

**Subseries 2009A-2 Bonds: Conversion of Previously Issued Bonds (Not Reoffered)**  
**Series 2011A Bonds: NEW ISSUE**

**BOOK-ENTRY ONLY**

*In the opinion of Bond Counsel to Rhode Island Housing, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2009A Bonds, Subseries 2009A-2 (the "Subseries 2009A-2 Bonds") and the Series 2011A Bonds (the "Series 2011A Bonds" and, together with the Subseries 2009A-2 Bonds, the "Series Bonds") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series Bond for any period during which such Series Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of facilities financed with the proceeds of the Series Bonds or a "related person," and (ii) interest on the Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In addition, in the opinion of Bond Counsel to Rhode Island Housing, pursuant to the provisions of the Rhode Island Housing and Mortgage Finance Corporation Act, income on the Series Bonds (including any profit on the sale thereof) is free from Rhode Island personal income taxes. (See "TAX MATTERS" herein.)*

**\$19,140,000**

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**

**Multi-Family Funding Bonds**

**\$14,100,000 Series 2009A, Subseries 2009A-2 (Non-AMT)\***

**\$5,040,000 Series 2011A (Non-AMT)**

**Dated:** Series 2011A Bonds – Date of Delivery  
Subseries 2009A-2 Bonds – December 21, 2009  
(Interest accrual commencing December 8, 2011)

**Due:** As shown on the inside cover hereof

The Series 2011A Bonds are being issued as fixed rate bonds and will bear interest from their date of delivery, payable semi annually on each April 1 and October 1, commencing April 1, 2012, at the rates set forth on the inside cover hereof. The Series 2011A Bonds will mature on the dates and in the principal amounts shown on the inside cover hereof and will be subject to redemption as described herein.

Rhode Island Housing has previously issued \$65,100,000 aggregate principal amount of its Multi-Family Funding Bonds, Series 2009A (Escrow Bonds) (the "Series 2009A Bonds") and, in connection with the issuance of the Series 2011A Bonds, expects to convert and redesignate a portion of such Series 2009A Bonds to Multi-Family Funding Bonds, Series 2009A, Subseries 2009A-2 (the "Subseries 2009A-2 Bonds"). See "**NEW ISSUE BOND PROGRAM.**" The Subseries 2009A-2 Bonds will pay interest on February 8, 2012 and thereafter on each April 1 and October 1, commencing April 1, 2012. The current holders of the Series 2009A Bonds will retain ownership of the Subseries 2009A-2 Bonds upon the conversion and redesignation thereof. The Subseries 2009A-2 Bonds are not offered or remarketed hereby.

The Series 2011A are issuable only as fully registered bonds, without coupons, and when issued, are expected to be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry only form, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive certificates representing their interest in the Series 2011A Bonds purchased. See "**DESCRIPTION OF THE SERIES BONDS—Book-Entry Only System**" herein. Interest on the Series 2011A Bonds is payable by check mailed to the registered owner. The Bank of New York Mellon Trust Company, N.A., Providence, Rhode Island acts as Trustee for the Series 2011A Bonds. The principal of and redemption premium, if any, on the Series 2011A Bonds are payable at the corporate trust office of the Trustee in its capacity of Paying Agent at its corporate trust office in Dallas, Texas. So long as Cede & Co. or another nominee of DTC is the registered owner of the Series 2011A Bonds, payments of the principal of, premium, if any, and interest on the Obligations will be made directly to DTC. Disbursement of such payments to Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of Direct Participants and Indirect Participants (as herein defined).

The Series Bonds, together with any additional Bonds hereafter issued, will not constitute general obligations of Rhode Island Housing but will constitute special revenue obligations of Rhode Island Housing and will be secured by and payable solely from a pledge of the Mortgage Loans and certain Revenues and Accounts established under the Resolution, all as more fully set forth herein. Rhode Island Housing has no taxing power. The Series Bonds are not a debt or liability or obligation of the State of Rhode Island or of any political subdivision thereof.

