011 Series A Special Acquisition Subaccount and used to acquire principal-only participations in Certificates backed by Mortgage Loans originated with the proceeds of the Series Bonds, other Series of Bonds and/or bonds issued under the Single-Family Indenture. The balance of the funds deposited into 2011 Series A Acquisition Account will be held in the 2011 Series A Non-Targeted Area Subaccount.

Investment of Proceeds

In light of current yields on investment contracts, the Commission does not expect that money in the other 2011 Series A Accounts and Subaccounts will be invested in an Investment Agreement upon the issuance of the Series Bonds. The Trustee may invest money held in the 2011 Series A Revenue Account, 2011 Series A Debt Service Account, and 2011 Series A Expense Account under one or more Investment Agreements in the future. See "BONDHOLDER RISKS-Investment Agreements" herein for a discussion of certain risks relating to Investment Agreements.

SINGLE-FAMILY MORTGAGE PROGRAM

The Commission established the Program to help qualifying persons and families finance the costs of acquiring their primary residences within Washington State. The Program achieves the Commission's goal of promoting the availability of single-family housing for moderate- and low-income persons and families. It complements the Commission's multi-family housing program and other housing programs, as described in the Commission's Housing Finance Plan.

Since 1995, the primary source of funding for the Program has been bonds issued under the Single-Family Indenture. As of June 30, 2010, the Program had provided 16,717 Mortgage Loans since funding commenced under the Single-Family Indenture. The Mortgage Loans securing the payment of bonds issued under the Single-Family Indenture are not pledged to the payment of the Bonds, including the Bonds. The Indenture was established in December 2009, and Bonds have been issued thereunder, to provide an additional source of funds for the Program. Except to the extent proceeds of the Series Bonds and of bonds issued under the Single-Family Indenture are used to acquire interest in the same Certificate (*e.g.*, to finance a principal-only participation in an underlying Mortgage Loan), the Mortgage Loans financed with the proceeds of the Bonds (including the proceeds of the Series Bonds, when issued and converted, as applicable) will not secure the payment of bonds issued under the Single-Family Indenture, and the Mortgage Loans financed with the proceeds of bonds issued under the Single-Family Indenture will not secure the payment of the Bonds.

The discussion under this heading summarizes how the Commission administers the Program, including various legal and practical considerations that affect the Program.

House Key Program

The Commission established its “House Key Program” in 1990 to administer the origination of mortgage loans, the acquisition of eligible collateral and the corresponding expenditure of bond proceeds. Generally, each series of long-term bonds used to fund the Program is represented in the House Key Program by a separate number. For instance, the proceeds of the Series Bonds will be spent in connection with House Key No. 2011-A.

The expenses of the House Key Program are paid from various accounts and subaccounts created under the Single-Family Indenture and the Indenture. See the definition of “Expenses” in Appendix A hereto for examples of such expenses.

The Commission expects to continue paying the costs of issuing the Bonds with money transferred from the Homeownership Commission Fund to the Cost of Issuance Fund. Money in the various Series General Receipts Subaccounts can be transferred to the Homeownership Commission Fund and used for any Commission purpose if an Asset Parity Determination supports such transfer. The primary sources of money for deposit to the Series Expense Account and the Homeownership Commission Fund are expected to be amounts derived from mortgage payments, accumulated reserves set aside for the payment of such costs, and other available Commission funds. The amounts required to administer the House Key Program are projected at the time of each Series of Bonds are issued, and are a factor in setting the mortgage rates. See Appendix A, under the heading “Creation of Funds and Accounts,” for a summary of how money is to be deposited into the Series General Receipts Subaccount, the Series Expense Account and the Homeownership Commission Fund under the Indenture. The Series Expense Accounts, the Homeownership Commission Fund and the Cost of Issuance Fund are *not* part of the Trust Estate that has been pledged to Bond owners. See “SECURITY FOR THE BONDS—Pledge Under the Indenture” herein.

Under the House Key Program, Mortgage Loans are originated by those mortgage lending institutions (the “Mortgage Lenders”) that have entered, or are expected to enter, into a Mortgage Origination Agreement (each, an “Origination Agreement”) with the Commission and the Servicer. See Appendix G hereto for a list of the Mortgage Lenders. Among other requirements, each Mortgage Lender must be approved by the FHA, Fannie Mae and Freddie Mac, or otherwise be an eligible lender in good standing for VA-, HUD- or RHS-guaranteed mortgage loans.

The Commission has imposed various restrictions on Mortgage Lenders regarding the type of loans that will qualify as Mortgage Loans. These restrictions are set forth in the Origination Agreements. Some of the restrictions are based on the federal tax law requirements described under the heading “TAX TREATMENT AND RELATED CONSIDERATIONS” herein. Others are based on policies adopted by the Commission.

The Commission will review each Mortgage Loan to be financed with Bond proceeds to determine whether it complies with GNMA, Fannie Mae or Freddie Mac loan documentation requirements, as appropriate. Upon completion of such review, the Mortgage Loan will be purchased by the Servicer and aggregated with other Mortgage Loans into a loan pool supporting a Certificate. These Certificates are then purchased from the Servicer by either the Trustee or the Repurchase Provider (as defined below under the subheading “Warehousing Program”). Under the Commission’s Servicing Agreements, the Servicer is responsible for remitting the principal and interest payments scheduled to be made on the Mortgage Loans under the terms of the applicable GNMA, Fannie Mae and Freddie Mac documents. See “THE SERVICER” for more information regarding the Servicer. See “INTRODUCTION—Federal Housing Finance Agency Actions” and Appendix B for information about the GNMA, Fannie Mae and Freddie Mac programs.

Mortgage Loan Terms

The Commission expects to use proceeds of the Series Bonds to originate 30-year Mortgage Loans that have loan terms requiring borrowers to pay principal on a current basis (the “Standard Mortgage Loans”). With respect to Mortgage Loans financed under the Single-Family Indenture, the Commission has originated Mortgage Loans with 40-year maturities and/or Mortgage Loans that provide for the commencement of principal amortization after a fixed period of time (*e.g.* 5 or 10 years). The Commission expects that all of the Mortgage Loans originated with the Series Bond proceeds will be Standard Mortgage Loans. In the future, the Commission may use proceeds of additional Bonds issued under the Indenture to finance Mortgage Loans that are not Standard Mortgage Loans.

The Commission establishes schedules of offered Mortgage Loan Interest Rates and Borrower Points from time to time, including upon issuance of each Series of Bonds, by modification of the Acquisition and Operating Policy. The Commission has reserved the right in its sole discretion to increase or reduce the interest rate on such Mortgage

Loans (and on the related Certificates) before their origination, in accordance with the Indenture, the Acquisition and Operating Policy and the requirements, if any, of the Rating Agency.

Currently, the Commission is offering Mortgage Loans at different interest rates depending on the points, if any, a borrower is willing to pay. Points are additional funds the borrower pays at loan closing to lower the interest rate on its Mortgage Loan. A “point” equals one percent of the Mortgage Loan amount (*e.g.* for a Mortgage Loan of \$100,000, one point would equal \$1,000). The Commission will offer borrowers the option of paying no points, one point or two points. Each point a borrower pays for will lower the Mortgage Loan interest rate by 25 basis points (0.25%). The Commission currently expects that the majority of the Standard Mortgage Loans originated pursuant to House Key No. 2011-A will bear interest rates ranging from 3.75% to 5.50% depending upon the number of “points,” if any, paid by Borrower and whether the Mortgage Loan pertains to a home that was previously foreclosed upon or unoccupied). The Commission also expects to originate Standard Mortgage Loans pursuant to its “New Home for You” pilot program for the acquisition of newly-constructed, never occupied homes, and Standard Mortgage Loans pursuant to its “Heatwave” pilot program for first mortgages without Commission downpayment assistance. Interest rates for Mortgage Loans originated under the “New Home for You” program are expected to be 4.25%, 4.50% and 4.75% with two points, one point and no points, respectively, being paid by the borrower. Interest rates for Mortgage Loans originated under the “Heatwave” program are expected to be 3.75%, 4.00% and 4.25% with two points, one point and no points, respectively, being paid by the borrower. As a minimum requirement to access either of these pilot programs, a borrower must have a minimum credit score of 680. The Commission expects that a portion of the Mortgage Loans associated with House Key No. 2011-A will be originated under these two pilot programs. The Commission may develop other pilot programs during the period proceeds of the Series Bonds are being used to acquire Certificates, and Mortgage Loans originated under such pilot programs may be pooled into Certificates that are purchased with proceeds of the Series Bonds. The initial fixed interest rates on the Mortgage Loans allocable to the Series Bonds may change from time to time at the Commission’s discretion. However, the interest rates on Mortgage Loans financed with Series Bond proceeds will be fixed (as opposed to variable) rates. A portion of the proceeds of the Series Bonds may be used to acquire principal-only participations in Certificates (and, accordingly, the Commission would not receive interest payments on account of such principal-only participations).

Warehousing Program

In April 2010, the Commission entered into a Master Repurchase Agreement with Banc of America Securities LLC (the “Repurchase Provider”), and amended the Servicing Agreement with the Servicer and the Trustee, to establish a “warehousing” program for the acquisition of Certificates at times when sufficient money is not otherwise available in the respective Acquisition Funds created by the Single-Family Indenture and the General Indenture. The Trustee uses money provided by the Repurchase Provider and, if necessary, money in Commission Fund created by the Single-Family Indenture (the “1995 Commission Fund”) to purchase Certificates for the account of a segregated “Warehousing Account” created within the 1995 Commission Fund. Any Certificates purchased with money provided by the Repurchase Provider are immediately transferred to the Repurchase Provider pursuant to the Master Repurchase Agreement. Any principal and interest payments received by the Repurchase Provider with respect to Certificates held by it will be transferred (or credited) to the Commission, when received. At any time prior to December 31, 2011 (unless such date is extended) that the Trustee has available money in the Acquisition Fund (*e.g.* coincident with the issuance and release of the Series Bonds), the Trustee is required to purchase the Certificates from the Repurchase Provider at the same price paid by the Repurchase Provider for the Certificates.

The Repurchase Provider can sell, transfer, pledge or hypothecate the Certificates during the time it owns them. However, the Repurchase Provider is required to deliver the purchased Certificates to the Trustee for purchase upon demand. If it is unable to deliver the identical Certificates (or equivalent substitute securities), an event of default will occur under the Master Repurchase Agreement. Because any substitute securities provided to the Commission likely would not constitute “Certificates” or “Whole Loans” within the meaning of the Indenture, the Commission would not be able to use money in the Acquisition Fund to repurchase such substitute securities. Upon such event of default by the Repurchase Provider, the Commission would not acquire the substitute securities, but would use the money in the Acquisition Fund to originate new qualifying Mortgage Loans or redeem Bonds.

If an “act of insolvency” occurs or another “event of default” (both as defined in the Master Repurchase Agreement) is declared with respect to either the Commission or the Repurchase Provider, all Certificates then held by the Repurchase Provider will immediately be subject to repurchase by the Commission. Although the Commission would vigorously pursue its remedies under the Master Repurchase Agreement if an “act of insolvency” or “event of

default” occurs with respect to the Repurchase Provider, the Commission cannot guarantee that a court would permit the Commission to repurchase such Certificates in the manner provided by the Master Repurchase Agreement.

If either the Repurchase Provider provides substitute securities that cannot be purchased with Bond proceeds, or the Commission is prevented from using Bond proceeds to repurchase Certificates because an “act of insolvency” or another “event of default” occurs with respect to the Repurchase Provider, the Commission’s expectations regarding the expenditure of Bond proceeds and the sizing of its Series Interest Reserve Accounts, among other things, likely will not be met. This could increase the risk of an Unexpended Proceeds Redemption. See “BONDHOLDER RISKS—Risk of Early Redemption from Non-Origination” herein.

Under the Master Repurchase Agreement, the Repurchase Provider may request the Commission to provide cash, securities or other assets to the Repurchase Provider to the extent the market value of the Certificates transferred to the Repurchase Provider is less than the amount paid by the Repurchase Provider for such Certificates. The Commission would be required to satisfy this obligation with money in the 1995 Commission Fund. Similarly, the Commission can require the Repurchase Provider to provide the Commission with Certificates, cash, or other securities to the extent the market value of the Certificates transferred to the Repurchase Provider is greater than the amount paid by the Repurchase Provider for such Certificates.

Recycling

From time to time, the Commission has used principal payments received on account of Mortgage Loans financed under the Single-Family Indenture, to the extent not needed to pay current debt service or meet covenants made under the Single-Family Indenture, to fund additional Mortgage Loans (*i.e.* to “recycle” such principal payments). The Commission also has reserved the right to sell certificates acquired under the Single-Family Indenture to generate money that can be used by the Commission to fund additional Mortgage Loans, subject to tax compliance limitations and the conditions set forth in the Single-Family Indenture.

Except to the extent it is restricted from doing so under an applicable Series Indenture, the Commission will be allowed under the Indenture to use a portion of money available in the various Series Unrestricted Principal Receipts Subaccounts, Series Taxable Principal Receipts Subaccounts and Series General Receipts Subaccounts (and the corresponding accounts created under the Single-Family Indenture) to fund additional Mortgage Loans. See Appendix A under the heading “Creation of Funds and Accounts—Revenues” for a summary of how money in the various Series Unrestricted Principal Receipts Subaccounts, Series Taxable Principal Receipts Subaccounts, and Series General Receipts Subaccounts is to be applied from time to time.

The Commission may activate, or discontinue, its recycling program at any time at its sole discretion. Thus, during the period that proceeds of the Series Bonds are being used to acquire Certificates, the Commission may have a competing source of funds (*i.e.* the recycling proceeds) available to originate Mortgage Loans for the Program, which could increase the potential for an Unexpended Proceeds Redemption. See “BONDHOLDER RISKS—Risk of Early Redemption from Non-Origination” herein.

Certain Program Constraints and Limitations

Federal income tax laws set forth various restrictions on the Commission’s ability to originate Mortgage Loans with the proceeds of tax-exempt Bonds. These include requirements that: (1) the Commission must expect that each residence being financed will become the mortgagor’s principal residence within a reasonable period of time; (2) subject to certain exceptions, the mortgagor must not have owned and occupied a principal residence within three years before the Mortgage Loan is executed; (3) the acquisition cost of the residence must not exceed the amount determined pursuant to relevant federal tax laws; (4) the mortgagor’s annualized gross household income cannot exceed certain prescribed limitations; (5) except in certain limited circumstances, Bond proceeds may not be applied to acquire or replace an existing Mortgage Loan; and (6) even if provided for in the terms of a Mortgage Loan, such Mortgage Loan cannot be assumed by another mortgagor unless the requirements of (1) through (4) above are met at the time of the assumption. See “TAX TREATMENT AND RELATED CONSIDERATIONS” herein for a discussion of these federal tax constraints. The following paragraphs describe how the Commission has incorporated certain of these restrictions into the Program.

Residence Requirement. Each Mortgage Loan must finance a Single-Family Residence that is located within Washington State and is intended to be used as the Mortgagor’s principal residence. While federal tax law generally defines a “single-family residence” to include multi-family housing projects that can accommodate up to four families, the Commission currently limits the Program to one-unit properties.

Income Requirement. The Commission has established maximum permitted income limits for Mortgagors within each of the various counties in Washington State. Such income limits are subject to change by the Commission from time to time, subject to U.S. Treasury regulations. The maximum income limits in effect currently for Mortgage Loans originated with the proceeds of tax-exempt Bonds (such as the Series Bonds), as adopted by the Commission, are set forth in the following table. While such income limits represent the maximum incomes for Mortgagors, the Program may implement lower income limits than the maximum limits approved by the Commission.

Counties	Non-Targeted Areas		Targeted Areas	
	1-2 Persons	3 or more Persons	1-2 Persons	3 or more Persons
Jefferson, Skagit & Whatcom	\$70,000	\$80,000	n/a	n/a
Clark, Island, Kitsap, Pierce, San Juan & Thurston	\$80,000	\$90,000	\$80,000	\$90,000
King & Snohomish	\$90,000	\$97,000	\$90,000	\$97,000
All other	\$65,000	\$75,000	\$80,000	\$85,000

Purchase Price Requirement. The Commission has established maximum purchase prices for residences in each county of Washington State. These maximum prices are within the limits established by the U.S. Treasury Regulations promulgated under the Code. The maximum purchase prices established by the Commission are subject to change. The current purchase price limits are set forth in the following table.

Counties	Non-Targeted	Targeted
Clark & Island	\$330,000	\$360,000
Jefferson, Pierce & Snohomish	\$370,000	\$395,000
King & San Juan	\$450,000	\$475,000
Kitsap & Whatcom	\$300,000	\$335,000
Skagit	\$285,000	N/A
All other	\$235,000	\$285,000

Reservation Priorities. The Commission has covenanted to make available, to the extent necessary, Commission funds in an amount equal to 20% of the lendable proceeds of the Series Bonds for a period of 12 months from the date such proceeds are first made available to finance Mortgage Loans in Targeted Areas. Such covenant is in lieu of depositing proceeds of the Series Bonds into the 2011 Series A Targeted Area Subaccount. If necessary to ensure an equitable statewide distribution of funds, proceeds of the Series Bonds deposited in the 2011 Series A Acquisition Account may be set aside for a period of time to make Mortgage Loan reservations in targeted geographic areas.

Monitoring Tax Law Compliance. In 1999, the Commission began reviewing Mortgage Loans for tax compliance. Prior to such time, Application Oriented Designs, of Miami, Florida, reviewed tax compliance during the Mortgage Loan origination period. The initial review of the Mortgage Loan application for compliance with Section 143 of the Code (“Section 143”) will be conducted by the Mortgage Lenders. The Mortgage Lenders are required to review certain documents, such as: the Mortgage Loan application; the affidavit of the borrower including, as needed, income tax returns, leases, rent checks, and rent receipts; appraisals; and the accepted offer to purchase the residence. If a Mortgage Lender concludes that a Mortgage Loan meets the Program’s requirements, it will forward to the Commission certain documents bearing on compliance with Section 143. The Commission will conduct its own review of such documents for compliance with Section 143. If the Commission concurs in the Mortgage Lender’s assessment that the borrower, the Mortgage Loan, and the residence meet the requirements of Section 143, the Commission will issue a preliminary compliance approval. Upon its receipt of closing documents evidencing that no material change has occurred which would result in noncompliance with Section 143, the Commission will issue a final compliance approval. A Servicer may not purchase any Mortgage Loan prior to receipt of the Commission’s final compliance approval with respect to such Mortgage Loan.

Downpayment Assistance

The Commission offers downpayment assistance in the form of a subordinated loan to income-qualified borrowers receiving Mortgage Loans under the Program. The downpayment assistance program has assisted income-qualified borrowers in meeting downpayment requirements and has increased the usage of bond proceeds by income-qualified borrowers. The downpayment assistance program currently is not funded with Bond proceeds and is subject to the availability of private and Commission funding.

Recent Origination Experience

The following table sets forth the Commission’s recent experience originating Mortgage Loans with funds made available from bonds issued under the Indenture and the Single-Family Indenture, from the Commission’s recycling program (as described under the heading “SINGLE-FAMILY MORTGAGE PROGRAM—Recycling”) and the Commission’s warehousing program (as described under the heading “SINGLE-FAMILY MORTGAGE PROGRAM—Warehousing Program”). The amounts reflected in the table are preliminary and are subject to change during the applicable Mortgage Loan origination period. In some cases, “remaining proceeds,” if any, may include money restricted for a certain period to Targeted Areas and/or money set aside to acquire principal-only participations in Certificates backed by Mortgage Loans.

Source of Funds (1)	House Key No.	Issue Date or, if later, Release Date	Initially Available Proceeds	30-Year Standard Mortgage Loan Interest Rates	Certificates Purchased	Remaining Proceeds
Warehousing	--	--	--	4.0 to 5.5%	\$66,177,706	--

(1) Amounts are as of February 2, 2011.

As described above, the Commission often has various sources of funds that are available to acquire Mortgage Loans, including proceeds of bonds issued under the Indenture and the Single-Family Indenture and proceeds from the Commission’s recycling and warehousing programs. The Commission may not be able use all of the available Series Bond proceeds to acquire Mortgage Loans if demand for the Commission’s funds were to decline after such bonds are issued (*e.g.* because money to make mortgage loans become available within the State at rates competitive with those specified for the Mortgage Loans). When this occurs, the Commission’s ability to originate Mortgage Loans with higher mortgage loan interest rates may be negatively affected if the Commission also has available to it money with which to originate Mortgage Loans with lower mortgage loan interest rates.

Sale of Loans and Certificates. Under periods of high demand on the Commission’s funds under the Program, the Commission may from time to time direct the Servicer to sell a portion of the Mortgage Loans or certificates to which bond proceeds have been committed (but not spent) to third parties in lieu of causing such Mortgage Loans to be pooled into certificates for the Trustee to acquire. This practice may prolong the period of time during which the Program has Bond proceeds available to originate Mortgage Loans. Any Mortgage Loans or certificates sold to third parties will not be purchased with Bond proceeds or provide security for payment of the Bonds. The timing of such sales to third parties, and the amount of Mortgage Loans or certificates so sold, may affect the use of Bond proceeds to acquire Certificates. The Commission has reserved the right to cause the Trustee to sell Certificates purchased with Bond proceeds. Any request by the Commission to do so must comply with tax limitations and the conditions set forth in the Indenture. The Commission expects the demand for Program funds will exceed the funds available, including the proceeds of the Series Bonds. However, this expectation is based on conditions in the home mortgage market that exist on the date of this Official Statement. Events may occur after the date of this Official Statement that adversely affect the Commission’s ability to spend all of the Series Bond proceeds. See “BONDHOLDER RISKS—Risk of Early Redemption from Non-Origination” herein.

Historical Financial Results

THE FOLLOWING TABLE REFLECTS THE UNAUDITED FINANCIAL CONDITION OF THE GENERAL INDENTURE AS OF THE END OF FISCAL YEAR 2010. THE INFORMATION SET FORTH IN THE TABLE IS *NOT* PRESENTED PURSUANT TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“GAAP”). INSTEAD, ASSETS AND LIABILITIES ARE VALUED AT PAR AND THE INFORMATION IS PRESENTED IN A MANNER THAT IS CONSISTENT WITH THE DEFINITION OF “ASSET PARITY” UNDER THE GENERAL INDENTURE. SEE APPENDIX A FOR THE DEFINITION OF “ASSET PARITY.”

The Commission’s most recent fiscal year ended on June 30, 2010. The Commission’s current fiscal year ends on June 30, 2011. The information in the following table has not been updated to address changes that may have occurred since June 30, 2010. The Commission is not aware of any material adverse change in the financial position of the General Indenture since June 30, 2010. As described under the heading “SECURITY FOR THE BONDS—Outstanding Bonds,” the aggregate principal amount of outstanding Bonds is \$258,885,000 as of February 1, 2011. The following table will be updated annually pursuant to the Commission’s continuing disclosure undertaking.