*The Series 2011A Bonds are offered when and if issued and received by the Underwriters, and subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to Rhode Island Housing. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP, Atlanta, Georgia and for Rhode Island Housing by its General Counsel, Brown Rudnick LLP, Providence, Rhode Island. It is expected that the Series 2011A Bonds in book-entry form will be made available through DTC in New York, New York, on or about December 8, 2011.*

**BofA Merrill Lynch**

**Morgan Stanley**

Dated: November 16, 2011

\* Not reoffered.

## MATURITY SCHEDULE

### Series 2011A (Non-AMT)

\$730,000 Series 2011A Serial Bonds

| <u>Maturity</u> | <u>Amount</u> | <u>Interest Rate</u> |
|-----------------|---------------|----------------------|
| April 1, 2013   | \$15,000      | 0.85%                |
| October 1, 2013 | 60,000        | 0.95                 |
| April 1, 2014   | 70,000        | 1.30                 |
| October 1, 2014 | 75,000        | 1.40                 |
| April 1, 2015   | 80,000        | 1.75                 |
| October 1, 2015 | 80,000        | 1.85                 |
| April 1, 2016   | 85,000        | 2.10                 |
| October 1, 2016 | 85,000        | 2.20                 |
| April 1, 2017   | 90,000        | 2.45                 |
| October 1, 2017 | 90,000        | 2.50                 |

\$850,000 3.125% Series 2011A Term Bonds, due October 1, 2021  
\$1,435,000 4.125% Series 2011A Term Bonds due October 1, 2026  
\$2,025,000 4.625% Series 2011A Term Bonds due April 1, 2032

Price of all Series 2011A Bonds: 100 %

**\$14,100,000<sup>†</sup>**

**Series 2009A Bonds, Subseries 2009A-2 (Non-AMT)**

\$14,100,000<sup>‡</sup> Term Bond due October 1, 2051

---

<sup>†</sup> The Subseries 2009A-2 Bonds are not offered hereby.

<sup>‡</sup> A portion of Rhode Island Housing's \$65,100,000 Multi-Family Funding Bonds, Series 2009A (Escrow Bonds) in aggregate principal amount of \$14,100,000 will be converted and redesignated as the Series 2009A Bonds, Subseries 2009A-2 (the "Subseries 2009A-2 Bonds") upon the issuance and delivery of the Series 2011A Bonds (such date being the "Release Date"). The Subseries 2009A-2 Bonds will bear interest from (and including) the Release Date to (but excluding) February 8, 2012, at a rate equal to the lesser of (a) the interest rate for Four Week Treasury Bills as of the second Business Day prior to the Release Date plus 60 basis points or (b) the Permanent Rate. Thereafter, the Subseries 2009A-2 Bonds shall bear interest at the Permanent Rate to maturity. The "Permanent Rate" will be calculated on or about December 1, 2011, and will be equal to the sum of (i) the lowest 10-Year Constant Maturity Treasury Rate as reported by the Treasury during the period beginning August 10, 2011, and ending November 30, 2011, plus (ii) 60 basis points, but will not be greater than 2.32%.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Series 2011A Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by Rhode Island Housing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Series Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by Rhode Island Housing and obtained from other sources that are believed to be reliable. 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 Rhode Island Housing since the date hereof. The Series 2011A Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the cover page, and such public offering prices may be changed from time to time by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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

#### TABLE OF CONTENTS

|   |   |
|---|---|
| NEW ISSUE BOND PROGRAM .....                          | 3   |
| RHODE ISLAND HOUSING .....                            | 4   |
| PLAN OF FINANCING .....                               | 9   |
| SOURCES AND USES OF FUNDS .....                       | 11  |
| SECURITY FOR THE BONDS .....                          | 11  |
| DESCRIPTION OF THE SERIES BONDS .....                 | 13  |
| REDEMPTION PROVISIONS .....                           | 16  |
| THE PROGRAM .....                                     | 20  |
| SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION ..... | 24  |
| TRUSTEE .....   | 33  |
| AGREEMENT OF THE STATE .....                          | 34  |
| STATE NOT LIABLE ON BONDS .....                       | 34  |
| LEGALITY FOR INVESTMENT .....                         | 34  |
| LITIGATION .....                                      | 34  |
| APPROVAL OF LEGALITY .....                            | 34  |
| TAX MATTERS .....                                     | 35  |
| FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING .....    | 38  |
| UNDERWRITING .....                                    | 38  |
| RATINGS .....   | 39  |
| UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE .....    | 39  |
| MISCELLANEOUS .....                                   | 39  |
| APPENDIX A  | DESCRIPTION OF THE DEVELOPMENTS   |
| APPENDIX B  | SUMMARY OF OUTSTANDING BOND INDEBTEDNESS OF RHODE ISLAND HOUSING                                |
| APPENDIX C  | AUDITED FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 |
| APPENDIX D  | CERTAIN DEFINITIONS   |
| APPENDIX E  | FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS   |
| APPENDIX F  | FORM OF CONTINUING DISCLOSURE AGREEMENT   |
| APPENDIX G  | PROPOSED FORM OF BOND COUNSEL OPINIONS  |

[THIS PAGE INTENTIONALLY LEFT BLANK]

## OFFICIAL STATEMENT

**\$19,140,000**

### **RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**

#### **Multi-Family Funding Bonds**

**\$14,100,000 Series 2009A, Subseries A-2<sup>1</sup>**

**\$5,040,000 Series 2011A (Non-AMT)**

This Official Statement sets forth certain information concerning the Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) in connection with the issuance of its \$5,040,000 Multi-Family Funding Bonds, Series 2011A (the “Series 2011A Bonds”). Additionally, this Official Statement is furnished to provide certain information relating to the conversion and redesignation of a portion of Rhode Island Housing’s Multi-Family Funding Bonds, Series 2009A (Escrow Bonds) (the “Series 2009A Bonds”) as Multi-Family Funding Bonds, Series 2009A, Subseries A-2 (the “Subseries 2009A-2 Bonds” and, together with the Series 2011A Bonds, the “Series Bonds”). See “**NEW ISSUE BOND PROGRAM.**” Rhode Island Housing is a public corporation and an instrumentality and agency of the State of Rhode Island and Providence Plantations (the “State”), created by the Rhode Island Housing and Mortgage Finance Corporation Act, constituting Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended and supplemented (the “Act”). The Series 2011A Bonds are being issued pursuant to the Act, the Multi-Family Funding Program General Bond Resolution, adopted on November 19, 2009 (the “General Resolution”) and the Multi-Family Funding Program Supplemental Resolution, adopted on November 19, 2009, as supplemented by a Certificate of Determination delivered pursuant thereto (as so supplemented, the “Supplemental Resolution”). The General Resolution and Supplemental Resolution are collectively referred to herein as the “Resolution.”

The Series 2009A Bonds were issued pursuant to the Resolution and the New Issue Bond Program described under the heading “**NEW ISSUE BOND PROGRAM**” herein. The Subseries 2009A-2 Bonds are being converted and redesignated pursuant to the Supplemental Resolution. See “**NEW ISSUE BOND PROGRAM**” and “**THE SERIES BONDS**” for certain information pertaining to the conversion and redesignation of the Subseries 2009A-2 Bonds.

The General Resolution authorizes Rhode Island Housing to issue and secure Bonds for the purposes of financing its operations relating to housing pursuant to the Act. Except as described herein, the Series Bonds and any Multi-Family Funding Bonds hereafter issued (collectively, the “Bonds”) are equally and ratably secured by a pledge of the Mortgage Loans, the Revenues derived from the Mortgage Loans financed by the Bonds and other moneys or property pledged therefore under the General Resolution. The Series 2011A Bonds will be the third series of Bonds issued under the General Resolution. No assurances can be given as to how many additional series of Bonds will be issued under the General Resolution, provided, however, that as part of the New Issue Bond Program, Rhode Island Housing has covenanted in the General Resolution that the sum of the Series 2009A Bonds and any parity bonds which are not Series 2009A Bonds issued and Outstanding under the General Resolution shall not at any time exceed \$108,500,000. Additional limitations on the issuance of Additional Bonds are described in “**SECURITY FOR THE BONDS—Additional Bonds**” herein.