General Indenture
Balance Sheet Information—Parity Assets and Liabilities (1)(2)
(Fiscal Year Ending June 30)

<u>2010</u>	
MORTGAGE-BACKED SECURITIES (FHLMC, FNMA, GNMA) Principal Balance at Par	\$96,510,130
ACCRUED INTEREST RECEIVABLES	
Investments	8,215
Mortgage-Backed Securities	423,008
<i>Total Accrued Interest Receivables</i>	431,223
CASH, CASH EQUIVALENTS & INVESTMENTS	
Acquisition Funds	155,004,533
Reservation Funds	--
Bond Reserve Funds	--
Revenue Funds	9,712,541
<i>Total Cash, Cash Equivalents & Investments</i>	164,717,074
<i>Total Assets</i>	\$261,658,427
BONDS PAYABLE (3)	
Tax-exempt bonds	150,000,000
Taxable bonds	110,000,000
Accrued Interest Payable	545,468
<i>Total Bonds Payable</i>	260,545,468
CURRENT LIABILITIES	
Accounts Payable	250,332
Accrued Arbitrage Liability	--
<i>Total Current Liabilities</i>	250,332
<i>Total Liabilities</i>	\$260,795,800
NET PARITY – Principal Assets and Liabilities	\$862,627
PARITY AS A PERCENTAGE OF ASSETS	100.33%

- (1) Excludes assets held and liabilities incurred under the Single-Family Indenture. See “INTRODUCTION—Single-Family Indenture.”
- (2) All assets and liabilities are valued in accordance with the definition “Asset Parity” under the General Indenture. See Appendix A for the definition of “Asset Parity.” When the Commission issues additional Bonds, it must show, among other things, that projected Asset Parity will always be equal to or greater than 100%. See “SECURITY FOR THE BONDS—Additional Bonds” herein and the definition of “Supporting Cash Flows” in Appendix A.
- (3) Excludes Subordinate Bonds, of which there are none.

The Commission expects to hold the Certificates until maturity. As a result, the Commission does not expect to realize gains or losses on the Certificates due to market value fluctuation. The Commission has presented financial information in a format that corresponds with the definition of “Asset Parity” under the General Indenture, which does not require adjustments to reflect market value.

In the Commission’s audited financial statements, on the other hand, Certificates are presented at market value in accordance with Government Accounting Standards Board (“GASB”) Statement No. 31 to conform with GAAP. There can be a significant positive or negative impact in the fiscal year’s income or loss within the General Indenture, with a corresponding, cumulative impact in the net worth of the General Indenture, when such Certificates are presented at market value in accordance with GASB Statement No. 31. See “FINANCIAL STATEMENTS” herein for information regarding the Commission’s financial statements.

THE COMMISSION

The Commission was created in 1983 as a public body corporate and politic and an instrumentality of the State. The Commission is authorized to issue nonrecourse revenue bonds to make funds available at affordable rates to help provide housing in the State. The Commission’s address is 1000 Second Avenue, Suite 2700, Seattle, Washington 98104 and its telephone number is (206) 464-7139. Additional information regarding the Commission and its programs can be accessed at <http://www.wshfc.org>. However, information on the Commission’s web site is not part

of this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor can it be relied upon to make investment decisions regarding the Bonds.

The Commission is authorized to purchase mortgages and mortgage loans or participations therein, to make loans to mortgage lenders so that those lenders may make mortgage loans, to pledge mortgages and mortgage loans as security for the payment of the principal of and interest on its revenue bonds, and to enter into any agreements in connection therewith. Its authority to issue mortgage revenue bonds was upheld by the Washington State Supreme Court on October 28, 1983.

Governance

There are eleven members of the Commission. Two members are State Officials, the State Treasurer and the Director of the State Department of Commerce, who serve *ex officio*. The Chair of the Commission is appointed by the Governor and serves at the pleasure of the Governor. The other members of the Commission are appointed by the Governor and serve for overlapping terms of four years. There is one vacancy on the Commission.

The current members of the Commission and their principal occupations are listed below.

<u>Name</u>	<u>Principal Occupation</u>
Karen Miller, Chair.....	Former Member, Snohomish County Council; former President, National Council of State Housing Boards; past Chairman, Washington State Law and Justice Planning Council; former Board member and past President of the Washington State Association of Counties; past President, Trustees Association of Community and Technical Colleges.
Raymond C. Rieckers, Vice Chair..	Director of Housing and Economic Development, Spokane Neighborhood Action Programs; Adjunct Professor, Social Work and Human Services, Eastern Washington University; past Chair and current member, Spokane Low Income Housing Alliance; Member, Washington State Coalition for the Homeless.
James L. McIntire, Secretary	State Treasurer (<i>ex officio</i> Commissioner); former professor of economics, University of Washington; former business economist, Navigant Consulting; past board Chair, Washington’s Community Economic Revitalization Board; past board Chair, Common Ground (a nonprofit housing developer); fiscal policy adviser to former Governor Booth Gardner.
Claire Grace, Treasurer.....	Vice President, Corporate Secretary and Assistant General Counsel, Weyerhaeuser Company.
Dennis R. Kloida	Journeyman Steamfitter, UL 26; former Administrator, Local 26 Educational Development Trust; former Training Coordinator, Southwest Washington Pipe Trade Joint Apprenticeship and Training Committee; formerly served on the Washington State Labor Council, AFL-CIO Educational, Training and Apprenticeship Committee and the Clover Park Technical College General Advisory Committee.
M.A. Leonard	Vice President and Impact Market Leader for the Pacific Northwest, Enterprise Community Partners, Inc.; formerly Northwest Regional Vice President, National Equity Fund; founding director, Washington Community Development Loan Fund (now Impact Capital); developed affordable housing at the Seattle Housing Authority and the Lane County Housing and Community Services Agency (Eugene, Oregon); current member of the Board of Directors, Washington Community Reinvestment Association; current member of the Board of Directors, Common Ground.
Fauzi Sefrioui	Founder, President and CEO, A & Y Property Investments; Co-founder, Evergreen Point Development Company; Vice-Chair, Department of Community, Trade and Economic Development African Chamber of Commerce of the Pacific Northwest; Founder, SB Foundation.

- Pamela Tietz Executive Director, Housing Authority of the County of Clallam; founding member, Clallam County Shelter Provider’s Network; member, Clallam County Homelessness Task Force; worked for Alaska Housing Finance Corporation (beginning in 1988), and the Bremerton Housing Authority.
- Mario Villanueva..... Director, Washington State Office of Rural Development; former Executive Director, Catholic Charities Housing Services of Yakima.
- Rogers Weed Director, State Department of Commerce (*ex officio* Commissioner).

The Commission’s Executive Director is Kim Herman. Mr. Herman is a native of Washington State and has served as a member of the Commission, as Washington Project Director of the United States Department of Housing and Urban Development’s Rural Assistance Initiative Program, as Executive Director of the Housing Authority of the City of Yakima and as Manager of Single-Family Housing for the Portland Development Commission. In 1988, Mr. Herman was elected to the Board of Directors of the National Council of State Housing Agencies. He currently serves as the Immediate Past-President of that Board. He formerly served on the Board of Trustees for the Washington Center for Real Estate Research at Washington State University. He also has served on Fannie Mae’s Western Regional Advisory Board and on the Boards of the National Rural Housing Coalition and the Rural Community Assistance Corporation. Mr. Herman is a graduate of Washington State University (B.A. 1967).

The Commission’s Deputy Director is Paul R. Edwards. Mr. Edwards joined the Commission in October of 1998 as Director of Capital Projects, and became Deputy Director on November 1, 1999. He is a graduate of Morehouse College in Atlanta, Georgia (B.A. in Economics & Business Administration), and received his Master of Science Industrial Administration (M.S.I.A.) degree from Carnegie-Mellon University in Pittsburgh, Pennsylvania. Mr. Edwards has held positions in corporate and real estate lending for more than twenty years. Prior to joining the Commission, Mr. Edwards was the Community Reinvestment Act Compliance Officer for Pacific First Bank and Manager of its Community Development Department.

The Commission’s Director of Homeownership Programs is Dee Taylor. Ms. Taylor had been the manager of the Homeownership Programs since April of 1998, and became the Director of Homeownership Programs in March 2000. Immediately prior to joining the Commission, Ms. Taylor worked for Oregon Housing and Community Services as the Residential Loan Program Manager. Ms. Taylor received her B.S. degree from the University of Oregon, and her J.D. degree from the Northwestern School of Law, Lewis & Clark College in Portland, Oregon.

The Commission’s Senior Director of Finance and IT Services is Robert D. Cook. Mr. Cook joined the Commission in June 1996 with 18 years of accounting and finance experience in cooperative and nonprofit organizations. He is a graduate of the University of Missouri-Columbia (B.S., Business Administration-Accountancy) and Northern Illinois University-DeKalb (M.B.A.).

Interest Rate Swap Policy

The Commission is not entering into a Swap (as defined below) with respect to the Series Bonds. However, the Commission may enter into one or more Swaps in the future, whether with respect to the Series Bonds or any other Series of Bonds. The Commission has entered into Swaps with respect to certain variable rate bonds issued for the Program under the Single-Family Indenture.

The Commission adopted an “Interest Rate Swap Policy” on March 24, 2005, which was amended on July 26, 2007, and may be revised by the Commission at any time. Among other things, the policy currently provides that the Commission can only enter into “payment agreements” such as interest rate swaps, ceilings or floors (collectively, “Swaps”) with counterparties that meet the minimum ratings requirements set forth in RCW 39.96.040. This statute requires, among other things, that any counterparty (or its guarantor) be (i) rated in at least the “double A” ratings category by at least two nationally recognized credit rating agencies or (ii) if the counterparty (or its guarantor) is rated in the “single A” ratings category by at least two nationally recognized credit rating agencies, the counterparty must provide for the posting of eligible collateral equal to at least 102% of the net market value of the Swap under the circumstances described in the Interest Rate Swap Policy. The statute also requires that the payment agreement require a counterparty described in clause (i) of the previous sentence to meet the collateralization requirements of clause (ii) if the counterparty’s rating(s) fall below the requirements of clause (i).

The Commission’s Interest Rate Swap Policy provides that collateral must consist of cash, U.S. Treasury securities and U.S. agencies that are 100% guaranteed by the United States, that collateral deposited by the counterparty be

equal to at least 102% of the net market value of the Swap and that such collateral be held by the Commission or its agent. The market value of the collateral shall be determined on at least a weekly basis. The Interest Rate Swap Policy also requires that each Swap executed by the Commission contain terms and conditions as set forth in the ISDA[®] Master Agreement, including the schedule, credit support annex and confirmation.

THE SERVICER

As more fully described under the heading “SINGLE-FAMILY MORTGAGE PROGRAM” herein, the Servicer is required to purchase Mortgage Loans from Mortgage Lenders, to issue Certificates backed by such Mortgage Loans, and, with respect to those Certificates that will be acquired with Bond proceeds, to sell those Certificates to the Trustee. Bank of America, N.A., will be the Servicer with respect to Mortgage Loans funded with proceeds made available upon the issuance of the Series Bonds and Bonds issued thereafter (unless other servicers are appointed by the Commission).

The Servicer’s ability to purchase and pool Mortgage Loans, and to issue and deliver Certificates, underlies the Trustee’s ability to spend Bond proceeds in a timely manner. See “BONDHOLDER RISKS—Risk of Early Redemption from Non-Origination” herein for a discussion of certain factors that might adversely affect the Servicer’s ability to acquire and pool Mortgage Loans, and to issue and deliver Certificates. Once Certificates have been issued to the Trustee, the Servicer’s primary duties involve the collection and distribution to the Trustee of payments received on account of the underlying Mortgage Loans. This includes payments received from GNMA, Fannie Mae and Freddie Mac with respect to defaulted Mortgage Loans.

Bank of America, N.A.

The information under this subheading has been provided solely by Bank of America, N.A. and is believed to be reliable, but has not been verified independently by the Commission. No representation whatsoever as to the accuracy, adequacy, or completeness of such information is made by the Commission.

Bank of America, N.A. (“BANA”) will serve as servicer to service Mortgage Loans originated by each Mortgage Lender with proceeds of the Series Bonds pursuant to the Servicing Agreement. As of December 31, 2010, BANA (either by itself or through its subsidiary BAC Home Loans Servicing, LP) provided servicing for approximately \$2.1 trillion aggregate principal amount of mortgage loans. BANA is (i) a Ginnie Mae-approved servicer of mortgage loans, (ii) a Fannie Mae approved servicer of Fannie Mae Certificates and (iii) a Freddie Mac approved servicer of Freddie Mac Certificates.

BANA has not participated in the structuring of the Program or the Bonds or the preparation of this Official Statement, except to the extent of providing the information contained under the heading “THE SERVICER.” BANA accepts no responsibility for the accuracy or completeness of this Official Statement or for the Bonds or the creditworthiness of the Bonds.

The BANA Servicing Agreement

BANA will service the Mortgage Loans originated with the proceeds of the 2011 Series A Bonds under the terms of a Program Administration and Servicing Agreement effective as of December 1, 2009, among the Commission, Wells Fargo Bank, N.A. and BANA (as amended from time to time, the “Servicing Agreement”). The principal responsibilities of BANA include purchasing, pooling and servicing the Mortgage Loans in compliance with the Servicing Agreement, the Acquisition and Operating Policy and the applicable Fannie Mae, GNMA or Freddie Mac documents, and selling the Certificates to the Trustee. See Appendix B for a summary of the GNMA, Fannie Mae and Freddie Mac programs.

The Servicing Agreement establishes basic obligations among the Commission, the Trustee and BANA with respect to the servicing of Mortgage Loans to be included in pools backing Certificates (and subject to the standard GNMA, Fannie Mae and Freddie Mac procedures for servicing mortgage loans) that may be revised, from time to time, to conform with the Program. The Commission is responsible under the Servicing Agreement for reviewing each Mortgage Loan originated by the Mortgage Lenders to determine compliance with GNMA, Fannie Mae and Freddie Mac loan documentation and tax compliance requirements. Upon completion of such review, BANA will complete all required documents and forms incidental to each approved Mortgage Loan in a GNMA, Fannie Mae or Freddie Mac pool. Under the Servicing Agreement, BANA is responsible for remitting the principal and interest payments

scheduled to be made on the Mortgage Loans under the terms of the applicable GNMA, Fannie Mae and Freddie Mac documents.

Subject to written approval by the Commission and the Trustee, the obligations and duties of BANA under the Servicing Agreement may be assigned to another firm then currently approved to act in such capacity by GNMA, Fannie Mae or Freddie Mac.

Pursuant to the Servicing Agreement, BANA is required to pay a servicing release fee to the Commission based on the outstanding amount of Mortgage Loans BANA acquires from the Mortgage Lenders (a portion of which will be utilized to pay origination fees to the Mortgage Lenders). BANA receives a portion of each monthly installment of interest under the Mortgage Loans and certain late charges paid by Mortgages as compensation for its services under the Servicing Agreement.

THE TRUSTEE

The information under this heading has been provided solely by the Trustee and is believed to be reliable, but has not been verified independently by the Commission. No representation whatsoever as to the accuracy, adequacy, or completeness of such information is made by the Commission.

The Trustee is one of the banking subsidiaries of Wells Fargo & Company, a holding company formed as a result of the November 1998 merger of the former Wells Fargo & Company into and with the former Norwest Corporation. Most recently, on December 31, 2008, Wells Fargo & Company acquired all of and became the successor by merger to Wachovia Corporation.

The Trustee itself is the successor by merger to various subsidiary banks of Wells Fargo & Company. Included among those subsidiary banks was Wells Fargo Bank Minnesota, N.A. (“WFBMN”). Prior to the merger, WFBMN had served as trustee for many of the Commission’s bond issues under either the Wells Fargo name or, earlier, as Norwest Bank Minnesota, N.A.

Most recently, on March 20, 2010, Wachovia Bank, N.A. was merged into the Trustee. As of September 30, 2010, the Trustee maintained capital and surplus of \$99.293 billion and held \$159.821 billion in managed assets. The Trustee has maintained and will continue to maintain its principal corporate trust office in Minnesota with corporate trust offices in several other states.

TAX TREATMENT AND RELATED CONSIDERATIONS

The Code establishes certain requirements that must be met subsequent to the Release Date of the 2009 Series AC2 Bonds and the issuance of the 2011 Series A Bonds (the 2009 Series AC2 Bonds and the 2011 Series A Bonds are collectively considered a single composite “issue” for purposes of the Code) in order that interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series Bonds to be includable in gross income retroactive to their date of original issuance. The requirements of the Code include provisions that restrict the yield and set forth other limitations within which the proceeds made available upon the issuance of the Series Bonds are to be invested, including mortgage eligibility requirements, and require that certain investment earnings be rebated on a periodic basis to the United States Treasury.

Section 143 of the Code imposes significant limitations on the financing of single-family Mortgage Loans that are applicable to the Series Bonds. The Commission will require that all Mortgage Loans financed by the proceeds made available upon the issuance of the Series Bonds satisfy these requirements, including, but not limited to, the borrower income and purchase price limitations of Section 143 of the Code.

Under the Code, the following requirements must be met with respect to each Mortgage Loan financed, in whole or in part, with the proceeds of Bonds: (a) the residence being financed must reasonably be expected by the Commission to become the principal residence of the mortgagor within a reasonable time after the financing is provided, must not be intended primarily or expected to be used in a trade or business and may not be used as an investment property or as a recreational home; (b) subject to certain exceptions, at least 95% of the lendable proceeds of an issue must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence during the three-year period prior to the date on which the mortgage is executed; (c) the acquisition cost of the residence must not exceed certain limitations; (d) all mortgages must be made to borrowers whose income does not exceed certain limitations; (e) except in certain limited circumstances, proceeds may not be

applied to acquire or replace an existing mortgage; and (f) if assumable in accordance with its terms, a mortgage may not be assumed unless requirements (a) through (d) above are met.

An issue of bonds is treated as meeting the mortgage eligibility requirements of the Code only if the issuer in good faith attempts to meet all of the mortgage eligibility requirements before the mortgages are executed and any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered. In addition, 95% or more of the proceeds of the issue used to make loans must be used to finance residences which met all such requirements at the time the loans were executed. In determining whether 95% of the proceeds have been so used, the issuer is entitled to rely on an affidavit of the mortgagor and of the seller and on the mortgagor's income tax returns filed with the Internal Revenue Service for the three years preceding the date the mortgage is executed even though the relevant information in such affidavits and returns should ultimately prove to be untrue, unless the Commission or its agent knows or has reason to believe that such information is false. If the relevant information in the affidavits obtained in connection with any loan is discovered to be untrue, however, the correction still must be made within a reasonable period.

The Commission will include provisions in the lender documents and other relevant documents and has established procedures (including receipt of certain affidavits and warranties from lenders, borrowers and others respecting the mortgage eligibility requirements) to ensure compliance with the mortgage eligibility requirements and other requirements relating to nonmortgage investments which must be met subsequent to the date of issuance of the Series Bonds. The Commission has covenanted in the Indenture to do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series Bonds shall be excludable from gross income for federal income taxes purposes. Under the Code, certain requirements must be met subsequent to the delivery of the Series Bonds to ensure that interest on such Bonds is not included in gross income.

Agreements, affidavits and other procedures are set forth in the documents relating to the Program to comply with the requirements of the Code. The Commission believes that the procedures and documentation requirements established for the purpose of fulfilling its covenant are sufficient to ensure that the proceeds of the Series Bonds will be applied in accordance with the Code.

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.

Opinion of Special Tax Counsel

In the opinion of Kutak Rock LLP, Special Tax Counsel, to be delivered, with respect to the 2011 Series A Bonds, on the date of issuance of the 2011 Series A Bonds, and, with respect to the 2009 Series AC2 Bonds, on the Release Date of the 2009 Series AC2 Bonds, assuming the accuracy of certain representations and continuing compliance by the Commission with certain covenants, under existing laws, regulations, rulings and judicial decisions, interest on the 2011 Series A Bonds and, from and after the Release Date, interest on the 2009 Series AC2 Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation, except as hereafter described. Special Tax Counsel is of the opinion that interest on the 2011 Series A Bonds and, with respect to the 2009 Series AC2 Bonds, from the Release Date (which date of issuance and Release Date are anticipated to be the same date) is not a specific preference item or included in adjusted current earnings for purposes of the alternative minimum tax imposed on individuals and corporations by the Code. A form of the Special Tax Counsel opinion with respect to the Series Bonds is attached hereto as Appendix E.

Although Special Tax Counsel is rendering an opinion that the interest on the Series Bonds, as described above, is not included in gross income for federal income tax purposes, 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. Special Tax Counsel expresses no opinion regarding any such consequences. Purchasers of the 2011 Series A Bonds and owners of the 2009 Series AC2 Bonds, particularly purchasers and owners that are corporations (including S corporations and

foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim 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, holding or selling the Series Bonds.

From time to time, there are legislative proposals in the United States Congress that, if enacted, could alter or amend the federal 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 proposals might be enacted or whether, if enacted, would apply to bonds issued prior to enactment. Each purchaser of the Series Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation, regulatory initiatives or litigation. Special Tax Counsel will not express any opinion regarding any pending or proposed federal tax legislation, regulatory initiatives or litigation.

Tax Treatment of Premium on PAC Bonds

The PAC Bonds were sold at a premium. An investor that acquires a PAC Bond for a cost greater than its remaining stated redemption price at maturity and holds the PAC Bond as a capital asset will be considered to have purchased the PAC Bond at a premium and, under Section 171 of the Code, must generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of bond premium, but such regulations do not fully address the method to be used to amortize bond premium on obligations such as the PAC Bonds. Therefore, investors should consult their tax advisors regarding the tax consequences of amortizing bond premium.

Original Issue Discount on 2009 Series AC2 Bonds

As a consequence of the interest rate change on the 2009 Series AC2 Bonds, the 2009 Series AC2 Bonds are treated as being issued and sold on the Release Date with an original issue discount. The amount of original issue discount which is treated as having accrued with respect to the 2009 Series AC2 Bonds is added to (including the addition of a negative amount which will have the effect of reducing) the cost basis of the owner of the 2009 Series AC2 Bonds in determining, for federal income tax purposes, gain or loss upon disposition of the 2009 Series AC2 Bonds (including their sale, redemption or payment at maturity). Purchasers of the 2009 Series AC2 Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable discount for Federal income tax purposes and with respect to the state and local tax consequences of owning a 2009 Series AC2 Bond.

CONTINUING DISCLOSURE

Basic Undertaking to Provide Continuing Disclosure

To meet the requirements of United States Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5) (the “Rule”), as applicable to the Underwriters, the Commission has undertaken in the General Indenture, for the benefit of owners and Beneficial Owners of the Bonds, to provide or cause to be provided certain information on a continuing basis (the “Undertaking”). That undertaking will be confirmed in the Series and Conversion Indenture. See “Compliance with Secondary Disclosure Requirements of the SEC” in Appendix A hereto for a more detailed summary of the Undertaking.

Disclosure Agent

The Indenture provides that the Trustee will act as agent (the “Disclosure Agent”) of the Commission and each “Obligated Person” with respect to the Undertaking, and not in its capacity as Trustee. As Disclosure Agent, the Trustee is not obligated to independently investigate the accuracy of certificates received by it in its capacity as Trustee. For purposes of the Rule and the Undertaking, there are no “Obligated Persons” with respect to the Series Bonds other than the Commission.

Annual Information

With respect to the Series Bonds, the Commission has undertaken to provide to the Municipal Securities Rulemaking Board (the “MSRB”) on an annual basis, in an electronic format as prescribed by the MSRB: (i) its audited financial statements; (ii) financial information and operating data regarding the Program of the type included

in this Official Statement in Tables F-1 and F-2 included in Appendix F hereto; and (iii) a balance sheet relating to the Indenture showing as “total assets” the principal amount of Certificates held, accrued interest receivables and cash, cash equivalents and investments, showing as “total liabilities” bonds payable and current liabilities, and showing “Asset Parity” (as defined in the Indenture). The financial information described in clauses (ii) and (iii) will be unaudited, and will be provided to the Disclosure Agent. The Disclosure Agent will provide such audited financial statements and other financial information to the MSRB (provided, that the Disclosure Agent shall not be so obligated if the Commission has notified the Disclosure Agent in writing that it has provided or caused to be provided to the MSRB such audited financial statements and financial information). In lieu of providing such audited financial statements and annual financial information, the Commission may cross-reference to other documents available to the public on the MSRB’s internet web site or filed with the SEC. The audited financial statements and financial information will be provided to the Disclosure Agent before the expiration of seven months after the Commission’s fiscal year, which currently ends June 30. The Commission may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB.

Material Event Notices

The Commission has undertaken to cause the Disclosure Agent to provide prompt notice of Material Events (as defined in Appendix A under the heading “Compliance with Secondary Disclosure Requirements of the SEC”) to the MSRB in an electronic format as prescribed by the MSRB. The Commission and any “Obligated Person” also may cause the Disclosure Agent to file other notices from time to time with the MSRB. The Disclosure Agent is required to provide timely notice to the MSRB of any failure by the Disclosure Agent to provide to the MSRB the annual financial information or audited financial statements required to be provided on or before the due date thereof.

Past Compliance with Undertakings

The Commission has complied with its continuing disclosure undertakings under the Indenture and under the Single-Family Indenture in all material respects during the past five years.

FINANCIAL STATEMENTS

The Commission’s audited annual financial statements for the fiscal years ending June 30, 2006 through 2010 were filed and should be available at those nationally recognized municipal securities information repositories designated by the SEC for purposes of its Rule 15c2-12 at the time such financial statements were filed. Copies of such financial statements are available from the Commission upon payment to the Commission of a charge for copying, mailing and handling. Requests for such copies should be addressed to the Commission’s Senior Director of Finance and IT Services.

The audited financial statements reflect all of the Commission’s programs and funds. But for certain information set forth in such financial statements under the heading “COMBINING INFORMATION AND REQUIRED SUPPLEMENTARY INFORMATION—Combined Open Indenture” and accompanying notes, if any, together with those portions of the auditor’s letter pertaining to such information, the Commission’s audited financial statements describe assets and revenues that are not available to pay any principal of or interest on the Bonds.

UNDERWRITING

2011 Series A Bonds

RBC Capital Markets, LLC (“RBC CM”), George K. Baum & Company, Edward D. Jones & Co., L.P. and Morgan Keegan & Company, Inc. (together, the “Underwriters”) have agreed, subject to certain conditions, to purchase from the Commission the 2011 Series A Bonds, at a price equal to par, plus an original issue premium of \$462,283.00. The obligation of the Underwriters to purchase the 2011 Series A Bonds is subject to certain terms and conditions set forth in a bond purchase contract between RBC CM and the Commission, including the release from escrow of proceeds related to the 2009 Series AC2 Bonds on the Release Date. The fee of the Underwriters payable in connection with the initial sale of the 2011 Series A Bonds is \$339,143.75. The Underwriters may offer and sell the 2011 Series A Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

RATING

Moody's has assigned its rating of "Aaa" to the Series Bonds. Such rating reflects only the views of Moody's at the time the rating was given, and the Commission makes no representation about the appropriateness of the rating. An explanation of the significance of such rating may be obtained only from Moody's. There is no assurance that such rating will continue for any given time or that it will not be revised downward or withdrawn entirely by Moody's if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series Bonds.

ABSENCE OF MATERIAL LITIGATION

There is no proceeding pending or threatened to restrain or enjoin the issuance or sale of the 2011 Series A Bonds, or the Conversion of the 2009 Series AC2 Bonds or in any way contesting or affecting the validity of the Series Bonds or any proceedings of the Commission taken with respect to the issuance, sale or conversion thereof, the pledge or application of any money or securities provided for the payment of the Series Bonds or the existence or powers of the Commission insofar as they relate to the authorization, sale, issuance and conversion of the Series Bonds or such pledge or application of money and securities.

CERTAIN LEGAL MATTERS

All legal matters in connection with the issuance of the 2011 Series A Bonds and the conversion of the 2009 Series AC2 Bonds are subject to the approval of K&L Gates LLP, Seattle, Washington, Bond Counsel and by Kutak Rock LLP, Omaha, Nebraska, Special Tax Counsel. K&L Gates LLP also serves as General Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by Foster Pepper PLLC, Spokane, Washington. Any opinion of such firm will be rendered solely to the Underwriters, will be limited in scope, and cannot be relied upon by investors without the written consent of such firm.

MISCELLANEOUS

Potential Conflicts of Interest

The Commission is aware of the following conflicts of interest various parties may have in connection with the issuance of the 2011 Series A Bonds and the conversion of the 2009 Series AC2 Bonds.

Institutions with which some of the Commission's members are associated participate from time to time in the Commission's programs or serve in positions of responsibility with respect to the Commission's programs or bond issues. Those Commission members' participation in decisions concerning such programs is governed by, and is in accordance with, State law and the Commission's regulations concerning conflicts of interest.

Some or all of the fees of the Underwriters, the Trustee, the Commission's Bond Counsel, Special Tax Counsel and Underwriters' Counsel are contingent upon the sale of the 2011 Series A Bonds and the conversion of the 2009 Series AC2 Bonds.

From time to time Bond Counsel and Special Tax Counsel may serve as counsel to the Underwriters and to other parties involved with the Series Bonds (including, in the case of Special Tax Counsel, Freddie Mac) and the Mortgage Loans, with respect to transactions other than the issuance of bonds of the Commission, and Special Tax Counsel may on occasion also serve as counsel to the providers of one or more Investment Agreements. Likewise, Underwriters' Counsel represents the Commission from time to time on matters unrelated to the issuance of the 2011 Series A Bonds and the conversion of the 2009 Series AC2 Bonds and may serve as counsel to other parties involved with the Mortgage Loans in matters unrelated to the Program.

Entities that are related to the Underwriters may from time to time provide Investment Agreements for various Series of Bonds. In addition to performing as one of the Servicers, Bank of America, N.A. is a Mortgage Lender participating in the Program.

Summaries, Opinions and Estimates Qualified

All of the foregoing summaries or descriptions of provisions of the Indenture and other documents are made subject to all of the provisions of law and such documents and these summaries do not purport to be complete statements of such provisions. Reference is hereby made to such documents for further information in connection therewith. A

copy of the aforementioned documents may be examined at the office of the Commission in Seattle, Washington. All summaries of documents and agreements are qualified in their entirety by reference to those documents and agreements, and all summaries of the Series Bonds and the Bonds contained in this Official Statement are qualified in their entirety by reference to the definitive forms thereof, copies of which are available for inspection at the principal corporate trust office of the Trustee.

Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The agreements of the Commission with respect to the Bondowners are fully set forth in the Indenture. This Official Statement is not to be construed as a contract with the purchasers of the Series Bonds.

WASHINGTON STATE HOUSING FINANCE
COMMISSION

By: /s/ Karen Miller
Chair

[51124886.1]

**APPENDIX A:
SUMMARY OF THE GENERAL INDENTURE**

The following is a summary of certain provisions of the Homeownership General Trust Indenture dated as of December 1, 2009, between the Commission and the Trustee, as amended by the First Supplement thereto dated as of March 1, 2011, and is qualified in its entirety by reference to the Homeownership General Trust Indenture. The Homeownership General Trust Indenture is referred to in this Official Statement as the "General Indenture." For a description of certain other provisions of the General Indenture, see "THE SERIES BONDS," "SECURITY FOR THE BONDS" and "CONTINUING DISCLOSURE."

Certain Definitions

Some of the terms defined in the General Indenture that are used in the Official Statement appear in the immediately following paragraphs. Certain of the following definitions have been condensed or otherwise modified when appropriate for purposes of the Official Statement.

"Accreted Value" means, with respect to any of the Convertible Deferred Interest Bonds, the total amount of principal thereof and interest payable thereon determined solely by reference to the Table of Accreted Values set forth in a Series Indenture or Remarketing Indenture. The Accreted Value as of any date other than those specified in the Table of Accreted Values shall be the sum of: (a) the Accreted Value as of the last Debt Service Payment Date which is prior to the date as of which the calculation is being made plus (b) interest thereon to the date as of which the calculation is being made at the interest rate per annum set forth in the applicable Series Indenture or Remarketing Indenture; provided, that the Accreted Value of each Convertible Deferred Interest Bond on or after its Full Accretion Date shall be equal to the Accreted Value as of such Full Accretion Date.

"Accretion" means, with respect to any Compound Interest Bond or Convertible Deferred Interest Bond, the amount by which the current Accreted Value exceeds the Issuance Amount of such Bond.

"Acquisition and Operating Policy" means the then currently effective document or documents certified by an Authorized Officer, specifying, among other things, the rules which govern the application of money and assets in a Series Acquisition Account and Series Reservation Account, the current rules which govern the application of Revenues, excess amounts in the Reserve Fund, and the Expense Requirement for each Series of Bonds.

"Amortized Value" means the purchase price of securities, excluding accrued interest, plus an amortization of any discount or less an amortization of any premium included in the purchase price. The premium or discount shall be amortized on an actuarial basis, so that the Amortized Value at any time equals the price at which the yield on a security equals the yield of such security as of its original purchase. In the case of an Investment Security callable at the option of the issuer thereof, the original yield and Amortized Value will be computed on the assumption that, for securities purchased at a premium, such security is called as of the first possible call date, provided that after such call date, the value of the Investment Security will be computed at par, or for securities purchased at a discount, such security is held to maturity.

"Asset Parity" means a ratio in which:

1. the numerator is the aggregate value of all assets under the Trust Estate (excluding amounts in the Rebate Fund, Cost of Issuance Fund, Expense Fund and Homeownership Commission Fund), including:
 - a. the Mortgage Value of all Certificates and all Whole Loans;
 - b. the Investment Value of all Investment Securities in the funds and accounts; and
2. the denominator is the aggregate value of all outstanding liabilities payable from the Trust Estate, including:
 - a. the Bond Value of all Outstanding Bonds other than Subordinate Bonds; plus
 - b. the aggregate amount of Enhancement Accruals; plus
 - c. the excess of the aggregate Expense Requirements over the amount on deposit in the Expense Funds; plus

d. the excess of the aggregate Rebate Requirements over the amount on deposit in the Rebate Fund.

“Asset Parity Determination” means, in connection with certain actions to be taken by the Trustee under the General Indenture, a determination by the Trustee or a certification by an Authorized Officer filed with the Trustee, that, taking into account the proposed action, Asset Parity will be equal to or greater than 100% after taking the proposed action.

“Authorized Officer” means the Chair, Vice Chair, Secretary, Treasurer, or Executive Director of the Commission, and any other officer or employee of the Commission authorized by resolution of the Commission to perform the act or sign the document in question.

“Bond” or “Bonds” means any evidence of indebtedness issued pursuant to the General Indenture and designated in the applicable Series Indenture as a “Bond,” and may include bonds, notes and other forms of long-term and short-term indebtedness.

“Bond Counsel” means a firm of nationally recognized attorneys at law, appointed by the Commission, and experienced in the financing of qualified mortgage bond programs through the issuance of tax-exempt revenue bonds under the exemptions provided under the Code.

“Bond Counsel Opinion” means an opinion of Bond Counsel.

“Bond Value” means with respect to any date, the principal amount of Current Interest Bonds, the Accreted Value with respect to Compound Interest Bonds and Convertible Deferred Interest Bonds, plus accrued interest with respect to Current Interest Bonds and Convertible Deferred Interest Bonds after the Full Accretion Date with respect thereto, provided that for the purpose of establishing the Bond Value of Bonds Outstanding in order to measure Owner approvals, consents or requests, the Bond Value for each date other than a Regular Payment Date shall be the Bond Value as of the prior Regular Payment Date.

“Bond Year” means the period for a Series of Bonds as specified in the Arbitrage and Tax Certification.

“Business Day” means a day on which banks in the city in which the principal corporate trust office of the Trustee is located or in New York, New York, are not required or authorized by law to remain closed and on which the New York Stock Exchange is not closed.

“Cash Equivalent” means a letter of credit, insurance policy, surety, guarantee or other security arrangement upon which the Commission or the Trustee may make a draw to provide funds as needed for the Reserve Fund or to provide Supplemental Mortgage Coverage.

“Cash Flow Certificate” means, in connection with certain actions to be taken by the Commission, a Certificate of an Authorized Officer filed with the Trustee which (1) describes the proposed action and (2) has the Supporting Cash Flows attached.

“Cash Flow Consultant” means the Commission, the Trustee, or an accounting, investment banking, banking, financial advisory, program consulting, or quantitative services firm that has experience in the preparation of cash flow projections of the type described in the General Indenture and is acceptable for such purposes to the Rating Agency.

“Certificates” means GNMA Certificates, Fannie Mae Certificates and Freddie Mac Certificates, and participations therein in each case representing interests in securitized Mortgage Loans.

“Code” means the Internal Revenue Code of 1986 and all subsequent tax legislation duly enacted by the Congress of the United States applicable to the Bonds. Each reference to a Section of the Code shall be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

“Commission” means the Washington State Housing Finance Commission, a public body corporate and politic established by the Act.

“Commission Fee” means, with respect to each Series of Bonds, the maximum amount as specified by formula in the Acquisition and Operating Policy that may be withdrawn from the General Receipts Account and deposited in

the Expense Fund to be paid to the Commission, other than for payment or reimbursement of the Commission's obligations to third parties.

"Commission Request" means, in connection with certain actions to be taken by the Trustee, a Certificate of an Authorized Officer filed with the Trustee which (1) describes the proposed action and (2) states that the proposed action is permitted or directed by the Acquisition and Operating Policy and provides a reference to the applicable provision therein.

"Compound Interest Bonds" means those Bonds the interest on which will not be paid until the Stated Maturity thereof, or earlier upon redemption.

"Conversion" means the adjustment of the interest rate with respect to a Series of Bonds to an alternate rate as set forth in a Series Indenture.

"Conversion Indenture" means a supplement to a Series Indenture providing for the Conversion of the interest rate on all or a portion of a Series of Bonds.

"Conventional Loans" means Mortgage Loans that are not FHA Insured, VA Guaranteed or RECDS Guaranteed.

"Convertible Deferred Interest Bond" means those Bonds, the interest on which will accrete until the Full Accretion Date, unless paid upon redemption, and after such Full Accretion Date will be paid on each Debt Service Payment Date.

"Cost of Issuance" means items of expense payable or reimbursable directly or indirectly by the Commission and related to the authorization, sale, remarketing, resetting of the interest rate and issuance of the Bonds, which items of expense will include, but not be limited to, advertising costs, printing costs, costs of reproducing documents, filing and recording fees, initial fees, charges and expenses (including counsel's fees and expenses) of the Trustee, legal fees and charges (including Bond Counsel), professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of bonds, placement agent or underwriter's fees and expenses, Commission fees, costs and expense of refunding, and other costs, charges and fees in connection with the foregoing.

"Current Interest Bonds" means those Bonds the interest on which is paid on a current basis on each Debt Service Payment Date.

"Debt Service Payment Date" means each date on which principal and/or interest on the Bonds is to be paid, including but not limited to a Regular Payment Date and dates on which Bonds are redeemed or purchased in lieu of redemption.

"Delivery Period" means the period of time set forth in an Acquisition and Operating Policy during which Certificates or Whole Loans may be acquired from amounts in a Series Acquisition Account by the Trustee from a Servicer or a Mortgage Lender.

"DTC" means The Depository Trust Company, New York, New York.

"Eligible Collateral" means Certificates and Whole Loans which are eligible to be purchased by the Trustee in accordance with the Acquisition and Operating Policy.

"Eligible Persons and Families" means a person or persons or family or families (1) intending principally and permanently to reside as a household in a Single-Family Residence (as defined in the Origination Agreements); (2) whose total Annual Family Income (as defined in the Origination Agreements) does not exceed the appropriate Maximum Annual Family Income (as defined in the Origination Agreements); and (3) with respect to each person or persons who purchases a Single-Family Residence not located within a Targeted Area, each such person who is executing the Mortgage and occupying the Single-Family Residence is a First-Time Homebuyer (as defined in the Origination Agreements).

"Enhancement Accrual" means the accrued portion of any regular payment or receipt under an Enhancement Agreement coming due on or before the next succeeding Regular Payment Date. Unless otherwise specified in the Acquisition and Operating Policy, daily accrual of the Enhancement Accrual shall be computed on a straight-line basis over the period between payments under an Enhancement Agreement.

“Enhancement Agreement” means a contractual arrangement providing for credit enhancement, liquidity enhancement, or interest rate risk protection with respect to a Series of Bonds as specified in the applicable Series Indenture or Remarketing Indenture.

“Expense Limitation” means, with respect to each Series of Bonds, the maximum periodic amount as specified by the formula in the Acquisition and Operating Policy that may be transferred from the General Receipts Account for deposit in the Expense Fund for the payment of Expenses.

“Expense Requirement” means, with respect to each Series of Bonds as of any date of calculation, the accrued but unpaid portion of Expenses, assuming that such expenses accrue at a daily rate determined by proration of the Expense Limitation.

“Expenses” means amounts payable to the Commission or to third parties for any services or credit enhancement provided in connection with the Program, including without limitation the Commission Fee, the Trustee Expenses, the fees and expenses of Bond Counsel, the fees and expenses of any rebate analyst, the fees and expenses of any Cash Flow Consultant, fees and expenses of any Tender Agent or Remarketing Agent, any other costs relating to the payment or notification of Owners and the costs of Supplemental Mortgage Coverage.

“Fannie Mae,” as used in this Official Statement (including this Appendix A), has the same meaning as the term “FNMA” in the General Indenture, which is defined to mean the Federal National Mortgage Association.

“Fannie Mae Certificates,” as used in this Official Statement (including this Appendix A), has the same meaning as the phrase “FNMA Certificates” in the General Indenture, which is defined to mean the guaranteed mortgage securities issued by Fannie Mae, the timely payment of principal of and interest on which is guaranteed by Fannie Mae, representing the entire interest in a separate pool of mortgage loans purchased by Fannie Mae.

“Federal Mortgage Loans” means Mortgage Loans that are FHA-Insured, VA-Guaranteed or RUS Guaranteed.

“FHA” means the Federal Housing Administration of the U.S. Department of Housing and Urban Development or any successor to its functions.

“FHA Insurance” means FHA mortgage insurance issued under Section 203(b), 234(c), 203(b)(2) or 203(k) or other sections under Title I or Title II of the National Housing Act of 1934, as amended.

“FHA Insured” means insured under FHA Insurance.

“Freddie Mac,” as used in this Official Statement (including this Appendix A), has the same meaning as the term “FHLMC” in the General Indenture, which is defined to mean the Federal Home Loan Mortgage Corporation.

“Freddie Mac Certificates,” as used in this Official Statement (including this Appendix A), has the same meaning as the phrase “FHLMC Certificates” in the General Indenture, which is defined to mean the guaranteed mortgage securities issued by Freddie Mac, the timely payment of principal of and interest on which is guaranteed by Freddie Mac, representing undivided interests in groups of Mortgage Loans purchased by Freddie Mac.

“Full Accretion Date” means the date on which Convertible Deferred Interest Bonds reach the Accreted Value equal to the value at maturity and on which the accrual of interest subject to periodic payment commences.

“GNMA” means the Government National Mortgage Association, a wholly owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development whose powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C. § 1716 *et seq.*).

“GNMA Certificate” means a certificate purchased by the Trustee, issued by the Servicer and guaranteed by GNMA pursuant to GNMA’s GNMA I or GNMA II mortgage-backed securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended, and based on and backed by Mortgage Loans referred to in the GNMA Guaranty Agreement, which certificate shall unconditionally obligate the Servicer to remit monthly to the holder thereof its pro-rata share of (1) principal payments and prepayments made in respect of the pool of Mortgage Loans represented by the GNMA Certificate and (2) interest received in an amount equal to the Pass-Through Rate. GNMA will guarantee to the holder of each GNMA Certificate such holder’s pro-rata share of (1) the timely payment of interest at the applicable Pass-Through Rate on the unpaid principal balance of the Mortgage Loans represented by the GNMA Certificate and (2) the timely payment of principal in accordance with

the terms of the principal amortization schedule applicable to the Mortgage Loans represented by such GNMA Certificate.

“GNMA Guaranty Agreement” means the one or more Guaranty Agreements between the Servicer and GNMA now or hereafter in effect pursuant to which GNMA has agreed or will agree to guarantee GNMA Certificates.

“General Indenture,” as used in this Official Statement (including this Appendix A), has the same meaning as the word “Indenture,” as defined in the Homeownership General Trust Indenture dated as of December 1, 2009, between the Commission and the Trustee (*i.e.*, the Homeownership General Trust Indenture dated as of December 1, 2009, as from time to time amended or supplemented in accordance with the terms and provisions thereof).

“Government Obligations” means (1) direct obligations of or obligations fully guaranteed as to timely payment by the United States of America that may include, but are not limited to, United States currency; United States Treasury obligations; Zero Interest SLGS Separate Trading or Registered Interest and Principal of Securities (“STRIPS”) and Coupons Under Book-Entry Safekeeping (“CUBES”), provided that the underlying U.S. Treasury obligation is not callable before maturity; certificates of beneficial ownership of the Rural Housing and Community Development Service; participation certificates of the General Services Administration; guaranteed Title IX financings of the U.S. Maritime Administration; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association other than the GNMA Certificates; local authority bonds guaranteed by the U.S. Department of Housing and Urban Development; and guaranteed transit bonds of the Washington Metropolitan Area Transit Authority and (2) interest obligations of the Resolution Funding Corporation (“REFCORP”), including, but not limited to, interest obligations of REFCORP stripped by the Federal Reserve Bank of New York.