The proceeds of the Series Bonds are expected to be used to fund the financing of qualified mortgage loans for the acquisition and rehabilitation or development of three (3) rental housing developments for low and moderate income persons and families (the “Series Developments” or the

---

<sup>1</sup> The Subseries 2009A-2 are not offered hereby.

“Developments”). For a description of the Series Developments, see “**PLAN OF FINANCING**” and “**APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS.**” The Mortgage Loans financed with the proceeds of the Series Bonds are referred to herein as the “Series Mortgage Loans.”

All of the Series Developments are expected to receive rental assistance payments under the federal Section 8 program. Under the Section 8 program HUD provides housing assistance payments to or for the account of the owners of developments assisted under such programs (the “Section 8 Developments”). The housing assistance payments represent the difference between the total contract rents for such units and the eligible tenants’ rental payments, which are 30% of each such tenant’s income. The contract rents, as adjusted from time to time by HUD to reflect changing economic conditions (including increases in operating and maintenance costs) but subject to the limitations of the Section 8 program, together with the tenant’s rental payments, are used to pay debt service on the related Mortgage Loan and operating costs for the related Section 8 Development. Section 8 subsidy payments, which are paid directly to Rhode Island Housing and are pledged as security for Bonds, are subject to suspension under certain circumstances including vacancy of a subsidized unit. Such reduction or suspension is dependent upon the length of time of the vacancy. See “**APPENDIX E—FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS.**”

The Section 8 subsidy payments are funded by HUD pursuant to Section 8 of the United States Housing Act of 1937, as amended (the “Housing Act”), through its obligations under certain Annual Contributions Contracts (the “ACCs”) with Rhode Island Housing and certain Housing Assistance Payment Contracts (the “Housing Assistance Payment Contracts” or “HAP Contracts”) between Rhode Island Housing and Development owners relating to the Section 8 Developments. The maximum terms of the HAP Contracts relating to the Section 8 Developments, including the initial terms and all permitted renewals, were 25 and 26 years, as applicable, with renewals in terms of five years. See “**APPENDIX A—DESCRIPTION OF THE DEVELOPMENTS.**” The full faith and credit of the United States is pledged to the payment of annual contributions pursuant to the ACCs. The Series Bonds are not to be construed as a debt or indebtedness of HUD or the United States and payment of the Series Bonds is not guaranteed by the United States.

All of the first Mortgage Loans made to finance the Series Developments will be insured by the Federal Housing Administration (“FHA”) under its risk sharing program. The risk sharing program, established under Section 542(c) of the Housing and Community Development Act of 1992, as amended (the “Risk Sharing Act”), allows state and local housing finance agencies that have entered into risk sharing agreements with the United States Department of Housing and Urban Development (“HUD”) to carry out certain HUD functions in connection with the origination of FHA insured mortgage loans, including, without limitation, assumption of loan underwriting, loan management and property disposition. Under the risk sharing agreement, the state or local housing finance agency must agree to reimburse HUD for a portion of the losses from any defaults that occur while the contract of mortgage insurance is in effect. See “**APPENDIX E—FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS.**”

Under various construction and regulatory agreements, Rhode Island Housing will oversee the construction, rehabilitation and management of the Series Developments. See “**THE PROGRAM.**” In accordance with the Code, certain low and moderate income rental requirements will be imposed on the Series Developments being funded with proceeds of the Series Bonds which must be met in order for interest on the Series Bonds to be excluded from the gross income of the holders thereof for federal income tax purposes. See “**TAX MATTERS.**” Failure to meet such requirements could result in all interest accruing on the Series Bonds since their date of issue becoming subject to federal income tax.

THE BONDS ARE SPECIAL REVENUE OBLIGATIONS OF RHODE ISLAND HOUSING, PAYABLE SOLELY FROM THE MORTGAGE LOANS, THE REVENUES, MONEYS, FUNDS OR PROPERTY OF RHODE ISLAND HOUSING PLEDGED THEREFOR UNDER THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR THE INTEREST ON, THE BONDS. THE STATE IS NOT LIABLE FOR THE BONDS, AND THE BONDS ARE NOT A DEBT OF THE STATE. RHODE ISLAND HOUSING HAS NO TAXING POWER.

Following is a brief description of the New Issue Bond Program, Rhode Island Housing and the financing provided by the Series Bonds, together with summaries of the terms of the Series Bonds, the Resolution and certain provisions of the Act. Such summaries do not purport to be comprehensive, and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from Rhode Island Housing. Certain words and terms used herein and in the Resolution have the meanings set forth in **APPENDIX D** attached hereto.

### **NEW ISSUE BOND PROGRAM**

Rhode Island Housing issued \$65,100,000 aggregate principal amount of Series 2009A Bonds as escrow bonds under the Multi-Family New Issue Bond Program (the "NIBP Program") announced by the United States Department of the Treasury ("Treasury"), Federal National Mortgage Association, a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et. seq. ("Fannie Mae") and Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac"). The Series 2009A Bonds were purchased by Fannie Mae and Freddie Mac (the "Purchasers") pursuant to the NIBP Program and proceeds derived from the sale of the Series 2009A Bonds in an amount equal to \$65,100,000 were deposited in the Series 2009A Escrow Fund established by the Supplemental Resolution. Under the NIBP Program, the Purchasers exchanged the Series 2009A Bonds for securities issued by the Purchasers ("GSE Securities") backed by the Series 2009A Bonds which were purchased by the Treasury. Such GSE Securities are not part of the security for the Series 2009A Bonds. In accordance with the terms of the NIBP Program, the 2009A Bonds bear interest at a short term variable rate and the interest rate calculation method may be converted in up to six tranches (each such date, a "Release Date") on or prior to December 31, 2011 or such later date as may be approved by Treasury and the Purchasers in their sole discretion (the "Escrow Termination Date"). On December 16, 2010, Rhode Island Housing released from escrow an aggregate principal amount of \$51,000,000 of proceeds of the Series 2009A Bonds.

The release of amounts held in the Series 2009A Escrow Fund to become available to purchase Mortgage Loans depends upon compliance with various conditions set forth in the agreement with the Purchasers and in the Supplemental Resolution; upon the satisfaction of the conditions precedent to the release of funds from the Series 2009A Escrow Fund, Rhode Island Housing expects to release \$14,100,000 from the Series 2009A Escrow Fund (the "Released Series 2009A Proceeds") on December 8, 2011 (the "2009A-2 Release Date"). The portion of the Series 2009A Bonds corresponding to the Released Series 2009A Proceeds will be redesignated as the Subseries 2009A-2 Bonds on the Release Date. If any portion of the proceeds of the Series 2009A Bonds is not released on a Release Date by the Escrow Termination Date, the remaining escrowed funds must be used to redeem such unconverted Series 2009A Bonds on the first day of the first month which commences at least 20 days following the Escrow Termination Date (or such earlier date as selected by Rhode Island Housing) at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium.

If proceeds of the Subseries 2009A-2 Bonds are not released on the 2009A-2 Release Date, the issuance of the Series 2011A Bonds may be cancelled.

The Subseries 2009A-2 Bonds and the Series 2011A Bonds will be treated as a single “issue” of bonds under the Internal Revenue Code of 1986, as amended (the “Code”), and, therefore, the requirements of applicable federal tax law must be satisfied with respect to each of the Series 2011A Bonds and Subseries 2009A-2 Bonds in order that interest on the Series 2011A Bonds and Subseries 2009A-2 Bonds not be included in gross income for federal income tax purposes. See “**TAX MATTERS**” herein.

Upon the release of the Released Series 2009A Proceeds, none of the proceeds of the Series 2009A Bonds will remain on deposit in the Series 2009A Escrow Fund. Furthermore, upon the release of all amounts on deposit in the Series 2009A Escrow Fund, Rhode Island Housing may only issue additional Bonds under the General Resolution to refund other outstanding Bonds issued under the General Resolution. See “**SECURITY FOR THE BONDS—Additional Bonds**” herein.