“Homeownership Commission Fund” means the Fund so designated and established pursuant to the General Indenture.

“Initial Rate” means the interest rate or rates applicable to a series of Bonds subject to Remarketing from the dated date thereof until such Bonds are Reset, converted, remarketed on a Remarketing Date, or redeemed.

“Insurance Proceeds” means payments received with respect to Mortgage Loans under any insurance policy, guarantee or fidelity bond, including amounts available under any Supplemental Mortgage Coverage, less any expenses incurred in realizing such payments and less any reimbursement of advances due the insurer or provider of such guarantee or bond.

“Interest Commencement Date” means with respect to a Convertible Deferred Interest Bond the first Debt Service Payment Date after the Full Accretion Date.

“Interest Requirement” means, with respect to each Series of Bonds as of any date of calculation, an amount equal to the accrued but unpaid interest of the Bonds of such Series (except Compound Interest Bonds or Convertible Deferred Interest Bonds before the Full Accretion Date), plus with respect to each Enhancement Agreement, any Enhancement Accrual.

“Investment Agreement” means an agreement among the Commission, the Trustee and a financial institution or entity as specified in a Series Indenture or Remarketing Indenture, and all amendments and supplements thereto, providing for the investment of funds subject to the return of principal at the option of the Commission or pursuant to the Commission’s obligations under the General Indenture.

“Investment Securities” means Permitted Investments held by the Trustee under the General Indenture other than Certificates or Whole Loans.

“Investment Value” means, as of any date of calculation: (1) with respect to any Investment Securities held in the Bond Reserve Fund, the Amortized Value of such Investment Securities, plus accrued interest; or (2) with respect to any Investment Securities held in any other Fund, the Liquidation Value of such Investment Securities, plus accrued interest.

“Issuance Amount” means, with respect to a Compound Interest Bond or a Convertible Deferred Interest Bond, the principal amount of such Bond as of its date of issuance.

“Liquidation Proceeds” means the net amounts (other than Insurance Proceeds) received in connection with the liquidation of a defaulted Mortgage Loan, whether through foreclosure, trustee’s sale, repurchase by a Mortgage Lender, or otherwise, less any costs and expenses incurred in realizing those amounts.

“Liquidation Value” means, as of any date of calculation:

1. with respect to any Investment Agreement, repurchase agreement, time deposit, or other Investment Security providing for the return of principal at the option of the Commission or pursuant to the Commission’s obligations under the General Indenture, the principal amount invested under such Investment Security, plus accrued interest;
2. with respect to any Investment Securities with a maturity date on or before the next Regular Payment Date, the Amortized Value of such Investment Securities, plus accrued interest; and
3. with respect to any other Investment Securities, the lesser of:
 - a. the average of the bid and asked prices most recently published before the date of determination for each Investment Security the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* or, if not there, in *The New York Times*, or the average bid price as of the date of determination by any two nationally recognized government securities dealers selected by the Trustee for each Investment Security the bid and asked prices of which are not published on a regular basis as set forth above, plus accrued interest; or
 - b. for each Investment Security currently subject to call at the option of the issuer thereof, the current price at which such Investment Security would be redeemed, plus accrued interest.

“Mandatory Sinking Account Payment” means, as of any date of calculation, with respect to the Term Bonds of any Series and maturity, the principal amount required to be paid on a given date for the redemption before maturity or the purchase of such Term Bonds pursuant to a Series Indenture or Remarketing Indenture. Such amounts may be established as fixed-dollar amounts or by formula.

“Mandatory Special Redemption” means, as of any date of calculation, any redemption of Bonds which the Commission is obligated to undertake at such time pursuant to the terms of a Series Indenture or Remarketing Indenture, which may be based on the satisfaction of conditions specified in such Series Indenture or Remarketing Indenture, but excluding Mandatory Sinking Account Payments.

“Mortgage” means the written instrument securing the related Mortgage Loan and encumbering a Single-Family Residence, which instrument shall include, but not be limited to, the then-effective form required by FHA for FHA-Insured Mortgages, the form required by RUS for the RUS-Guaranteed Mortgages, the form required by VA for VA-Guaranteed Mortgages, the form required by Fannie Mae with respect to Fannie Mae Certificates, the form required by Freddie Mac with respect to Freddie Mac Certificates, the form required by GNMA with respect to GNMA Certificates, as applicable, with appropriate riders.

“Mortgage Lender” means a home mortgage lending institution or entity that has entered into an Origination Agreement.

“Mortgage Loan” means a loan made by a Mortgage Lender to an Eligible Person or Family, evidenced by a Mortgage Note secured by a related Mortgage on a Single-Family Residence located in the state of Washington, and meeting the requirements of the Acquisition and Operating Policy. Mortgage Loans may be securitized by and included in Certificates or acquired by the Trustee as Whole Loans.

“Mortgage Note” means the written note evidencing the indebtedness secured by a mortgage with respect to the financing of a Single-Family Residence.

“Mortgage Value” means, as of any date of calculation, with respect to each Certificate and each Whole Loan, 100% of the unpaid principal balance thereof (taking into account Supplemental Mortgage Coverage).

“Mortgagor” means any person who has a present ownership interest in a Single-Family Residence subject to the related Mortgage and/or executes the Mortgage (but does not include any person who executes only the Mortgage Note as a guarantor or co-signor and who does not have such a present interest or who does not execute the

Mortgage Note and although executing the Mortgage, has provided evidence satisfactory to the Mortgage Lender and Servicer that such person will not occupy the Single-Family Residence).

“Origination Agreement” means a Mortgage Origination Agreement or Agreements among the Commission, the Servicer (if applicable) and each Mortgage Lender by which the Mortgage Lender agrees to make Mortgage Loans and to sell and assign such Mortgage Loans.

“Outstanding,” when used with reference to Bonds, means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Indenture, except (1) Bonds (or portions of Bonds) for the payment or redemption of which there will be held in trust by the Trustee under the General Indenture (whether at or before maturity or redemption date) (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date or (b) noncallable Investment Securities of the type described in clause (1) of the definition of “Permitted Investments” in such principal amounts, having such maturities and bearing such interest, as, together with money, if any, shall be sufficient to pay when due the principal amount or Redemption Price, as the case may be, with interest to the date of maturity or redemption date, provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the General Indenture; (2) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Indenture; and (3) Bonds deemed to have been paid as provided in the General Indenture.

“Owner” or any similar term, means the registered owner of any Outstanding Bond or Bonds.

“Pass-Through Rate” means, with respect to a Certificate, the stated rate on such Certificate and, with respect to a Whole Loan, the stated rate on such Whole Loan, less the rate at which Servicing Fees are to be computed under the Servicing Agreement.

“Permitted Investments” means such of the following as are at the time legal investments for fiduciaries under the laws of the State for money held under the General Indenture that is then proposed to be invested therein and which will mature or be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the money will be required for the purposes intended:

1. (a) Government Obligations or (b) obligations with the highest long-term rating by the Rating Agency, of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of such Government Obligations;
2. (a) notes, bonds, debentures or other obligations issued by the Student Loan Marketing Association (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed-dollar amount at maturity or call date), Federal Home Loan Banks, the Tennessee Valley Authority, the Farm Credit System, Freddie Mac (which guarantees full and timely payment of principal and interest), the Resolution Trust Corporation and the Small Business Administration or (b) bonds, debentures or other obligations issued by Fannie Mae, in each case (i) excluding mortgage securities which represent payments of principal only or interest only with respect to the underlying mortgage loans and (ii) with a rating by the Rating Agency at least equal to the Rating Agency’s existing Rating on the Bonds, other than Subordinate Bonds;
3. any other obligations of any agency controlled or supervised by and acting as an instrument of the United States pursuant to authority granted by the Congress of the United States, as set forth in a Series Indenture with a rating by the Rating Agency at least equal to the Rating Agency’s existing rating on the Bonds, other than Subordinate Bonds;
4. certificates of deposit, time deposits, and bankers acceptances (having maturities of not more than 365 days) of any bank (or, in the case of the principal bank in a bank holding company, debt obligations of the bank holding company) having ratings on its unsecured debt obligations determined by the Rating Agency to not adversely affect the rating on the Bonds;
5. repurchase agreements fully collateralized at 102% by obligations (held by third parties or the Trustee) which are listed in (1) above with institutions having the ratings determined by the Rating Agency to not adversely affect the rating on the Bonds;
6. investment agreements with institutions having the ratings determined by the Rating Agency to not adversely affect the rating on the Bonds;

7. direct and general obligations of or obligations guaranteed by any state, municipality or political subdivision or agency of a state or municipality, and certificates of participation in obligations of the state, which obligations may be subject to annual appropriations and are rated by the Rating Agency at least equal to the Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds;
8. bonds, debentures, or other obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed-dollar amount at maturity or call date) issued by any bank, trust company, national banking association, insurance company, corporation, government or governmental entity (foreign or domestic), provided that such bonds, debentures or other obligations are (a) payable in any coin or currency of the United States of America that at the time of payment will be legal tender for the payment of public and private debts and (b) rated by the Rating Agency at least equal to the Rating Agency's Rating on the Bonds, other than Subordinate Bonds;
9. commercial paper (having original maturities of not more than 365 days) with the highest short-term rating by the Rating Agency;
10. money market funds, bond funds and similar funds that invest their assets exclusively in obligations described in clauses (1) through (9) above and which have been rated by the Rating Agency in the highest rating category assigned by such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);
11. Federal Housing Administration debentures; and
12. any investments authorized in a Series Indenture.

The definition of "Permitted Investments" may be amended and additional obligations included by a Supplemental Indenture upon the filing of a Rating Confirmation with the Trustee. For purposes of this definition, "institution" means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation of a government.

"Principal Payment" means, with respect to a Series of Bonds on any Debt Service Payment Date, the amount of principal and Accretion due and payable on the Bonds of such Series on such date, whether due at maturity or payable pursuant to a Mandatory Sinking Account Payment.

"Principal Receipts" means any payment by a mortgagor or any other recovery of principal on a Mortgage Loan, including scheduled and unscheduled installments of principal on the Mortgage Loan whether paid to the Trustee directly or through payments on or in disposition of a Certificate. Principal Receipts includes, without limitation, the portion of any Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), Liquidation Proceeds, amounts from the sale or other disposition of a Mortgage Loan (whether in the format of a Whole Loan or Certificate) or net recovery from Supplemental Mortgage Coverage to the extent not included in Insurance Proceeds, in each case representing such principal amounts.

"Principal Requirement" means, with respect to each Series of Bonds as of any date of calculation, an amount equal to: (1) the accrued portion of the Principal Payment coming due on or before the next succeeding Regular Payment Date. For such purposes, daily accrual of principal shall be computed on a straight-line basis over the period between scheduled payments of principal on the Series; or (2) the Redemption Price of any Bonds for which notice of Redemption has been issued (other than by operation of Mandatory Sinking Account Payments), but which have not been retired.

"Program" means the Commission's program of financing Mortgage Loans pursuant to the General Indenture and the Origination Agreements.

"Proportionate Basis" means when used with respect to the redemption of Bonds, that the funds available for payment of the Redemption Price, before rounding, shall be applied so that the percentage of the Bond Value of each maturity to be redeemed (in relation to the amount of Bonds of such maturity Outstanding immediately before such redemption) shall equal the same percentage for every maturity. The amount so determined for each maturity may be rounded up or down, at the discretion of the Commission, to an amount representing an integral multiple of the denomination of the Bonds of such maturity. For the purposes of the foregoing, Term Bonds shall be deemed to mature on the dates and in the amounts of then-current Mandatory Sinking Account Payments.

“Purchase Price” means, with respect to a Certificate or Whole Loan, the amount to be paid by the Trustee for its purchase expressed as a percentage of the outstanding principal amount of such Certificate or Whole Loan as set forth in the Acquisition and Operating Policy, excluding any accrued interest on such Certificate or Whole Loan to the date of purchase.

“RUS” means the Rural Utilities Service of the U.S. Department of Agriculture, or any successor to its functions.

“RUS-Guaranteed” means guaranteed as to the payment of principal and interest by RUS.

“Rating” means the rating designation assigned to the Bonds by a Rating Agency.

“Rating Agency” means a nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Commission.

“Rating Confirmation” means the formal written confirmation by the Rating Agency that the proposed action, including the issuance or Remarketing of Bonds, will not reduce the Rating on the Outstanding Bonds (excluding Subordinate Bonds).

“Rebate Requirement” means, as of any particular date of calculation with respect to a Series of Bonds, the amount required to be on deposit in the Rebate Fund as required by the Acquisition and Operating Policy, but which amount shall in no event be less than an amount sufficient to provide for the Payment of any Rebate Amount as specified by a Rebate Analyst.

“Record Date” means the 15th day of the calendar month next preceding any Debt Service Payment Date or, in the case of any proposed redemption of Bonds, the day preceding the date of the mailing of the notice of such redemption.

“Redemption Date” means a date on which Bonds are to be redeemed at or before their maturity.

“Redemption Price” means, with respect to any Bond, the principal amount or Accreted Value thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Indenture.

“Regular Payment Date” means April 1 and October 1 of each year.

“Remarketed Bonds” means the Bonds that have been subject to a Remarketing.

“Remarketed Rate” means the annual interest rates (or, with respect to Compound Interest Bonds and Convertible Deferred Interest Bonds, the yields) in effect on the Remarketed Bonds of a Series from and after a Remarketing Date.

“Remarketing” means the remarketing or refunding of all or a portion of a Series of Bonds to establish an interest rate on Mortgage Loans.

“Remarketing Agent” means an agent designated by the Commission and any successor thereto as shall be designated by the Commission authorized to remarket a Series of Bonds on behalf of the Commission.

“Remarketing Agreement” means an agreement among the Remarketing Agent, the Trustee and the Commission, providing for a Remarketing of all or a portion of a Series of Bonds to establish the interest rate on Mortgage Loans.

“Remarketing Date” means the date on which a Remarketing occurs.

“Remarketing Indenture” means a supplement to a Series Indenture providing for the Remarketing of all or a portion of a Series of Bonds.

“Reservation Fund” means the Fund so designated and established pursuant to the General Indenture.

“Reserve Requirement” means, as of any particular date of calculation, an amount equal to the sum of all amounts established as Series Reserve Requirements in the Series Indentures and/or Remarketing Indentures for all Series of Bonds Outstanding (other than Subordinate Bonds).

“Reset” means, before a Remarketing, the adjustment of the interest rate with respect to a Series of Bonds that have not been remarketed to a Reset Rate for a Reset Period.

“Reset Date” means the date established for a Reset in a Series Indenture.

“Reset Period” means the period from and including a Reset Date to but not including the date on which the Bonds are Remarketed or redeemed or the interest rate is further Reset.

“Reset Rate” means the rate for each Series of Bonds during a Reset Period with respect to Bonds of such Series that have not been remarketed.

“Revenues” means all income, revenues, proceeds and other amounts received by or payable to the Trustee from or in connection with the Certificates or Whole Loans (including without limitation Principal Receipts and interest) all amounts received by or payable to the Trustee under the Origination Agreement or Servicing Agreements, and any and all interest, profits or other income derived from the investment of amounts in any fund established pursuant to the General Indenture, but does not include any amount retained by a Servicer as a Servicing Fee or other compensation or amounts to be paid to the United States Government, or interest on amounts in the Cost of Issuance Fund, Expense Fund, Homeownership Commission Fund, or Rebate Fund, or a Series Reservation Account excluded pursuant to a Series Indenture.

“Serial Bonds” means the Bonds maturing on consecutive Debt Service Payment Dates, as set forth in a Series Indenture or Remarketing Indenture, that are not Term Bonds subject to Mandatory Sinking Account Payments.

“Series” means one or more series of Bonds issued under the General Indenture, or remarketed into the General Indenture, pursuant to a Series Indenture.

“Series Indenture” means a Supplemental Indenture authorizing the issuance of a Series of Bonds.

“Series Reserve Requirement” means an amount established by a Series Indenture or Remarketing Indenture as a component of the Reserve Requirement while Bonds of the Series are Outstanding.

“Servicer” means a lending institution who has entered into a Servicing Agreement with the Commission or its successors.

“Servicing Acquisition Fee” means the fee to be paid by a Servicer pursuant to a Servicing Agreement and the Acquisition and Operating Policy.

“Servicing Agreement” means the Program Administration and Servicing Agreement entered into among the Commission, the Trustee and a Servicer.

“Servicing Fee” means the amount payable to a servicer for servicing a Mortgage Loan.

“Single-Family Residence” means a residence meeting the requirements of the Code and the Commission.

“Stated Maturity” means, when used with respect to any Bond, the date specified in such Bond as the fixed date on which the principal or Accreted Value of such Bond is due and payable.

“Subordinate Bonds” means Bonds payable on a basis as set forth in the related Series Indenture or Remarketing Indenture with a claim to payment subordinate to the claim of Bonds that are not Subordinate Bonds.

“Supplemental Indenture” means any indenture, including a Series Indenture or Remarketing Indenture, hereafter duly authorized under and in compliance with the Act and entered into between the Commission and the Trustee, supplementing, modifying or amending the General Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized thereunder.

“Supplemental Mortgage Coverage” means the coverage, if any, whether in the form of insurance, Cash Equivalent or additional pledged funds, of losses from Mortgage Loan defaults provided in a Series Indenture or Remarketing Indenture that may supplement other mortgage insurance. Supplemental Mortgage Coverage may include any insurance, or reserve fund funded by the Commission.

“Supporting Cash Flows” means, a set of cash flow projections attached to a Cash Flow Certificate prepared by a Cash Flow Consultant which demonstrate, under each of the scenarios included, that (1) projected Revenues will be sufficient to provide for timely payments of interest, Accretion, and principal on the Bonds (other than Subordinate Bonds), Enhancement Payments, and Expenses, and (2) projected Asset Parity will always be equal to or greater

than 100%. Supporting Cash Flows shall include each scenario included in the immediately prior Supporting Cash Flows except as may be required by the Rating Agency in connection with a Rating Confirmation. The Supporting Cash Flows shall include a certification describing the action to be taken and reaching the conclusions set forth above. Supporting Cash Flows shall (1) take into account the financial position of the Trust Estate as of the stated starting date of the projection, (2) reflect all the significant transactions that have occurred in the period commencing with such starting date and ending with a date no more than ninety (90) days prior to the date of such projections, (3) be consistent with the General Indenture, the Series Indentures, any Conversion Indentures and the Remarketing Indentures and (4) assume compliance with the Acquisition and Operating Policy.

“Targeted Area” means specific areas within the state of Washington designated and approved as provided in the Code.

“Tender Agent” means the Trustee.

“Tender Price” means the amount payable upon the tender of a Bond equal to the principal amount thereof and accrued interest to a Mandatory Tender Date.

“Term Bonds” means Bonds maturing on the dates set forth in a Series Indenture or a Remarketing Indenture payable at or before their specified maturity date from Mandatory Sinking Account Payments.

“Trustee” means Wells Fargo Bank, National Association, appointed pursuant to the General Indenture to act as trustee thereunder, its successor or successors, and any other bank or trust company at any time substituted in its place pursuant to the General Indenture.

“Trust Estate” means the property, rights, money, security and other amounts pledged and assigned to the Trustee pursuant to the General Indenture.

“Underwriter” means the purchaser or placement agent with respect to a particular series of Bonds.

“VA” means the Veterans Administration, an agency of the United States of America, or any successors to its functions.

“VA-Guaranteed” means guaranteed as to the payment of principal and interest.

“Whole Loans” means Mortgage Loans or participations therein, purchased or to be purchased by the Trustee which are neither securitized nor to be securitized into a Certificate.

Creation of Funds and Accounts

The General Indenture creates a number of funds and accounts to be held by the Trustee, and the General Indenture authorizes the Trustee to create accounts and/or subaccounts within any fund. The following summarizes the funds and accounts to be used with respect to the Bonds.

Cost of Issuance Fund

The Trustee will deposit in the **Cost of Issuance Fund** (1) on each Bond Issuance Date the amount set forth in a Series Indenture and (2) on a Reset Date, a Remarketing Date or a Conversion Date, the amount set forth in a Remarketing Indenture or Conversion Indenture. Money deposited in the Cost of Issuance Fund will be used to pay Costs of Issuance, including costs of establishing a Reset Rate, Remarketing and Conversion, upon receipt by the Trustee of a requisition of the Commission stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against that Fund. If the Commission determines that money on deposit in the Cost of Issuance Fund is no longer necessary to pay Costs of Issuance, then at the request of the Commission the Trustee will pay the remaining amounts (including investment earnings thereon) to the Commission.

Acquisition Fund and Accounts Therein

1. For each Series of Bonds, the Trustee will establish a **Series Acquisition Account** within the **Acquisition Fund**. Amounts received upon the sale or made available upon the Remarketing or refunding of a Series of Bonds or other bonds remarketed or refunded into the General Indenture will be deposited into the Series Targeted Area Subaccount, the Series Non-Targeted Area Subaccount and the Series Special Acquisition Subaccount established in

the related Series Acquisition Account in the amounts, if any, provided in the applicable Series Indenture or Remarketing Indenture.

2. Amounts may be deposited in the Series Recycling Subaccount and the Series Special Acquisition Subaccount from the related Series Revenue Account as described below under the subheadings “Series Restricted Principal Receipts Subaccount” and “Series Unrestricted Principal Receipts Subaccount,” but only if allowed under then-current Acquisition and Operating Policy.

3. Commitment Fees, Servicing Acquisition Fees, Extension Fees or similar Revenues to be received in connection with acquisition of Certificates or Whole Loans shall be deposited to the Acquisition Fund or the Revenue Fund in accordance with the Acquisition and Operating Policy.

4. Amounts in each Series Acquisition Account will be applied by the Trustee to finance the acquisition of Whole Loans or Certificates, including participations in such Whole Loans or Certificates or for transfer to the corresponding Series General Receipts Subaccount, in accordance with the Acquisition and Operating Policy applicable to that Series of Bonds.

5. The Trustee will transfer unexpended amounts in each Series Acquisition Account to the corresponding Series Redemption Subaccount in accordance with the Acquisition and Operating Policy applicable to that Series of Bonds.

6. The Trustee will transfer amounts in each Series Acquisition Account to the corresponding Series Debt Service Account to the extent necessary to cure a deficiency in the Series Debt Service Account on a Debt Service Payment Date.

7. The Trustee will transfer amounts in each Series Acquisition Account established with respect to Bonds refunded by refunding Bonds to the Series Acquisition Account for the refunding Bonds, if so directed by the Series Indenture with respect to the refunding Bonds.

8. Before the acquisition of Certificates or Whole Loans, amounts in each Series Acquisition Account will be invested in accordance with the provision of the applicable Series Indenture or Remarketing Indenture. Unless otherwise specified in a Series Indenture or Remarketing Indenture, earnings from such investment shall be considered as Revenues and deposited in accordance with the General Indenture.

Revenue Fund

1. For each Series of Bonds, the Trustee will establish a **Series Revenue Account** within the Revenue Fund and therein a **Series Restricted Principal Receipts Subaccount**, a **Series Unrestricted Principal Receipts Subaccount**, a **Series Taxable Principal Receipts Subaccount** and a **Series General Receipts Subaccount**. All Revenues with respect to Certificates, Whole Loans, or Investment Securities held in the Funds, Accounts, or Subaccounts established for a Series shall be deemed to “correspond” to that Series. To the extent such Revenues are allocable to the subaccounts of multiple Series of Bonds, the Revenues will be deemed to correspond to each Series on the basis of the principal amounts then allocated to such Series, unless otherwise specified in the Acquisition and Operating Policy. The General Indenture prioritizes the various types of deposits into the Revenue Fund and transfers from the Revenue Fund. The Trustee will undertake to make each type of specified deposit or transfer with respect to every Series (in the order specified in the Acquisition and Operating Policy) prior to undertaking the next specified type of deposit or transfer with respect to any other Series.

2. All Revenues (other than Commitment Fees, Servicing Acquisition Fees, Extension Fees and other similar Revenues, which may be deposited to the Acquisition Fund) received by the Trustee shall be deposited on the date of receipt to the Subaccount of the Revenue Fund to which those Revenues are allocated.

a. Prior to the deposit of Revenues representing receipts on Certificates or Whole Loans, the Trustee will determine, based on information provided by a Certificate paying agent, or the Servicer, and instructions set forth in the Acquisition and Operating Policy, (1) the one or more Series to which such Revenues correspond, (2) the portion of such Revenues that are Principal Receipts, (3) the portions of such Principal Receipts that are allocable to the Series Restricted Principal Receipts Subaccount, (4) the portion of such Principal Receipts which are allocable to the Series Unrestricted Principal Receipts Subaccount, (5) the portion of such Principal Receipts which are allocable to the Series Taxable Principal Receipts Subaccount, and (6) where such Certificates or Whole Loans are held in part in a Series Special Acquisition Subaccount,

the portion of the Revenues other than Principal Receipts which are allocable to that subaccount. With respect to each Series, the Trustee will deposit the amounts determined in (3), (4) and (5) to the Series Restricted Principal Receipts Subaccount, Series Unrestricted Principal Receipts Subaccount and Series Taxable Receipts Subaccount, respectively, and will deposit the balance of the Revenues to the Series General Receipts Subaccount.

- b. Before depositing Revenues representing receipts on Investment Securities, the Trustee will determine, based on the subaccount in which such Investment Security is held and instructions set forth in the Acquisition and Operating Policy, (1) the Series to which such Revenues correspond, and (2) the portion of such Revenues which are allocable to the Rebate Fund. With respect to each Series, the Trustee shall deposit the amount determined in (2) to the Rebate Fund, and the balance of the Revenues to the Series General Receipts Subaccount.

3. **Series Restricted Principal Receipts Subaccount.** On or before each Debt Service Payment Date for the Bonds, the Trustee will transfer all amounts in the Series Restricted Principal Receipts Subaccount to the credit of accounts and subaccounts in the following priority:

- a. to the corresponding Series Redemption Subaccount, an amount sufficient to bring the amount on deposit therein to the Principal Requirement as of such Debt Service Payment Date of the Bonds of such Series (other than Subordinate Bonds);
- b. to the corresponding Series Redemption Subaccount, an amount sufficient to pay the principal of Bonds of such Series (other than Subordinate Bonds) that are required to be redeemed pursuant to special mandatory redemption requirements set forth in the Series Indenture or Remarketing Indenture;
- c. to *any* Series Acquisition Account, *any* Series Restricted Principal Receipt Subaccount and *any* Series Bond Reserve Account the amount sufficient to repay any previous withdrawals therefrom which were required to pay principal of the Bonds but only if the Trustee receives an opinion of nationally-recognized bond counsel that such use will not adversely affect the exemption from gross income of interest on the Bonds (other than taxable bonds) for purposes of federal income taxation;
- d. to the corresponding Series Subordinate Bond Account an amount sufficient to pay the regularly scheduled principal (including Mandatory Sinking Account Payments) on such Debt Service Payment Date of such Subordinate Bonds (but only upon receipt of an Asset Parity Determination); and
- e. to the corresponding Series Redemption Subaccount to pay the Redemption Price of other Bonds of the Series and to redeem Bonds from that Series in accordance with the Acquisition and Operating Policy.

Any amounts remaining in a Series Restricted Principal Receipts Subaccount after such transfers shall remain in such Series Restricted Principal Receipts Subaccount.

4. **Series Unrestricted Principal Receipts Subaccount.** On or before each Debt Service Payment Date for the Bonds, after application of the Series Restricted Principal Receipts, the Trustee will transfer all amounts in each Series Unrestricted Principal Receipts Subaccount to the credit of accounts and subaccounts in the following priority:

- a. to the corresponding Series Redemption Subaccount and Series Principal Subaccount, the amounts sufficient, together with amounts on deposit therein, to bring the amounts on deposit therein to the Principal Requirement as of such Debt Service Payment Date of the Bonds of the Series (other than Subordinate Bonds);
- b. to the corresponding Series Redemption Subaccount and Series Principal Subaccount, the amounts sufficient, together with amounts on deposit therein, to pay the principal of Bonds of such Series (other than Subordinate Bonds) that are required to be redeemed pursuant to a Mandatory Special Redemption;
- c. to *any* other Series Redemption Subaccount and Series Principal Subaccount, the amounts sufficient, together with amounts on deposit therein, to cure any deficiencies therein related to current Principal Payments of Bonds (other than Subordinate Bonds) on such Debt Service Payment Date;
- d. to *any* Series Acquisition Account to repay any previous withdrawals that were required to pay principal of the Series Bonds;

- e. to *any* Series Restricted Principal Receipts Subaccount to repay any previous withdrawals that were required to pay principal of the Series Bonds;
- f. to *any* Bond Reserve Account an amount sufficient to cause the total amount on deposit in that account, including Cash Equivalents, to equal the Reserve Requirement allocable thereto; and
- g. to the corresponding Series Recycling Subaccount or Series Special Acquisition Subaccount, *any* Series General Receipts Subaccount, *any* Subordinate Bond Account (but only upon receipt of an Asset Parity Determination) or *any* Series Redemption Account and Series Principal Subaccount, such amounts as are determined in accordance with the Acquisition and Operating Policy.

Any amounts remaining in a Series Unrestricted Principal Receipts Subaccount after such transfers shall remain in such Series Unrestricted Principal Receipts Subaccount.

5. **Series Taxable Principal Receipts Subaccount.** On or prior to each Debt Service Payment Date for the Bonds, after application of the Series Restricted Principal Receipts and Series Unrestricted Principal Receipts, the Trustee will transfer all amounts in each Series Taxable Principal Receipts Subaccount to the credit of accounts and subaccounts in the following priority:

- a. to the corresponding Series Redemption Subaccount and Series Principal Subaccount, the amounts sufficient to bring the amounts on deposit therein to the Principal Requirement as of such Debt Service Payment Date of the Bonds of such Series (other than Subordinate Bonds);
- b. to the corresponding Series Redemption Subaccount and Series Principal Subaccount, the amounts sufficient, together with amounts on deposit therein, to pay the principal of Bonds of such Series (other than Subordinate Bonds) that are required to be redeemed pursuant to a Mandatory Special Redemption;
- c. to *any* other Series Redemption Subaccount and Series Principal Subaccount, the amounts sufficient, together with amounts on deposit therein, to cure any deficiencies therein related to the current Principal Payments of Bonds (other than Subordinate Bonds) on such Debt Service Date;
- d. to *any* Series Acquisition Account to repay any previous withdrawals which were required to pay principal of the Series Bonds;
- e. to *any* Series Restricted Principal Receipts Subaccount to repay any previous withdrawals which were required to pay principal of the Series Bonds;
- f. to *any* Series Unrestricted Principal Receipts Subaccount to repay any previous withdrawals which were required to pay principal of the Series Bonds;
- g. to *any* Bond Reserve Account, an amount sufficient to cause the total amount on deposit in that account, including Cash Equivalents, to equal the Reserve Requirement allocable thereto; and
- h. to the corresponding Series Recycling Subaccount or Series Special Acquisition Subaccount, *any* Series General Receipts Subaccount, *any* Subordinate Bond Account (but only upon receipt of an Asset Parity Determination) or *any* Series Redemption Account or Series Principal Account, such amounts are determined in accordance with the Acquisition and Operating Policy.

Any amounts remaining in a Series Taxable Principal Receipts Subaccount after such transfers shall remain in such Series Taxable Principal Receipts Subaccount.

6. **Series General Receipts Subaccount.** On or before each Debt Service Payment Date for the Bonds, the Trustee will transfer amounts in each Series General Receipts Subaccount to the credit of accounts and subaccounts in the following priority:

- a. to the corresponding Series Interest Subaccount, an amount sufficient to bring the amount on deposit therein to the Interest Requirement due and payable on that Debt Service Payment Date on such Series of Bonds;
- b. to *any* other Series Interest Subaccount (other than with respect to Subordinate Bonds), to the extent there are inadequate amounts on deposit to meet the Interest Requirement for such other Series of Bonds;

- c. to the corresponding Series Expense Account, an amount not exceeding the Expense Limitation in accordance with the Acquisition and Operating Policy;
- d. to *any* Series Acquisition Account, the amount necessary to repay any previous withdrawals which were required to pay interest on the Series Bonds;
- e. to *any* Series Unrestricted Principal Receipts Subaccount and Series Taxable Principal Receipts Subaccount, the amount necessary to repay any previous withdrawals that were required to pay interest on the Series Bonds;
- f. to the corresponding Series Bond Reserve Account, an amount sufficient to cause the total amount on deposit in that account, including Cash Equivalents, to equal the Reserve Requirement allocable thereto;
- g. to *any* other Series Bond Reserve Account, an amount sufficient to cause the total amount on deposit in that Account, including Cash Equivalents, to equal the Reserve Requirement allocable thereto;
- h. to the corresponding Series Recycling Subaccount, corresponding Series Special Acquisition Subaccount, *any* Series Interest Reserve Account, *any* Subordinate Bond Account (but only upon receipt of an Asset Parity Determination) or the Homeownership Commission Fund (but only upon receipt of an Asset Parity Determination), such amounts as may be specified in the Acquisition and Operating Policy; and
- i. to any Series Redemption Subaccount and Series Principal Subaccount, an amount to pay on such Debt Service Payment Date the principal of Bonds as specified in the Acquisition and Operating Policy or a Commission Request.

Any amounts remaining the Series General Receipts Subaccount after such transfers shall remain in such Subaccount.

7. In accordance with the Acquisition and Operating Policy, the Trustee, at any time and without regard to a Debt Service Payment Date, will apply amounts in a **Series General Receipts Subaccount**:

- a. to pay the accrued interest portion of the cost of acquiring any Whole Loan or Certificate;
- b. to make required deposits to the corresponding Series Rebate Account;
- c. to pay the accrued interest in connection with the redemption of Bonds; or
- d. to transfer to the corresponding Expense Account amounts pay Expenses (up to the applicable Expense Limitation) that are due and payable before the next succeeding Debt Service Payment Date, in accordance with the Acquisition and Operating Policy.

Debt Service Fund

1. For each Series of Bonds, the Trustee will establish a **Series Debt Service Account** within the **Debt Service Fund** and therein a **Series Interest Subaccount**, a **Series Principal Subaccount** and a **Series Redemption Subaccount**.

2. On each Debt Service Payment Date, the Trustee will (i) withdraw from each Series Interest Subaccount amounts to pay interest on the Series of Bonds (other than Subordinate Bonds) and amounts due under any Enhancement Agreement, and (ii) withdraw from each Series Principal Subaccount amounts for the Principal Payment on the Series of Bonds (other than Subordinate Bonds).

3. On each redemption date, the Trustee will withdraw from each Series Redemption Subaccount and Series Principal Subaccount amounts to pay the Redemption Price of the Series of Bonds.

4. Except as otherwise provided in a Series Indenture, the Trustee may at any time apply money expected to be available in a Series Redemption Subaccount as of the Purchase Date for the purchase or redemption of Bonds as follows:

- a. The Trustee, upon Commission Request in accordance with the Acquisition and Operating Policy or accompanied by a Cash Flow Certificate, will attempt to purchase, Bonds or portions of Bonds then

Outstanding, whether or not such Bonds or portions of Bonds shall then be subject to redemption, at a price not to exceed the Redemption Price (plus accrued interest, if any, to the date of redemption) which would be payable on the next redemption date to the Owners of such Bonds if such Bonds or portions of Bonds should be called for redemption. The interest accrued on such Bonds to the date of settlement will be paid from the Series Interest Subaccount or a Series General Receipts Subaccount, (or, after redemption notice for such Bonds has been given, from money set aside in the Series Redemption Subaccount or other account established for the redemption of such Bonds).

b. The Trustee, upon Commission Request in accordance with the Acquisition and Operating Policy or accompanied by a Cash Flow Certificate, will call Bonds of a Series for redemption, on the earliest practicable date on which those Bonds are subject to redemption, from money in the Series Redemption Subaccount. The interest on such Bonds upon redemption will be payable from the Series Interest Subaccount or the Series General Receipts Subaccount.

5. Amounts on deposit in the Debt Service Fund to the credit of any Subordinate Bond accounts pursuant to the General Indenture will be applied as provided in the Series Indenture authorizing those Subordinate Bonds.

Investment earnings allocable to each Series Debt Service Account will be deposited into the corresponding Series General Receipts Subaccount upon receipt.

Interest Reserve Fund

The General Indenture creates an Interest Reserve Fund and directs the Trustee to establish a **Series Interest Reserve Account** therein for each Series of Bonds. The Trustee will deposit amounts in the Series Interest Reserve Account if so directed in the applicable Series Indenture, or the Acquisition and Operating Policy. The Trustee will transfer money held in the Series Interest Reserve Account to the Interest Subaccount in accordance with the Series Indenture, Remarketing Indenture and Acquisition and Operating Policy to provide for negative arbitrage, payment lags and similar predictable shortfalls in Revenues to meet interest payments when due. Investment earnings allocable to each Series Interest Reserve Account will be deposited into the corresponding Series General Receipts Subaccount upon receipt.

Bond Reserve Fund

The General Indenture creates a Bond Reserve Fund and directs the Trustee to establish a **Series Bond Reserve Account** therein for each Series of Bonds. The Commission will deposit amounts in the Series Bond Reserve Account, if so provided in the Series Indenture or Remarketing Indenture. A Series Indenture may provide that the Reserve Requirement with respect to the applicable Series of Bonds may be funded in whole or in part through Cash Equivalents. The Trustee will transfer money held in the Series Bond Reserve Account in the event of a shortfall of funds required to make payments of principal of and interest on the Bonds (other than Subordinate Bonds). Amounts held in a Series Bond Reserve Account that are in excess of the Reserve Requirement, taking into account any Cash Equivalents in the Reserve Fund, will be transferred to the Series Unrestricted Principal Receipts Subaccount and Series Taxable Principal Receipts Subaccount in accordance with the most recent Acquisition and Operating Policy.

Investment earnings allowable to each Series Bond Reserve Account will be deposited into the corresponding Series General Receipts Subaccount upon receipt.

Expense Fund

The General Indenture creates an Expense Fund and directs the Trustee to establish a **Series Expense Account** therein for each Series of Bonds. The Trustee will deposit from the Series General Receipts Subaccount pursuant to the General Indenture into the Series Expense Account amounts to provide for the payment of Expenses up to the Expense Limitation specified in the current Acquisition and Operating Policy. The Trustee shall use amounts in each Series Expense Account for payment of Expenses.

Reservation Fund

The General Indenture creates a Reservation Fund and directs the Trustee to establish a **Series Reservation Account** therein for each Series of Bonds that is subject to Remarketing. A Series Reservation Account may be pledged in a Series Indenture to a specific Series of Bonds. Amounts specified in a Series Indenture which are received upon the sale of a Series of Bonds will be deposited into the Series Reservation Account. Money deposited

in that Fund will be invested in accordance with the Series Indenture and the Acquisition and Operating Policy. Interest earnings on the Series Reservation Account will be retained in such Series Reservation Account.

In the event of a Remarketing, the Trustee will transfer all or a portion of the amounts in the Series Reservation Account to the Series Acquisition Account in accordance with the Remarketing Indenture. In the event of a Mandatory Special Redemption or a redemption at the direction of the Commission of Bonds subject to Remarketing, the Trustee will transfer from the Series Reservation Account to the Series Redemption Subaccount the amounts, if any, necessary for such redemption. In the event of a failed Remarketing, the Trustee will transfer from the Series Reservation Account to the Tender Agent an amount sufficient to provide for payment of the Tender Price upon receiving: (a) a Commission Request; (b) an opinion of nationally-recognized bond counsel to the effect that the proposed action will not adversely affect the exemption from gross income of interest on the Bonds for purposes of federal income taxation; and (c) a Cash Flow Certificate.

Rebate Fund

The General Indenture creates a Rebate Fund and directs the Trustee to establish a **Series Rebate Account** therein for each Series of Bonds. Money deposited and held in the Rebate Fund, including investment earnings thereon, if any, are not subject to the pledge of the General Indenture and will not be held for the benefit of the Bondowners. Money in the Rebate Fund will be disbursed by the Trustee periodically to the United States of America or to a Series General Receipts Subaccount, at the Commission's request.

Homeownership Commission Fund

The General Indenture creates a Homeownership Commission Fund. Upon receipt of a Commission Request and an Asset Parity Determination, the Trustee will transfer amounts from a Series General Receipts Subaccount to the Homeownership Commission Fund. Such amounts may either be remitted to the Commission or remain deposited in the Homeownership Commission Fund. The Commission may deposit other money into the Homeownership Commission Fund at any time. The Commission may withdraw amounts in the Homeownership Commission Fund at any time free and clear of the pledge and lien of the General Indenture. Alternatively, the Commission can apply amounts in the Homeownership Commission Fund at any time for purposes of the General Indenture. Earnings from investments of amounts in the Homeownership Commission Fund will be retained in the Homeownership Commission Fund.

Deficiencies in Series Debt Service Accounts

Deficiency of Interest If amounts in a Series Interest Subaccount are insufficient on any Debt Service Payment Date to pay the interest on the respective Series Bonds due and unpaid on such date or to make any payment due under an Enhancement Agreement, the Trustee will withdraw amounts from the following funds, accounts and subaccounts in the following order or priority to the extent necessary to eliminate such deficiency:

1. the Series General Receipts Subaccount;
2. the Series Interest Reserve Account;
3. any other Series General Receipts Subaccount in accordance with the Acquisition and Operating Policy;
4. the Series Bond Reserve Account;
5. the Series Acquisition Account and the Series Reservation Account; and
6. other funds, accounts and subaccounts (including Acquisition Accounts, Unrestricted Principal Receipts Subaccounts, Taxable Principal Receipts Subaccounts, Restricted Principal Receipts Subaccounts (with an opinion of Bond Counsel) and Bond Reserve Accounts) in accordance with the Acquisition and Operating Policy.

Principal Deficiency. If amounts in a Series Redemption Subaccount or Series Principal Subaccount are insufficient on any Debt Service Payment Debt to pay the principal of the respective Series Bonds (but not Subordinate Bonds) or Redemption Price due and unpaid on such date, whether at the Stated Maturity or by the retirement of such Bonds in satisfaction of the Mandatory Sinking Account Payments, the Trustee will withdraw amounts from the following funds, accounts and subaccounts in the following order or priority to the extent necessary to eliminate such deficiency:

1. the Series Restricted Principal Receipts Subaccount;
2. the Series Unrestricted Principal Receipts Subaccount;
3. the Series Taxable Principal Receipts Subaccount;
4. the Series Bond Reserve Account;
5. the Series General Receipts Subaccount;
6. the Series Interest Reserve Account;
7. the Series Acquisition Account and the Series Reservation Account; and
8. other funds, accounts and subaccounts (including Acquisition Accounts, Series Unrestricted Principal Receipts Subaccounts, Taxable Principal Receipts Subaccount, Restricted Principal Receipts Subaccounts (with an opinion of Bond Counsel and Bond Reserve Accounts) in accordance with the Acquisition and Operating Policy.

No amounts being held to pay the Redemption Price of Bonds called for redemption or purchase may be used to make up a deficiency to the extent that such amounts have been set aside for the payment of Bonds which have been identified for purchase or called for redemption, and no amounts on deposit in any Series Acquisition Account will be used for such purpose to the extent that the Commission is contractually obligated to finance or originate identified Mortgage Loans acceptable for financing or acquire Certificates backed by such identified Mortgage Loans or Whole Loans with amounts on deposit in such Series Acquisition Account.

Disposition of Fund Balances upon Retirement of Bonds

When all Bonds of a Series are fully retired, the Trustee will transfer any remaining amounts in the corresponding Series Accounts and Subaccounts to any Fund, Account or Subaccount that the Commission specifies.

Investment of Funds

Money in all funds and accounts established under the General Indenture will be invested in Investment Securities. Money in all funds and accounts (other than money in the Cost of Issuance Fund and the Homeownership Commission Fund) will be invested in Investment Securities paying interest and maturing (or redeemable at par) not later than the dates on which it is estimated that such money will be required by the Trustee. Investments in all funds and accounts may be commingled for purposes of making investments, and all gains or losses shall be allocated pro rata.

All interest and other profit derived from such investments (unless otherwise provided in the section of the General Indenture creating the respective fund) will be deposited when received in the applicable Series Revenue Account. Investment Securities acquired as an investment of money in any fund or account established under the General Indenture will be credited to that fund or account. For the purpose of determining the amount in any fund or account, the amount of any obligation allocable to that fund or account shall mean the Investment Value of the relevant Investment Security.

The Trustee

The Trustee may at any time resign and be discharged from the duties and obligations created by the General Indenture by giving not less than 60 days' written notice to the Commission specifying the date when such resignation is expected to take effect, and such resignation will only take effect upon the day specified in such notice unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of such successor. Such resignation will not be effective until a successor Trustee satisfying the requirements of the General Indenture is appointed.

The Trustee shall be removed by the Commission following an event of default if so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Commission, and signed by the Owners of a majority in Bond Value of Bonds then Outstanding. In addition, the Commission may remove the Trustee at any time, except during the existence of an Event of Default under the General Indenture, in the sole discretion of the Commission by filing with the Trustee an instrument signed by an Authorized Officer of the Commission.

In case at any time the Trustee resigns or is removed or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if any public officer takes charge or control of the Trustee or of its property or affairs, the Commission will notify the Owners and appoint a successor Trustee. The Commission will cause the new Trustee to mail notice of any such appointment to the Owners at their addresses appearing on the registration books of the Commission, such notice to be given promptly after such appointment.

If within 45 days of the resignation or removal of the Trustee no successor Trustee has been appointed and has accepted appointment, the resigning or removed Trustee or the Owners of a majority in aggregate Bond Value of Bonds then Outstanding may apply to any court of competent jurisdiction to appoint a successor Trustee. That court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

Any successor Trustee appointed under the General Indenture will be a bank or trust company organized under the laws of the State or a national banking association and having a capital and surplus aggregating at least \$50 million, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Indenture.

The Trustee will be entitled to payment of its fees in accordance with the General Indenture, but solely from the sources specified in the General Indenture. Upon an event of default caused by a failure of payment of principal of or interest on the Bonds, but only upon such an event of default, the Trustee will then have a lien upon the Trust Estate with right of payment before payment on account of principal of and interest on any Bond for the foregoing fees, charges and expenses incurred by it, but subordinate to the lien required for payment of the Rebate Amount.

The Trustee is required to provide the Commission with certain reports pursuant to the General Indenture. The Trustee will be under no obligation to perform any act that would involve it in expenses or liability or to initiate or defend any suit, or to advance any of its own funds, unless properly indemnified. The Trustee is not liable in connection with the performance of its duties under the General Indenture except for its own negligence or willful default.

Certain Tax Covenants

The Commission has covenanted that it will not permit the use of any proceeds of the Bonds or any other funds of the Commission which would cause the Bonds (other than taxable Bonds) to be “arbitrage bonds” within the meaning of the Code and applicable regulations promulgated thereunder.

The General Indenture further contains a covenant of the Commission to attempt, in good faith, to meet all applicable requirements of the Code, and to establish reasonable procedures in accordance with Sections 148 and 143(g) of the Code.

Acquisition and Operating Policy

Upon the issuance or remarketing of each Series of Bonds, the Commission will develop and deliver to the Trustee an Acquisition and Operating Policy, setting forth the Commission’s instructions to the Trustee with respect to the application of money and assets in a Series Acquisition Account, and Series Reservation Account, and instructions with respect to the following:

1. the security which may be provided for each Mortgage Loan;
2. the purchase price of Whole Loans and of Mortgage Loans securitized into Certificates;
3. the principal and interest payment provisions for Whole Loans and Mortgage Loans securitized into Certificates;
4. the maximum term to maturity and final maturity of Whole Loans and Mortgage Loans securitized into Certificates;
5. the Pass-Through Rate, Purchase Price and final maturity of any Certificates or Whole Loans;
6. the Delivery Period;

7. the nature of the residence to which the Whole Loans and the Mortgage Loans securitized into Certificates relate and limitations on who may be a mortgagor;
8. for Whole Loans required credit standards and other terms of primary mortgage insurance or other credit support, if any, and the levels of coverage and applicable loan to value ratios, if appropriate;
9. required Supplemental Mortgage Coverage, if any;
10. the Servicing Acquisition Fee;
11. Commitment Fees;
12. the period during which Mortgage Loans may be delivered to a Servicer;
13. the amount and duration of any set-asides for Targeted Area origination or other limitations with respect to Mortgage Loans;
14. Extension Fees;
15. how Revenues will be deposited and used;
16. how amounts on deposit in the Reserve Fund in excess of the Reserve Requirement will be used;
17. the priority of transfers between accounts and subaccounts consistent with the General Indenture in order to meet deficiencies in the Series Debt Service Accounts;
18. which Bonds will be called in accordance with redemptions;
19. under what circumstances Principal Receipts will be deposited in a Series Acquisition Subaccount;
20. such other information that is essential to a Cash Flow Certificate and which will direct the Trustee with respect to the use of amounts in the Acquisition Fund and Reservation Fund; and
21. such other matters as may be useful in providing guidance to the Trustee in the management of the Trust Estate.

The Acquisition and Operating Policy may be amended only if (1) (a) a Cash Flow Certificate is delivered to the Trustee and the Rating Agency, and (b) an opinion of a nationally-recognized bond counsel is delivered to the Trustee and the Rating Agency to the effect that such amendment will not affect the exemption of interest on the Bonds from the gross income of the Owners for purposes of the Code, or (2) the Trustee receives a certificate of the Commission stating that the then current Cash Flow Certificate under which the General Indenture is operated will not be adversely affected. No Acquisition and Operating Policy may amend the terms and conditions of the General Indenture, the rights of the Owners, or the obligations of the Trustee and Commission except if it qualifies as a "Supplemental Indenture" under the General Indenture. The Acquisition and Operating Policy is available for inspection at the office of the Trustee and Bondowners may obtain a copy of the current policy from the Trustee at the Bondowner's expense.

Supplemental Indentures

Except as provided below, the Commission and the Trustee may, without the consent of or notice to any of the Bondowners, enter into indentures supplemental to the General Indenture, for any one or more of the following purposes:

1. to add additional covenants and agreements of the Commission for the purpose of further securing the payment on the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Commission contained in the General Indenture;
2. to surrender any right, power or privilege reserved to or conferred upon the Commission by the terms of the General Indenture;

3. to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the General Indenture of the Revenues and other money, securities, funds and property pledged in the manner and to the extent provided in the General Indenture;
4. to cure any ambiguity or defect or inconsistent provision in the General Indenture or to insert such provisions clarifying matters or questions arising under the General Indenture as are necessary or desirable so long as any such modifications are not contrary to or inconsistent with the General Indenture as theretofore in effect;
5. to provide a correction to any provision of the General Indenture that will be determined in a Bond Counsel's Opinion to be necessary to preserve the exclusion of interest on the Bonds from gross income pursuant to the Code; however, no such correction will impair in any material manner the rights or remedies of Owners or the security for the Bonds afforded by the General Indenture;
6. to conform to the requirements of the Rating Agency to maintain the rating on the Bonds or to make changes pursuant to the General Indenture;
7. to enter into a Series Indenture;
8. to enter into a Remarketing Indenture upon a Remarketing of some or all of a Series of Bonds under the General Indenture;
9. to modify any of the provisions of the General Indenture in any respect whatever not otherwise described in the General Indenture, provided (a) such modification must apply only to Series of Bonds issued after the effective date of the Supplemental Indenture and may not materially adversely affect the interests of the owners of Bonds of any Series Outstanding on the effective date of the Supplemental Indenture or (b)(i) such modification must be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding and (ii) such Supplemental Indenture must be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange for, or in place of, such Bonds;
10. to modify, amend or supplement the General Indenture or any Supplemental Indenture in such manner as to permit, if presented, the qualification of the General Indenture and any Supplemental Indenture under the Trust Indenture Act of 1939 or any similar federal statute then in effect or any state Blue Sky Law;
11. to add to the definition of "Permitted Investments";
12. to modify, amend or supplement the General Indenture or any Supplemental Indenture in such manner as to permit a trustee (other than the Trustee) with respect to any Subordinate Bonds issued under the General Indenture;
13. to comply with the disclosure requirements of state or federal law; or
14. to make any other change that, in the judgment of the Trustee, does not materially adversely affect the interests of the Bondowners;

The General Indenture also may be modified in other ways by a Supplemental Indenture upon the Trustee's receipt of a Rating Confirmation and approval by (1) the Owners of greater than two-thirds in aggregate Bond Value of Outstanding Bonds; (2) if less than all of the Outstanding Bonds are affected, of the Owners of greater than two-thirds in Bond Value of Bonds so affected then Outstanding; and (3) in case the terms of any Mandatory Sinking Account Requirements are changed, the Owners of greater than two-thirds in Bond Value of the Outstanding Bonds of the particular Series and maturity entitled to such Mandatory Sinking Account Requirements. However, without the consent of all adversely affected Owners, no Supplemental Indenture may (1) change the terms of redemption or of the maturity of the principal of or the interest on any Bond; (2) reduce the Accreted Value of any Bond or the redemption premium or the rate of interest on it; (3) create or grant a pledge, assignment, lien or security interest of the Pledged Property, or any part of it, other than as created or permitted by the General Indenture without the Supplemental Indenture; (4) create a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as may be permitted by the General Indenture; (5) reduce the aggregate Bond Value or classes of the Bonds required for consent to such Supplemental Indenture; or (6) eliminate the requirement that each amendment to the General Indenture requires a Rating Confirmation. If any such modification, supplement or amendment will by its

terms not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Owners of those Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds required in connection with an amendment to the General Indenture. A Series will be deemed to be affected by a modification or amendment if it adversely affects or diminishes the rights of the Owners of Bonds of that Series. The Trustee may in its discretion determine whether Bonds of any particular Series and maturity would be affected by any modification, supplement or amendment of the General Indenture or a Supplemental Indenture, and any such determination will be binding and conclusive on the Commission and all Owners.

Notice of proposed adoption of a Supplemental Indenture will be given as described in the General Indenture. If the required number of Owners at the time of its adoption have consented to and approved its adoption, no Owner will have any right to object to the execution of such Supplemental Indenture, to object to any of the terms and provisions contained in it or its operation, in any manner to question the propriety of its adoption, or to enjoin or restrain the Trustee or the Commission from adopting it or from taking any action pursuant to its provisions.

Defaults and Remedies

Definition of “Event of Default”. Each of the following events constitutes an “event of default” under the General Indenture:

1. default by the Commission in (i) the due and punctual payment of the principal amount or Accreted Value or Redemption Price of any Bond (other than a Subordinate Bond) when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, (ii) the redemption from any Mandatory Sinking Account Payment of any Term Bonds (other than a Subordinate Bond) in the amounts at the times provided therefor, or (iii) the due and punctual payment of any installment of interest on any Bond (other than a Subordinate Bond) when and as such interest installment shall become due and payable;
2. default in the performance or observance of any other of the covenants, agreements or conditions on the Commission’s part contained in the General Indenture or any Supplemental Indenture, or in the Bonds, and continuance of such default for 90 days after written notice thereof to the Commission by the Trustee or by the Owners of not less than 25% in aggregate Bond Value of the Outstanding Bonds;
3. the State limits or alters the rights of the Commission, as in force on the date of the General Indenture, to fulfill the terms of any agreements made with the Bondowners or in any way impairs the rights and remedies of the Bondowners while any Bonds are Outstanding; provided, however, that such an event of default will not be deemed to exist unless notice of such default is given to the Commission by the Trustee or by the Owners of not less than 25% in aggregate Bond Value of the Outstanding Bonds; or
4. unless otherwise provided in a Series Indenture, default by the Commission in (i) the due and punctual payment of the principal amount and Accreted Value or Redemption Price of any Subordinate Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, (ii) the redemption from any Mandatory Sinking Account Payment of any Subordinate Bonds which are Term Bonds in the amounts at the times provided therefor, or (iii) the due and punctual payment of any installment of interest on any Subordinate Bond when and as such interest installment shall become due and payable.

The failure to make a payment of principal of or interest on a Subordinate Bond is an “event of default” only with respect to Subordinate Bonds and is not an event of default with respect to other Bonds issued under the General Indenture. In the event of such limited event of default, the Trustee may take actions in accordance with the General Indenture that relate exclusively to the Subordinate Bonds and which do not prejudice the rights of the Owners of other Bonds.

Remedies Upon Default. Upon any event of default described above, the Trustee may proceed, and upon the written request of the Owners of not less than 25% in aggregate Bond Value of Outstanding of Bonds, the Trustee must proceed, in its own name and after receiving indemnity and such security satisfactory to it with respect to any costs and expenses that may be incurred, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies as the Trustee, being advised by counsel, will deem most effective to protect and enforce such rights:

1. by suit, action or proceeding in accordance with the laws of the State, enforce all rights of the Bondowners;
2. by bringing suit upon the relevant Bonds;
3. by action or suit, to require the Commission to act as if it were the trustee of an express trust for the Bondowners;
4. by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners; and
5. upon notice in writing to the Commission, to declare the principal and Accreted Value of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the General Indenture or in the Bonds contained to the contrary notwithstanding.

Any declaration described in (5) above is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the money due is obtained or entered, the Commission has deposited with the Trustee a sum sufficient to pay the principal amount or Redemption Price of and Accretion and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal amount or Redemption Price of and Accretion and interest on the Bonds due and payable solely by reason of such declaration) have been cured to the satisfaction of the Trustee (or provision deemed by the Trustee to be adequate is made therefor), then, and in every such case, the Owners of not less than a majority in aggregate Bond Value of the Bonds then Outstanding, by written notice to the Commission and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such default, but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any light or power consequent thereon.

However, the Trustee is not required to declare the Bonds due and payable pursuant to clause (5) above unless it receives the written consent of the Owners of not less than 25% in aggregate Bond Value of Outstanding Bonds, and if the default is the result of a nonmonetary default or a State impairment of Commission rights or a default with respect to Subordinate Bonds, the Trustee will not declare the Bonds due and payable pursuant to clause (5) above unless it shall have received the written consent of the Owners of not less than 100% in aggregate Bond Value of Outstanding Bonds (excluding Subordinate Bonds).

In enforcing any remedy under the General Indenture, the Trustee is entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming and any time remaining due from the Commission for principal, Redemption Price, interest or otherwise, under any provision of the General Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest payable on the Bonds before maturity, together with any and all costs and expenses of collection and of all proceedings under the General Indenture and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce judgment or decree against the Commission (but solely from Revenues) for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any money available for such purpose, in any manner provided by law, the money adjudged or decreed to be payable.

Priority of Payments After Default. In the event that the funds held by the Trustee shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other money received or collected by the Trustee acting pursuant to the General Indenture will be applied to the payments of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the General Indenture, and then shall be applied in the following order:

- A. Unless the principal of all of the Bonds shall have become or have been declared due and payable:

First, to the payment of all installments (except interest on overdue principal) of interest on Bonds, other than Subordinate Bonds, then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, on Bonds other than Subordinate

Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds, (other than Subordinate Bonds);

Second, to the payment of the unpaid principal and Accretion of any of the Bonds, other than Subordinate Bonds, which have become due and payable (except Bonds other than Subordinate Bonds called for redemption for the payment of which money is held pursuant to the provisions of the General Indenture) in the order of their stated payment dates, with interest on the principal amount of such Bonds, other than Subordinate Bonds, at the respective rates specified in such Bonds from the respective dates upon which such Bonds, other than Subordinate Bonds, became due and payable and, if the amount available is not sufficient to pay in full the principal of the Bonds, other than Subordinate Bonds, by their stated terms due and payable on any particular date together with such interest, then (a) to the payment first of such interest, ratably, according to the amount of such interest due on such date, and (b) to the payment of such principal, ratably, according to the amount of such principal due on such date, of Bonds, other than Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds, (other than Subordinate Bonds);

Third, to the payment of the interest on and the principal and Accretion of the Bonds, other than Subordinate Bonds, to the purchase and retirement of Bonds, other than Subordinate Bonds, and to the redemption of the Bonds (other than Subordinate Bonds);

Fourth, to the payment of interest (except interest on overdue principal) on Subordinate Bonds then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, of Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Bonds;

Fifth, to the payment of the unpaid principal of any of the Subordinate Bonds which has become due and payable (except Subordinate Bonds called for redemption for the payment of which money is held pursuant to the provisions of the General Indenture) in the order of their stated payment dates, with interest on the principal amount of such Subordinate Bonds at the respective rates specified in such Subordinate Bonds from the respective dates upon which such Subordinate Bonds became due and payable and, if the amount available is not sufficient to pay in full the principal of the Subordinate Bonds by their stated terms due and payable on any particular date together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date on such Subordinate Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, of Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Bonds; or

Sixth, to the payment of the interest on and the principal of the Subordinate Bonds, to the purchase and retirement of Subordinate Bonds and to the redemption of Subordinate Bonds.

B. If the principal of all the Bonds has become or has been declared due and payable, all such money will be applied first to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Bonds that are not Subordinate Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Bond which is not a Subordinate Bond over any other Bond which is not a Subordinate Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to the respective rates of interest specified in the Bonds which are not Subordinated Bonds, and second, to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Subordinate Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Subordinate Bond over any other Subordinate Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to the respective rates of interest specified in the Subordinate Bonds.

C. If the principal of all the Bonds has been declared due and payable and if such declaration has been rescinded and annulled, then, subject to the provisions of paragraph B. above, if the principal of all the Bonds later becomes or is declared to be due and payable, the money remaining in and later accruing to the Debt Service Fund, together with any other money held by the Trustee under the General Indenture, will be applied in accordance with the order of priority described in paragraph A. above.

Default Proceedings. If any proceeding taken by the Trustee on account or any event of default is discontinued or abandoned for any reason, then the Commission, the Trustee and the Owners will be restored to their former positions and rights under the General Indenture, and all rights, remedies, powers and duties of the Trustee will continue as though no such proceeding had been taken.

The Owners of the majority in aggregate principal amount and Accreted Value or the Bonds then Outstanding will have the right, by written instruments delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the General Indenture, provided that such direction must not be otherwise than in accordance with law or the General Indenture. The Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

No Owner of any Bond will have any right to institute any suit, action or other proceeding under the General Indenture, or for the protection or enforcement of any right under the General Indenture or any right under law, unless: (i) such Owner gives to the Trustee written notice of the event of default or breach of duty on account of which such suit, action, or proceeding is to be taken, (ii) the Owners of not less than 25% in aggregate principal amount and Accreted Value of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the General Indenture or under the law or to institute such action, suit or proceeding in its name; and (iii) the Trustee is offered security satisfactory to the Trustee and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee refuses or neglects to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of the powers under the General Indenture or for any other remedy under the General Indenture or law. No Owners of any Bonds will have any right to affect, disturb or prejudice the security of the General Indenture or to enforce any right under the General Indenture or law with respect to the Bonds or the General Indenture, except in the manner summarized herein, and all proceedings shall be instituted and maintained for the benefit of all Owners of the Outstanding Bonds.

Each Owner of any Bond by his acceptance thereof, will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Indenture or any Supplemental Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorney fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Owner or group of Owners holding at least 25% aggregate Bond Value of the Bonds Outstanding, or to any suit instituted by any Owner for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Compliance with Secondary Disclosure Requirements of the SEC

Section 12.13 of the General Indenture sets forth the Commission's undertaking (the "Undertaking") for the benefit of owners and beneficial owners of the Bonds required by Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule").

Obligated Person Responsibility. Upon the issuance and/or Remarketing of Bonds, the Commission will identify or describe in the applicable Series Indenture each "Obligated Person," if any, within the meaning of the Rule with respect to the Series of Bonds issued or Remarketed thereunder. Each such Obligated Person shall undertake by separate contract with the Commission and the Trustee to provide: (i) Annual Financial Information; and (ii) Audited Financial Statements, if any.

Each Obligated Person must, while any Bonds with respect to which it is an Obligated Person are Outstanding or so long as it is an Obligated Person with respect to such Bonds, provide Annual Financial Information to the Trustee, in its capacity as agent of the Commission and each Obligated Person (the "Disclosure Agent"), on or before August 15 of each year (the "Submission Date"), beginning in 1996. The Disclosure Agent will provide to the Commission and to the MSRB such Annual Financial Information on or before September 1 of each year (the "Report Date") or, if such Annual Financial Information is not received by the Disclosure Agent by the Submission Date, then within five Business Days of its receipt by the Disclosure Agent. The Obligated Person must include with each submission of Annual Financial Information to the Disclosure Agent a written representation addressed to the Disclosure Agent to the effect that the Annual Financial Information is the Annual Financial Information required

by its contractual obligations to the Commission and the Trustee and that such Annual Financial Information complies with the applicable requirements of its contractual obligations to the Commission and the Trustee. The Obligated Person may adjust the Submission Date and the Report Date if the Obligated Person or the Commission changes its fiscal year by providing written notice of the change of fiscal year and the new Submission Date and Report Date to the Disclosure Agent, the Commission and the MSRB; provided, that (i) the new Report Date must be no later than two months after the end of the new fiscal year, (ii) the new Submission Date must be 15 days prior to the Report Date, and (iii) the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year must not exceed one year in duration. It will be sufficient if the Obligated Person provides to the Disclosure Agent and the Commission, and the Disclosure Agent provides to the MSRB the Annual Financial Information by specific reference to documents available to the public on the MSRB's internet web site or filed with the SEC.

If not provided as part of the Annual Financial Information, the Obligated Person must provide its Audited Financial Statements to the Disclosure Agent, when and if available and the Disclosure Agent will then promptly provide the Commission and the MSRB with such Audited Financial Statements.

Commission Responsibility. For Bonds issued that are sold in a primary offering that is subject to the Rule (unless otherwise specified in the applicable Series Indenture or Remarketing Indenture), the Commission will provide (i) its Audited Financial Statements which include information regarding funds held under the General Indenture and (ii) financial information and operating data regarding the Program, on an annual basis, of the type included in the final official statement for such Bonds and identified with language in substantially the form of: "The following [table][paragraph] will be updated annually pursuant to the Commission's continuing disclosure undertaking." Such financial information will be unaudited and will be provided to the Disclosure Agent. The Disclosure Agent will then promptly provide the MSRB with such Audited Financial Statements and such financial information. Such Audited Financial Statements and financial information will be provided to the Trustee before the expiration of seven months after the Commission's fiscal year. The Commission may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such Audited Financial Statements and annual financial information the Commission may cross-reference to other documents available to the public on the MSRB's internet web site or filed with the SEC, and if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The undertaking described in this paragraph is solely for the benefit of the Owners or Beneficial Owners of Bonds issued before December 1, 2010. If the Commission identifies an occurrence (except as described below) that, if material, would be a Material Event while any Bonds are Outstanding, the Commission will provide a Material Event Notice to the Disclosure Agent in a timely manner and the Disclosure Agent will promptly provide such Material Event Notice to the MSRB.

The undertaking described in this paragraph is solely for the benefit of the Owners or Beneficial Owners of Bonds issued after December 1, 2010. If the Commission identifies an occurrence (except as described below) that would be a Material Event while any Bonds are Outstanding, the Commission immediately will provide a Material Event Notice to the Disclosure Agent, and the Disclosure Agent, will provide to the MSRB, in no case later than ten Business Days after the occurrence of the Material Event, such Material Event Notice.

Trustee Responsibility. The Disclosure Agent will promptly advise the Commission whenever, in the course of performing its duties as Trustee, under the General Indenture, the Trustee, as the Trustee, identifies an occurrence which would be a Material Event and, unless the Commission determines within a reasonable period of time after discussion with the Trustee that such occurrence is not a Material Event for which a Material Event Notice must be given, then the Trustee will promptly (and in no case later than ten Business Days after the occurrence of the Material Event with respect to Bonds issued after December 1, 2010) provide a Material Event Notice to the MSRB. The failure of the Disclosure Agent to advise the Commission or the MSRB will not constitute a default on the Bonds or a breach by the Trustee, as the Trustee, of any of its duties and responsibilities under the General Indenture.

The Disclosure Agent will, without further direction or instruction from any Obligated Person or the Commission, provide in a timely manner to the MSRB notice of any failure while any Bonds are Outstanding by the Disclosure Agent to provide to the MSRB Annual Financial Information, financial information or Audited Financial Statements required to be provided on or before the Report Date (whether caused by failure of the Obligated Person or the Commission to provide such information to the Disclosure Agent by the Submission Date or for any other reason). For the purposes of determining whether information received from the Obligated Person is Annual Financial

Information, the Disclosure Agent will be entitled conclusively to rely on the Obligated Person's written representations.

If an Obligated Person or the Commission provides to the Disclosure Agent information relating to the Obligated Person or the Bonds, which information is not designated as a Material Event Notice, and directs the Disclosure Agent to provide such information to information repositories, the Disclosure Agent will provide such information in a timely manner to the Commission (if provided by an Obligated Person) and the MSRB.

The Disclosure Agent will determine by reference to a Series Indenture if an entity is an Obligated Person and will notify each Obligated Person no later than 30 days prior to a Submission Date of its obligation to provide information in accordance with the Undertaking under its separate contract with the Commission and the Trustee, if such submission has not yet been made. Failure of the Disclosure Agent to provide such notice will not waive any obligations of an Obligated Person.

Definitions for Purposes of Undertaking. The following are the definitions of the capitalized terms used in the Undertaking and not otherwise defined in the General Indenture.

“Annual Financial Information” means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles (“GAAP”)), or operating data with respect to the Obligated Person, provided at least annually, of the type included in the final official statement with respect to the Bonds and specified in a Series Indenture, which Annual Financial Information may, but is not required to, include Audited Financial Statements.

“Audited Financial Statements” means annual financial statements, prepared substantially in accordance with GAAP, which financial statements will have been audited by a firm of independent certified public accountants.

“Beneficial Owner” means the beneficial owner of Bonds held in fully immobilized form.

“Material Event” means: (A) any of the following events, if material, with respect to the Bonds issued or Remarketed before December 1, 2010: (i) Principal and interest payment delinquencies; (ii) Non-payment related defaults; (iii) Unscheduled draws on debt service reserves reflecting financial difficulties; (iv) Unscheduled draws on credit enhancements reflecting financial difficulties; (v) Substitution of credit or liquidity providers, or their failure to perform; (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) Modifications to rights of Bondowners; (viii) Bond calls; (ix) Defeasances; (x) Release, substitution, or sale of property securing repayment of the Bonds; and (xi) Rating changes; and (B) any of the following events with respect to the Bonds issued or Remarketed after December 1, 2010: (i) Principal and interest payment delinquencies; (ii) Non-payment related defaults, if material; (iii) Unscheduled draws on debt service reserves reflecting financial difficulties; (iv) Unscheduled draws on credit enhancements reflecting financial difficulties; (v) Substitution of credit or liquidity providers, or their failure to perform; (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (vii) Modifications to rights of Bondowners, if material; (viii) Bond calls, if material, and tender offers; (ix) Defeasances; (x) Release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) Rating changes; (xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Person; (xiii) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) Appointment of a successor or additional trustee or the change of a name of a trustee, if material. The Disclosure Agent will presume that the occurrence of any of the events in items (A)(i) through (A)(xi), and (B)(ii), (B)(vi), (B)(vii), (B)(x), (B)(xiii) and (B)(xiv) are material, unless the Commission informs the Disclosure Agent that such event is not material.

“Material Event Notice” means written or electronic notice of a Material Event.

“MSRB” means the Municipal Securities Rulemaking Board.

Termination of Undertaking. The continuing obligation of the Commission or an Obligated Person to provide Annual Financial Information, financial information and Audited Financial Statements to the Disclosure Agent pursuant to the Undertaking will terminate immediately once the Bonds (with respect to which the Obligated Person has been designated) are no longer Outstanding or the respective obligations of the Obligated Party or the Commission are otherwise terminated. The Undertaking, or any provision thereof, will be null and void in the event that an Obligated Person or the Commission delivers to the Disclosure Agent (with a copy to the Commission if submitted on behalf of an Obligated Person) an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require certain Obligated Persons or the Commission to undertake responsibilities under the Undertaking, or any such provisions, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; provided, that the Disclosure Agent will have provided notice of such delivery and the cancellation of the Undertaking to the MSRB.

Amendment of Undertaking. The Commission, as it deems necessary and with written notice to each Obligated Person, or, at the request of an Obligated Person, may amend the Undertaking, and any provision of the undertaking may be waived, provided that the following conditions are satisfied:

- (i) If the amendment or waiver relates to the provisions of summarized above under the subheadings “*Obligated Person Responsibility*” or “*Commission Responsibility*,” it may only be made in connection with a change in circumstances that arises from a change in legal requirements, or change in law, interpretation of law by the SEC, or change in the identity, nature or status of an Obligated Person or the Commission with respect to the Bonds, or the type of business conducted or in connection with Bonds that have not been issued or remarketed as of the date the amendment or waiver takes effect;
- (ii) 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the General Indenture for amendments to the General Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Undertaking, an Obligated Person or the Commission, as applicable, will describe such amendment in the next Annual Financial Information or Audited Financial Statement, and will 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 Obligated Person or the Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Material Event, and (ii) the Annual Financial Information 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.

Agency Described. For purposes of the Undertaking, the Trustee will act as agent of the Commission and the Obligated Person and not in its capacity as Trustee. As Disclosure Agent, the Trustee is not obligated to independently investigate the accuracy of certificates received by it in its capacity as Trustee.

Failure to Comply with Undertaking. The Disclosure Agent covenants to comply with and carry out all of the provisions of the Undertaking. Notwithstanding any other provision of the General Indenture, failure of the Obligated Person, the Commission or the Disclosure Agent to comply with the Undertaking will not be considered an Event of Default; however, the Disclosure Agent may (and, at the request of the Owners or Beneficial Owners of at least 25% in aggregate principal amount of the Bonds Outstanding, will) or any Bondowner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Person, the Commission or the Disclosure Agent to comply with its obligations under the Undertaking.

Format of filings with MSRB. All filings with the MSRB made pursuant to the Undertaking shall be made in an electronic format, as prescribed by the MSRB from time to time, and shall be accompanied by such identifying information as may be prescribed by the MSRB from time to time.

**APPENDIX B:
GNMA, FANNIE MAE AND FREDDIE MAC PROGRAMS**

GNMA and the GNMA Certificates

The summary and explanation of the Government National Mortgage Association (“GNMA” or “Ginnie Mae”), GNMA’s mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to the *Ginnie Mae Mortgage-Backed Securities Guide* (HUD Handbook 5500.3) (the “GNMA Guide”) and to said documents for full and complete statements of their provisions. At the time of printing this Official Statement, the GNMA Guide and general information regarding GNMA can be accessed at <http://www.ginniemae.gov>. The Commission makes no representation regarding the content, accuracy or availability of the GNMA Guide or any information provided at such web site. Such web site is not part of this Official Statement. Further, the procedures and fees described below and in the GNMA Guide are those currently in effect and are subject to change at any time by GNMA.

GNMA is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development (“HUD”), with its principal office in Washington, D.C. GNMA’s powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C. § 1716 *et seq.*).

GNMA is authorized by Section 306(g) of the National Housing Act to guarantee the timely payment of the principal of and interest on securities (“GNMA Certificates”) that represent undivided ownership interests in pools of mortgage loans that are: (i) insured by the Federal Housing Administration (“FHA”) under the National Housing Act of 1934, as amended; (ii) guaranteed by the Department of Veterans Affairs under the Servicemen’s Readjustment Act of 1944, as amended; (iii) guaranteed by the Rural Housing Service (“RHS”) of the U.S. Department of Agriculture pursuant to Section 502 of Title V of the Housing Act of 1949, as amended; or (iv) guaranteed by the Secretary of HUD under Section 184 of the Housing and Community Development Act of 1992, as amended and administered by the Office of Public and Indian Housing (“PIH”). The GNMA Certificates are issued by approved servicers and not by GNMA. GNMA guarantees the timely payment of principal of and interest on the GNMA Certificates.

Section 306(g) of the National Housing Act further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated December 12, 1969, of an Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed securities (which are set forth in “GNMA Guaranty Agreements”) are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.”

In its corporate capacity under Section 306(d) of Title III of the Housing Act, GNMA may issue its general obligations to the United States Treasury Department (the “Treasury”) in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Certificate. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement GNMA’s guaranty. GNMA has covenanted to borrow from the United States Treasury any amounts necessary to enable GNMA to honor its guaranty of the GNMA Certificates.

GNMA administers two guarantee programs—the “Ginnie Mae I MBS Program” and the “Ginnie Mae II MBS Program.” The principal differences between the two programs relate to the interest rate structure of the mortgages backing the GNMA Certificates and the means by which principal and interest payments are made. These differences are not expected to affect adversely the availability of Revenues to pay principal of and interest on the Bonds. While the Commission may permit Mortgage Lenders to issue GNMA Certificates under either GNMA program, proceeds of the Bonds are expected to be used to purchase GNMA Certificates under the Ginnie Mae I MBS Program.

To issue GNMA Certificates, the Servicer must apply for and receive GNMA’s commitment to guarantee mortgage-backed securities (“commitment authority”). The Servicer is obligated to pay GNMA commitment fees. GNMA’s commitment authority permits the Servicer to issue GNMA Certificates up to an approved dollar amount. Commitment authority expires in one year for single-family pools.

Each GNMA Certificate is to be backed by a separate mortgage pool consisting of qualified mortgages in a minimum aggregate amount of \$25,000. Under the Ginnie Mae I MBS Program, the Servicer will be required to pay to the Trustee, as the holder of the GNMA Certificates issued by the Servicer, the regular monthly installments of principal and interest on the Mortgage Loans that back those GNMA Certificates (less the Servicer’s servicing fee,

which includes a GNMA guaranty fee). Under the Ginnie Mae II MBS Program, the Servicer will be required to pay such amounts to the Paying and Transfer Agent for the Ginnie Mae II MBS Program (the “CPTA”), and the CPTA will be required to pay to the Trustee, as the holder of the GNMA Certificate, the regular monthly installments of principal and interest on the Mortgage Loans backing such GNMA Certificate.

Payment of interest and principal on each GNMA Certificate is required to be made in monthly installments by the 15th day of each month under the Ginnie Mae I MBS Program and by the 20th day of each month under the Ginnie Mae II MBS Program, commencing the month following the date of issue of the GNMA Certificate. In addition, each payment is required to include prepayments on Mortgage Loans underlying the GNMA Certificate that were received during the preceding calendar month.

Mortgage Loans underlying a particular GNMA Certificate issued pursuant to the Ginnie Mae I MBS Program must have the same annual interest rate. The annual Pass-Through Rate on each GNMA Certificate under the Ginnie Mae I MBS Program is 0.5% less than the annual interest rate on the Mortgage Loans included in the Mortgage pool backing that GNMA Certificate. Each Mortgage Loan in a Ginnie Mae II pool issued on or after July 1, 2003, must have a fixed interest rate that is at least 0.25% (but not more than 0.75%) higher than the interest rate on the related GNMA Certificate.

The Servicer is required to pay a monthly guaranty fee to GNMA for each GNMA Certificate for which the Servicer is the issuer of record. GNMA’s monthly guaranty fee is computed based on the aggregate principal balance of the guaranteed securities outstanding at the beginning of the monthly reporting period. The monthly rate used to compute the fee is 0.06% (which may be reduced under GNMA’s Targeted Lending Initiative) divided by 12.

Under the GNMA program, the Servicer is responsible for servicing each pooled Mortgage Loans and is entitled to a servicing fee for each such loan. The servicing fee is based on and payable only from the interest portion of each monthly installment of principal and interest actually collected by the Servicer on the Mortgage Loan. The fee is equal to the difference between the interest rate on the Mortgage Loan and the interest rate on the GNMA Certificate for which it serves as collateral, computed on the same principal amount and for the same period as the interest portion of the installment. With respect to Ginnie Mae II MBS pools issued on and after July 1, 2003, the Servicer must ensure that the minimum servicing fee is at least 0.19% (which fee may be increased under GNMA’s Targeted Lending Initiative).

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

If the Servicer defaults on its obligations as an issuer of the GNMA Certificates (including loan servicing and certificate payment obligations), GNMA has the right to extinguish the Servicer’s interest in the Mortgage Loans underlying such GNMA Certificates, in which case such Mortgage Loans will become the absolute property of GNMA (subject only to the unsatisfied rights of the Trustee, as holder of the GNMA Certificates).

Fannie Mae and the Fannie Mae Certificates

See “INTRODUCTION—Federal Housing Finance Agency Actions” for information regarding the conservatorship of Fannie Mae.

The summary and explanation of the Federal National Mortgage Association (“FNMA” or “Fannie Mae”), Fannie Mae’s mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to said documents for full and complete statements of their provisions. Said documents and the MBS Program are subject to change at any time by Fannie Mae. At the time of printing this Official Statement, general information regarding Fannie Mae can be accessed at <http://www.fanniemae.com>. The Commission makes no representations regarding the content or accuracy of the information provided at such web site, and such web site is not part of this Official Statement.

On March 31, 2003, Fannie Mae registered its common stock with the Securities and Exchange Commission (“SEC”). As a result of this action, Fannie Mae is required to file periodic financial disclosures with the SEC under the Securities Exchange Act of 1934, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Commission makes no representations regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae with the SEC, any information provided at the

SEC's web site, or how long Fannie Mae will continue to file reports with the SEC. The SEC's web site is not part of this Official Statement.

Fannie Mae is a federally-chartered, private stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (the "Charter Act," 12 U.S.C. § 1716 *et seq.*). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. It was transformed into a stockholder-owned, privately managed corporation in 1968. The Secretary of HUD exercises general regulatory power over Fannie Mae.

Fannie Mae operates exclusively in the secondary mortgage market by purchasing mortgages and mortgage-related securities, including Fannie Mae mortgage-related securities, from primary market institutions, such as commercial banks, savings and loan associations, mortgage companies, securities dealers and other investors. Fannie Mae provides additional liquidity in the secondary mortgage market by issuing and guaranteeing mortgage-related securities. Fannie Mae also offers fee-based services to its customers, such as issuing and administering a variety of mortgage-related securities, providing credit enhancements and offering technology products to aid in originating and underwriting mortgage loans.

Fannie Mae operates various mortgage-backed securities programs pursuant to which Fannie Mae issues securities backed by pools of mortgage loans. The Fannie Mae Certificates described in this Official Statement represent beneficial ownership interests in pools of Mortgage Loans held in trust by Fannie Mae for the benefit of the Trustee, as holder of the Fannie Mae Certificates. The Fannie Mae Certificates are issued by Fannie Mae pursuant to a Trust Indenture dated as of November 1, 1981, as amended, and a supplement thereto to be issued by Fannie Mae in connection with each pool.

Information regarding the Fannie Mae Certificates is contained in a prospectus (each, a "Single-Family MBS Prospectus") and a prospectus supplement. Each Single-Family MBS Prospectus contains general information about pools issued during its effective period including, but not limited to, the nature of the guaranty, yield considerations, and the mortgage purchase programs. Each prospectus supplement includes information about the pooled Mortgage Loans backing a particular issue of Fannie Mae Certificates and about the certificates themselves. Copies of Single-Family MBS Prospectuses and prospectus supplements are available at Fannie Mae's offices located at 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016. At the time of printing this Official Statement, these documents can be accessed at <http://www.fanniemae.com>. The Commission makes no representation regarding the content, accuracy or availability of any such prospectus or supplement thereto, or any information provided at such web site. Fannie Mae's web site is not part of this Official Statement.

Payments on a Fannie Mae Certificate will be made to the Trustee on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate is issued), or if such 25th day is not a Business Day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Certificate, Fannie Mae generally will distribute to the Trustee an amount equal to the total of (1) the principal due on the Mortgage Loans in the related pool underlying such Fannie Mae Certificate during the period beginning on the second day of the month before the month of such distribution and ending on the first day of such month of distribution (each, a "due period"), (2) the stated principal balance of any Mortgage Loan that was prepaid in full during the month preceding the month of such distribution (including as prepaid for this purpose any Mortgage Loans repurchased by Fannie Mae because of Fannie Mae's election to repurchase the Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest or because of Fannie Mae's election to repurchase such Mortgage Loan under certain other circumstances as permitted by Fannie Mae's Indenture), (3) the amount of any partial prepayment of a Mortgage Loan received in the month preceding the month of distribution, and (4) one month's interest, at the fixed pass-through rate, on the principal balance of the Fannie Mae Certificate immediately prior to the distribution date.

Fannie Mae guarantees to holders of the Fannie Mae Certificates, on each distribution date, an amount equal to the borrowers' scheduled principal payments for the related due period, whether or not received, plus an amount equal to one month's interest on the Fannie Mae Certificates at the fixed pass-through rate stated in the prospectus supplement for such certificates. In addition, Fannie Mae guarantees the full and final payment of the unpaid principal balance of the Fannie Mae Certificates on the distribution date in the month of the maturity date specified in the prospectus supplement for the Fannie Mae Certificates. Fannie Mae's guaranty covers any interest shortfalls on the Fannie Mae Certificates arising from reductions in the interest rate of a Mortgage Loan due to application of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, and similar state laws.

Neither the Fannie Mae Certificates nor payments of principal and interest thereon are guaranteed by the United States government. The Fannie Mae Certificates do not constitute a debt or obligation of the United

States or any of its agencies or instrumentalities other than Fannie Mae. Fannie Mae alone is responsible for making payments on its guaranty.

If Fannie Mae was unable to perform its guaranty obligations, the Trustee would receive only the payments that borrowers actually made and any other recoveries on the Mortgage Loans in the pool from sources such as insurance, condemnation and foreclosure proceeds. If that were to happen, delinquencies and defaults on the Mortgage Loans would directly affect the amount of principal and interest that the Trustee would receive each month.

Fannie Mae establishes eligibility criteria and policies for the mortgage loans it purchases, for the sellers from whom it purchases loans, and for the servicers who service Fannie Mae's mortgage loans. Fannie Mae's eligibility criteria and policies are set forth in Fannie Mae's Selling and Servicing Guides (the "Fannie Mae Guides") and updates and amendments to such guides. Fannie Mae amends its Fannie Mae Guides and its eligibility criteria and policies from time to time.

The Charter Act requires that Fannie Mae establish maximum original principal balance dollar limitations for the conventional loans that it purchases. These limitations (referred to as conforming loan limits) typically are adjusted annually. For loans delivered during 2011, Fannie Mae's conforming loan limit for conventional loans secured by first liens on single-unit residences in Washington State is \$417,000. Fannie Mae's conforming loan limit for mortgage loans secured by subordinate liens on single-unit residences is 50% of the amount for first lien loans. In addition, the aggregate original principal balance of all the mortgage loans owned by Fannie Mae that are secured by the same residence cannot exceed the amount of the first lien conforming loan limit.

The maximum loan-to-value ratio for FHA-insured and VA-guaranteed mortgage loans Fannie Mae purchases is the maximum established by the FHA or VA for the particular program under which the mortgage was insured or guaranteed. The maximum loan-to-value ratio for HUD guaranteed "Section 184" mortgage loans and RHS guaranteed mortgage loans Fannie Mae purchases is 100%. The Charter Act requires that Fannie Mae obtain credit enhancement whenever it purchases a conventional mortgage loan secured by a single-family residence with a loan-to-value ratio over 80%. The credit enhancement may take several forms, including mortgage insurance issued by an insurer acceptable to Fannie Mae covering the amount in excess of 80%, repurchase arrangements with the seller of the mortgage loans, and seller-retained participation interests. Fannie Mae may impose credit enhancement requirements that are more restrictive than those of the Charter Act.

Fannie Mae is responsible for servicing and administering the mortgage loans it purchases. Fannie Mae may contract with other entities to perform those functions under Fannie Mae's supervision and on Fannie Mae's behalf. Often, the entity with whom Fannie Mae contracts is the seller that sold the loans to Fannie Mae. Duties performed by the servicer include general loan servicing responsibilities, collection and remittance of payments on the mortgage loans, administration of mortgage escrow accounts, collection of insurance claims and foreclosure, if necessary. Fannie Mae remains responsible to certificateholders for all the servicing and administrative functions related to the mortgage loans, even if it hires a servicer. Servicers must meet the eligibility standards and performance obligations in the Fannie Mae Guides. Fannie Mae has the right to remove any servicer at any time Fannie Mae considers its removal to be in the certificateholders' best interest.

Bank of America, N.A. ("BANA"), expects to enter into a Fixed Rate Mortgage Pool Purchase Contract with Fannie Mae relating to pools of Mortgage Loans with respect to the Commission's 2011 lending programs. This contract will provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the pooling of Mortgage Loans for purposes of issuing Fannie Mae Certificates. The Commission expects that future pool purchase contracts between Fannie Mae and BANA will be entered with respect to the Commission's Program. However, there can be no assurance that a Fannie Mae Pool Contract can be successfully negotiated and no representation is made about the amount, if any, of Fannie Mae Certificates which will secure the Bonds.

Freddie Mac and the Freddie Mac Certificates

See "INTRODUCTION—Federal Housing Finance Agency Actions" for information regarding the conservatorship of Freddie Mac.

The following summary of the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), the Freddie Mac Guarantor Program, the Freddie Mac Certificates and Freddie Mac's mortgage purchase and servicing standards does not purport to be complete and is qualified in its entirety by reference to Freddie Mac's current Mortgage Participation Certificates Offering Circular, any applicable Offering Circular and Pool Supplements, Freddie Mac's current Mortgage Participation Certificates Agreement, as amended, Freddie Mac's Information Statement, any Information Statement Supplements and any other documents made available by Freddie Mac. Copies of these documents can be obtained from Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia

22102. At the time of printing this Official Statement, the documents mentioned above and general information regarding Freddie Mac can be accessed at <http://www.freddiemac.com>. However, the Commission makes no representation regarding the content, accuracy or availability of any such document or any information provided at such web site. Such web site is not part of this Official Statement.

On July 18, 2008, Freddie Mac voluntarily registered its common stock with the SEC, thereby subjecting Freddie Mac to reporting requirements applicable to registered securities. In addition, pursuant to the Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac, Freddie Mac is required to provide the Treasury with annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. See “INTRODUCTION—Federal Housing Finance Agency Actions” for information regarding Senior Preferred Stock Purchase Agreement. These reports and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (<http://www.sec.gov>) that contains reports, proxy statements and other information that Freddie Mac has filed with the SEC. The Commission makes no representations regarding the content, accuracy or availability of any such reports or information filed by Freddie Mac with the SEC, any information provided at on the SEC’s web site, or how long Freddie Mac will continue to file reports with the SEC. The SEC’s web site is not part of this Official Statement.

Freddie Mac is a shareholder-owned, government-sponsored enterprise chartered on July 24, 1970, pursuant to the Federal Home Loan Mortgage Corporation Act (Title III of the Emergency Home Finance Act of 1970, as amended (12 U.S.C. §§ 1451-1459) (the “Freddie Mac Act”).

Freddie Mac purchases and guarantees a variety of single-family mortgages. Most of these mortgages are conventional mortgages that are not guaranteed or insured by the United States or any of its agencies or instrumentalities. However, Freddie Mac purchases some mortgages that are fully insured by the Federal Housing Administration (“FHA”) or guaranteed, in part, by the Department of Veterans Affairs (“VA”) (collectively, “FHA/VA mortgages”). Freddie Mac operates a program in which purchases and pools single-family mortgages for the purpose of issuing mortgage participation certificates (including any Freddie Mac Certificates that may be purchased by the Trustee). These mortgage participation certificates represent beneficial ownership interests in pools of mortgages that Freddie Mac has purchased.

Freddie Mac is required to pay principal to the holders of its fixed-rate mortgage participation certificates on the 15th of each month (or, if the 15th is not a business day, the next business day), beginning in the month after the certificate is issued (each, a “Payment Date”). The principal balance of the mortgage pool underlying the certificate may differ from the aggregate principal balance of the underlying mortgages due to delays or errors in processing mortgage information, such as a servicer’s failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. Freddie Mac is required to account for any differences as soon as practicable.

The aggregate principal payment in any month on a fixed-rate mortgage participation certificate reflects: (i) the scheduled principal payments due on the mortgages in the related mortgage pool for the monthly reporting period ending in the current month; (ii) prepayments on the related mortgages as reported by servicers for the monthly reporting period ending in the previous month; and (iii) any adjustments necessary to reconcile the principal balance of the mortgage pool with the aggregate balance of the related mortgages reported to Freddie Mac by servicers. Freddie Mac calculates the scheduled principal due on the related mortgages based upon the actual principal balance, interest rate and remaining term to maturity of each mortgage in the mortgage pool. Its calculation of scheduled principal may not reflect actual payments on the mortgages.

Interest will accrue on each Freddie Mac during the calendar month preceding the month of the Payment Date at the interest rate specified for the mortgage participation certificate. The interest rate is set at the time of issuance and does not change. Interest accrues on the principal amount of a certificate as determined by its “pool factor” for the month preceding the month of the Payment Date.

Freddie Mac guarantees to each holder of each mortgage participation certificate (i) the timely payment of interest at the applicable interest rate for the certificate; (ii) the timely payment of scheduled principal on the underlying mortgages; and (iii) the full and final payment of principal on the underlying mortgages by the Payment Date that falls in the latest month in which Freddie Mac reduces the related “pool factor” to zero.

The obligations of Freddie Mac under its guarantees of mortgage participation certificates are obligations of Freddie Mac only. Such certificates, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. If Freddie Mac were unable to satisfy its obligations under its guarantees, distributions on the mortgage participation certificate would consist solely of payment and other recoveries

on the related mortgage. accordingly, delinquencies and defaults on the mortgages would affect distributions on the certificates.

The Freddie Mac Act limits the maximum original principal amount of single-family mortgages that Freddie Mac may purchase. These limits are referred to as “conforming loan limits.” For loans delivered during 2011, Freddie Mac’s conforming loan limit for a first lien conventional single-family mortgage is \$417,000 for a one-family dwelling in Washington State. The conforming loan limit for second-lien mortgages is 50 percent of the limit for first-lien mortgages on one-family dwellings. When Freddie Mac purchases both the first-lien and second-lien mortgage on the same property, the Freddie Mac Act provides that the total amount Freddie Mac may purchase may not exceed the applicable conforming loan limit.

The Freddie Mac Act also prohibits Freddie Mac from purchasing first-lien conventional single-family mortgages if the outstanding principal balance at the time of purchase exceeds 80 percent of the value of the real property securing the mortgage unless Freddie Mac have a level of credit protection (such as mortgage insurance from an approved mortgage insurer, a seller’s agreement to repurchase or replace any mortgage that has defaulted) or the retention of at least a 10 percent participation interest in the mortgages by the seller. This requirement does not apply to FHA/VA mortgages.

The single-family mortgages purchased and guaranteed by Freddie Mac generally are subject to the credit, appraisal, underwriting and other purchase policies and guidelines set forth in Freddie Mac’s *Single-Family Seller/Servicer Guide*. Freddie Mac may modify these guidelines or grant waivers for certain mortgages that it purchases.

Freddie Mac services or supervises the servicing of the mortgages it purchases. In performing its servicing responsibilities, Freddie Mac may employ servicing agents or independent contractors. Each such servicer generally is required to perform all activities concerning the calculation, collection and processing of mortgage payments and related borrower inquiries, as well as all mortgage administrative responsibilities, including claims collection, workouts, foreclosures and reports. Servicers service mortgages, either directly or through approved subservicers, and receive fees for their services. Freddie Mac monitors a servicer’s performance through periodic and special reports and inspections to ensure it complies with its obligations.

The interest rates of the mortgages in a mortgage pool underlying a fixed-rate mortgage participation certificate are within a range from (i) the certificate interest rate plus any minimum required servicing fee through (ii) 2.5% above the certificate interest rate. Subject to certain adjustments, Freddie Mac will retain from monthly interest payments on each mortgage a management and guarantee fee, which equals any interest received by Freddie Mac from the servicer over the amount of interest payable to holders of the certificate.

**APPENDIX C:
DTC AND THE BOOK-ENTRY SYSTEM**

The information in this Appendix concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC. Neither the Underwriters nor the Commission take responsibility for the accuracy or completeness thereof, or for any material changes in such information subsequent to the date hereof, or for any information provided at the web sites referenced below. Beneficial Owners should confirm the following with DTC or the Direct Participants (as hereinafter defined).

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) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series Bond certificate will be issued for each maturity of the Series Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the 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 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 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.

To facilitate subsequent transfers, all Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series Bond documents. For example, Beneficial Owners of Series Bonds may wish to ascertain that the nominee holding the Series Bonds for their benefit has agreed to obtain and transmit notices to Beneficial

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee), will consent or vote with respect to the Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission 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 and interest payments on the Series Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES BONDS, AS NOMINEE OF DTC, REFERENCES IN THE OFFICIAL STATEMENT TO THE BONDOWNERS OR REGISTERED OWNERS OF THE SERIES BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES BONDS.

**APPENDIX D:
FORM OPINION OF BOND COUNSEL**

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March __, 2011

Washington State Housing Finance Commission
Seattle, Washington

Federal National Mortgage Association
Washington, D.C.

Federal Home Loan Mortgage Corporation
McLean, Virginia

RBC Capital Markets, LLC
San Francisco, California

Moody's Investors Service
New York, New York

Re: Washington State Housing Finance Commission
Homeownership Program Bonds, 2011 Series A (Non-AMT)
Homeownership Program Bonds, 2009 Series AC2 (Non-AMT)

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Washington (the "State") and a certified transcript of the proceedings taken by the Washington State Housing Finance Commission (the "Commission"), a public body corporate and politic organized and existing under the laws of the State, in the matter of the issuance and sale by the Commission of the Homeownership Program Bonds, 2011 Series A (Non-AMT) in the principal amount of \$40,000,000 (the "2011 Series A Bonds") and the Conversion by the Commission of its Homeownership Program Bonds, 2009 Series AC2 (Non-AMT) in the principal amount of \$59,990,000 (the "2009 Series AC2 Bonds" and collectively, the "Series Bonds") for the purpose of providing funds to acquire mortgage backed securities of the Government National Mortgage Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (together, the "Certificates") from Bank of America Home Loans (the "Servicer"). The Certificates will evidence the guarantee of the timely payment of principal of and interest on qualifying mortgage loans (the "Mortgage Loans") to be originated pursuant to Mortgage Origination Agreements (the "Origination Agreements") among certain lending institutions doing business in the state of Washington, the Servicer and the Commission and to be serviced by the Servicer under a Program Administration and Servicing Agreement dated as of December 1, 2009, as amended (the "Servicing Agreement"), by and among Bank of America, N.A., the Commission and Wells Fargo Bank, N.A. (the "Trustee").

The 2011 Series A Bonds are issued under the Homeownership General Trust Indenture dated as of December 1, 2009, as amended, and the 2011 Series A and 2009 Series AC2 Series and Conversion Indenture, dated as of March 1, 2011, by and between the Commission and the Trustee (together, the "Indenture"). The 2009 Series A Bonds are being Converted pursuant to the Indenture and the 2009 Series A Indenture dated as of December 1, 2009, as amended, by and between the Commission and the Trustee. The issuance of the Series Bonds has been authorized pursuant to Chapter 161, Laws of Washington, 1983, as amended, and Resolution Nos. 09-105 and No. 11-43, adopted by the Commission on November 19, 2009, and January 27, 2011, respectively (together, the "Resolution").

Capitalized terms used herein and not otherwise defined shall have the same definitions as in the Indenture.

The 2011 Series A Bonds are dated March __, 2011 and pay interest, accruing from March __, 2011, semiannually on each April 1 and October 1, commencing October 1, 2011, at the rates set forth in the Indenture. The 2011 Series A Bonds are fully registered and mature on the dates as provided therein and in the Indenture and may be exchanged or transferred as provided in the Indenture. The 2009 Series AC2 Bonds are dated December 21, 2009, and pay interest, accruing from December 23, 2009, on the Release Date, on the Conversion Date, and thereafter semiannually on each succeeding April 1 and October 1 (commencing October 1, 2011), at the rate set

forth in the Indenture. The 2009 Series AC2 Bonds are fully registered and mature on the date as provided therein and in the Indenture.

The Series Bonds are subject to special, mandatory and optional redemption as provided in the Indenture.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of officers of the Commission furnished to us without undertaking to verify the same by independent investigation. Furthermore, we have examined executed counterparts of the Servicing Agreement, the Indenture and such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinions stated below.

From our examination, it is our opinion that:

1. The Commission has been duly created as a public body corporate and politic constituting an instrumentality of the State with lawful authority to adopt the Resolution, to enter into the Indenture, the Origination Agreements and the Servicing Agreement, to issue and deliver the Series Bonds and to perform its obligations under the Resolution, the Indenture, the Origination Agreements and the Servicing Agreement and to carry out the transactions contemplated thereby.

2. The Commission has duly adopted the Resolution and has duly authorized and executed the Indenture, the Origination Agreements and the Servicing Agreement, and the Indenture, the Origination Agreements and the Servicing Agreement constitute the legal, valid and binding obligations of the Commission enforceable in accordance with their terms.

3. The Series Bonds have been duly authorized, executed and delivered, constitute legal, valid and binding special obligations of the Commission enforceable in accordance with their terms and are entitled to the benefits and security provided by the Indenture.

4. The Indenture creates the valid pledge of and lien which it purports to create on the Revenues, Eligible Collateral and other funds held by the Trustee under the Indenture to secure the payment of the principal of, redemption premium, if any, and interest on the Series Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

5. The Series Bonds are limited obligations of the Commission and are payable solely out of the Revenues, Eligible Collateral and other funds held under the Indenture. The Series Bonds are not a debt of the State or of any political subdivision of the State or of any municipal corporation or other subdivision of the State other than the Commission. Neither the State nor any municipal corporation or other subdivision of the State other than the Commission is liable on the Series Bonds. The Series Bonds are not a debt, indebtedness or the borrowing of money within the meaning of any limitation or restriction on the issuance of bonds contained in the Constitution of the State.

With respect to the opinions expressed herein, the enforceability of rights and obligations under the Series Bonds, the Indenture, the Resolution, the Servicing Agreement and the Origination Agreements and against the assets pledged by the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted to the extent constitutionally applicable and subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

K&L GATES LLP

**APPENDIX E:
FORM OPINION OF SPECIAL TAX COUNSEL**

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March __, 2011

Washington State Housing Finance Commission
Suite 2700
1000 Second Avenue
Seattle, WA 98104-1046

Washington State Housing Finance Commission
Homeownership Program Bonds,
2011 Series A (Non-AMT)
2009 Series AC2 Bonds (Non-AMT)

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale by the Washington State Housing Finance Commission of the \$40,000,000 aggregate principal amount Homeownership Program Bonds, 2011 Series A (Non-AMT) (the "2011 Series A Bonds") and the conversion ("Conversion") of the interest on \$59,990,000 aggregate principal amount Homeownership Program Bonds, 2009 Series A (Taxable), re-designated, as of March __, 2011 (the "Release Date"), as Homeownership Program Bonds, 2009 Series AC2 (Non-AMT) (the "2009 Series AC2 Bonds" and, together with the 2011 Series A Bonds, the "Series Bonds"). The 2009 Series AC2 Bonds have been issued and the 2011 Series A Bonds will be issued pursuant to the Homeownership General Trust Indenture dated as of December 1, 2009, as amended (the "General Indenture"), a Series Indenture dated as of December 1, 2009, as amended (the "2009 Series A Indenture"), and a 2011 Series A and 2009 Series AC2 Series and Conversion Indenture dated as of March 1, 2011 (the "Series and Conversion Indenture"), each by and between the Washington State Housing Finance Commission (the "Commission") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), authorizing the issuance of the 2011 Series A Bonds and the Conversion of the 2009 Series AC2 Bonds. Capitalized terms not otherwise defined herein are used as defined in the General Indenture, the 2009 Series A Indenture and the Series and Conversion Indenture.

In connection with the issuance of the 2011 Series A Bonds and the Conversion of the 2009 Series AC2 Bonds, we have examined the General Indenture, the 2009 Series A Indenture, the Series and Conversion Indenture, the Arbitrage and Tax Certification (the "Tax Certificate") and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that, assuming compliance by the Commission with certain restrictions, conditions and requirements contained in the General Indenture, the 2009 Series A Indenture, the Series and Conversion Indenture and the Tax Certificate designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, interest on the 2011 Series A Bonds and, from and after the Release Date, interest on the 2009 Series AC2 Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation and interest on the 2011 Series A Bonds and, from and after the Release Date, interest on the 2009 Series AC2 Bonds is not a specific preference item or included in adjusted current earnings for purposes of federal alternative minimum taxes.

We express no opinion regarding any other consequences affecting the federal income tax liability of a recipient of interest on the Series Bonds.

The opinions expressed herein are rendered in reliance upon the opinion of K&L Gates LLP, Bond Counsel, as to the validity of the Series Bonds under the Constitution and laws of the State of Washington.

Very truly yours,

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**APPENDIX F:
CERTAIN FINANCIAL TABLES**

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Table F-1
Washington State Housing Finance Commission Homeownership Program Bonds
Outstanding Principal Amounts as of February 1, 2011

The following table will be updated annually pursuant to the Commission's continuing disclosure undertaking.

Series	Date of Issue or, if later, Release Date	Type	Maturity	Coupon	Original Par Amount	Outstanding Par Amount
2009 Series A (1)	12/21/2009	Taxable NIB Program Term	10/01/2041	Variable	\$110,000,000	\$110,000,000
					\$110,000,000	\$110,000,000
2009 Series B	12/23/2009	Non-AMT Serials	04/01/2011-10/01/2021	0.9-4.125%	\$10,760,000	\$10,520,000
	"	Non-AMT Term	10/01/2025	4.55%	5,605,000	5,480,000
	"	Non-AMT Term	04/01/2028	4.75%	3,635,000	3,555,000
12/21/2009	12/21/2009	Non-AMT NIB Program Term	10/01/2040	3.81%	30,000,000	29,330,000
					\$50,000,000	\$48,885,000
2009 Series AC1 (2)	06/29/2010	Non-AMT NIB Program Term	10/01/2041	3.81%	\$60,000,000	\$60,000,000
					\$60,000,000	\$60,000,000
2010 Series A	06/29/2010	Non-AMT Serials	04/01/2011-10/01/2022	0.65-4.125%	\$20,875,000	\$20,875,000
	"	Non-AMT Term	10/01/2026	4.35%	7,125,000	7,125,000
	"	Non-AMT PAC Term	10/01/2028	4.70%	12,000,000	12,000,000
					\$40,000,000	\$40,000,000
					\$260,000,000	\$258,885,000
						Total Outstanding Long-Term Bonds

(1) Does not include \$60,000,000 of 2009 Series AC1 Bonds that were converted in 2010.

(2) Represents the principal amount of 2009 Series A Bonds converted to a long-term, tax-exempt interest rate on August 29, 2010.

Table F-2
Washington State Housing Finance Commission Homeownership Program Bonds
Historical Usage of Bond Proceeds

The following table will be updated annually pursuant to the Commission's continuing disclosure undertaking (but only with respect to Bonds for which the origination period has expired).

Bond Series	House Key No.	Date of Issue or, if later, Release Date	Proceeds Available to Purchase Eligible Collateral (1)	30-Year Standard Mortgage Loan Interest Rates (2)	Proceeds Used to Purchase Eligible Collateral (2)		Unexpended Proceeds Redemptions
					Amount	Percent	
2009 Series B	09-B	12/23/09	\$ 50,000,000	5.0 to 6.0%	\$ 50,000,000	100.0	--
2009 Series AC1	10-A	06/29/10	60,000,000	4.75 to 6.0%	60,000,000	100.0	--
2010 Series A	10-A	06/29/10	40,741,600	4.75 to 6.0%	40,740,238	100.0	--
Totals			<u>\$150,741,600</u>		<u>\$150,740,238</u>	<u>100.0%</u>	<u>--</u>

(1) Represents initial principal proceeds plus original issue premium, if any.

(2) A portion of the proceeds of the Bonds were used to acquire principal-only participations in Certificates.

Table F-3
Washington State Housing Finance Commission Homeownership Program Bonds
2009 Series AC2 and 2011 Series A
Allocation to Principal Receipts Subaccounts *

From Date	To Date	2011 Series A Restricted Principal Receipts Subaccount	2011 Series A Unrestricted Principal Receipts Subaccount
March 24, 2011	March 23, 2021	0.00%	100.00%
March 24, 2021	October 1, 2041	100.00%	0.00%

* Assumes the so-called "10-Year Rule" set forth in Section 143(a)(2)(A)(iv) of the Code is not repealed while the Series Bonds are outstanding.

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APPENDIX G:
LENDERS PARTICIPATING IN PROGRAM
As of February 2, 2011

Academy Mortgage Corporation
Alaska USA Federal Credit Union
Allied Home Mortgage Capital Corporation
AmericaHomeKey, Inc.
AmericanWest Bank
Axia Financial, Inc.
 dba Liberty Lake Mortgage; Homestead Mortgage
Bank of America
Chase Home Loans, a dept of JPMorgan Chase Bank, N.A.
Cherry Creek Mortgage Company
City First Mortgage Services
CityBank
CMG Mortgage
Colbalt Mortgage
Cornerstone Mortgage Company
 dba Cornerstone Home Lending
CSW Financial
 dba Platinum Mortgage Advisory Group, SecurityOne
 Home Loans, Titan Home Loans
DHI Mortgage
Directors Mortgage Inc.
Eagle Home Mortgage
 dba Majestic Mortgage Services; NW Mortgage
 Alliance; Equity Home Mortgage; Drake Mortgage
Envoy Mortgage
Evergreen Moneysource
 dba Evergreen Home Loans
Fairway Independent Mortgage
First Continental Mortgage
 dba FCMC Lending Services; Community One
 Financial
First Mortgage Company
First Priority Financial Inc.
 dba The Patterson Company
Flagstar Bank, FSB
Global Advisory Group Inc.
 dba Mortgage Advisory Group
Global Credit Union
Golden Empire Mortgage
 dba All Pacific Mortgage
Guild Mortgage Company
 dba Northwest Mortgage Professionals; The Advisors;
 Liberty Financial Group; Crane Financial Group; First
 Patriot Mortgage
Heritage Savings Bank
HighTech Lending Inc.
Inland Northwest Bank
Kitsap Credit Union
Land/Home Financial Services
 dba Home Financial Services; Lakemont Mortgage
Landover Mortgage, LLC
Lo Inc.
 dba Reliance Mortgage
Mann Mortgage
 dba Home Loan Center; Life Mortgage; Skagit Valley
 Mortgage; Culbertson Mortgage; Westcorp Mortgage
 Group; Heritage Home Loans
MegaStar Financial Corporation
 dba First Rate Mortgage
Metlife Bank, N.A.
 dba Metlife Home Loans
M&T Mortgage
Mortgage Express
Mortgage Master Service Corporation
 dba Capital Financial Mortgage; Mortgage Master of
 Maple Valley; First Security Financial; The Loan
 Source; Savage Financial; Mortgage Partners; Plateau
 Financial Mortgage; US National Mortgage
Mortgage Now, Inc.
Mountain West Bank
Network Mortgage Services
NetMore America, Inc.
 dba PC Home Loans
New Global Home Mortgage
Numerica Credit Union
On Q Financial
Peoples Bank
Pinnacle Capital Mortgage
 dba Alpine Mortgage Planning; Greenstreet Mortgage
 Planning; Absolute Mortgage; Westside Home
 Mortgage; Bridge City Mortgage
Prospect Mortgage, LLC
 dba Bellevue Metro Mortgage; Canyon Park Mortgage;
 Global Home Mortgage; Lakeside Metro Mortgage;
 Seattle Metro Mortgage; Washington Metro Mortgage;
 Washington Metro Mortgage of Marysville
Pulte Mortgage
Republic Mortgage Home Loans
Seattle Metropolitan Credit Union
Seattle Mortgage (Seattle Savings Bank)
 dba Puget Sound Home Mortgage; Polygon Home
 Loans; Home Loan Express; Summer Home Mortgage;
 Madrona Mortgage
South Pacific Financial Corporation
 dba North Pacific Financial Corporation
Sterling Savings Bank
Summit Home Mortgage
Summit Mortgage Corporation
SWBC Mortgage
The Legacy Group
 dba Legacy Group Mortgage
TMBG Inc.
 dba Hometown Lending; Pacific Trust Mortgage
U.S. Bank
Umpqua Bank
Wallick & Volk
Ward Lending Group LLC
Washington State Employees Credit Union
 dba One Washington Financial
Washington Trust Bank
Wells Fargo Home Mortgage
 dba Quadrant Homes; Wasatch Home Mortgage;
 Family Home Mortgage
Whidbey Island Bank
WJ Bradley Mortgage Capital Corp.

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