## **RHODE ISLAND HOUSING**

### **General**

Rhode Island Housing was created in 1973 as a public corporation and instrumentality and agency of the State, but does not constitute a department of State government. Under the Act, the purpose of Rhode Island Housing is to encourage the investment of private capital and stimulate the construction and rehabilitation of housing for persons and families of low and moderate income, to provide construction and mortgage loans, and to make provision for the purchase of mortgage loans and otherwise as is necessary to accomplish its purposes.

Rhode Island Housing has the authority to create subsidiaries and currently has several such subsidiaries (collectively, the “Subsidiaries”). Generally, the Subsidiaries were formed to invest in or hold title to various residential real estate developments, currently or previously financed by Rhode Island Housing.

### **Other Programs of Rhode Island Housing**

The following information with respect to other programs of Rhode Island Housing authorized by the Act is supplied for background information purposes, and obligations issued with respect thereto are not secured by the Resolution, nor are they payable from the assets or revenue sources pledged to the payment of the Bonds.

Rhode Island Housing has issued bonds under two single family programs to finance the purchase of single family mortgage loans or securities comprised of pools of such single family mortgage loans. As of September 30, 2011, Rhode Island Housing had approximately \$1,161,966,909 of such single family housing bonds outstanding.

In addition to the Resolution, Rhode Island Housing has four additional programs to assist in making multifamily housing available for occupancy by persons and families of low and moderate income. As September 30, 2011, Rhode Island Housing had approximately \$397,021,928 of such multifamily housing bonds outstanding, including the Bonds issued under the Resolution in the amount of \$86,410,000. Additionally, Rhode Island Housing expects to issue approximately \$7,000,000 of multifamily bonds under its Multi-Family Development Program Resolution prior to December 31, 2011.



Rhode Island Housing has funded all or a portion of the State's obligations under a state rental assistance program which provides Rental Subsidy Payments to certain entities which acquire, construct or substantially rehabilitate housing developments in the State of Rhode Island affordable by individuals or families of low or moderate income for most years since fiscal 1990. The State's obligation to make Rental Subsidy Payments under the Assistance Program is subject to annual appropriation by the Rhode Island General Assembly. Since fiscal 1994 through fiscal 2011, Rhode Island Housing has made the annual payment on behalf of the State in amounts ranging from approximately \$2.4 million to \$4.2 million. Rental Subsidy Payments are determined pursuant to contracts that extend to 2012. There can be no assurance that the State will appropriate amounts in the future sufficient to meet its obligations as to Rental Subsidy Payments. Additionally, there can be no assurance that Rhode Island Housing will continue to make any payments related to the Assistance Program in the future, on behalf of the State or otherwise.

In 1998, the State passed legislation that created a Housing Resources Commission (the "Commission") to provide policy direction and funding for housing-related programs and initiatives. One of the program areas assigned to the Commission in such legislation is the rental subsidy program, but to date, the Commission has not received any State funding for this particular program.

Rhode Island Housing issued special obligation notes to a consortium of banks for the benefit of the State on April 30, 2002, August 11, 2004, December 1, 2005 and on August 16, 2007. The proceeds of each Note in an amount up to \$12,550,000, \$2,250,000, \$7,500,000 and \$7,500,000 respectively, have been applied to fund housing-related projects being supported by the State as part of the Housing Resource Program being administered by the Commission. The August 11, 2004, and the December 1, 2005 special obligation notes in the respective amounts of \$2,250,000 and \$7,500,000 have since been paid in full. The remaining such Notes are payable solely from payments to be made by the State. The obligation of the State to make such payments is subject to annual appropriation. Rhode Island Housing has no obligation to make payments on such Notes with its own funds.

### **Commissioners of Rhode Island Housing**

The powers of Rhode Island Housing are vested in seven commissioners, consisting of the Director of the Department of Administration, the General Treasurer, the Director of Business Regulation, or the designees thereof, and four members appointed by the Governor with the advice and consent of the State Senate, who among them are to be experienced in all aspects of housing design, development, finance, management and state and municipal finance. The appointed commissioners serve for terms of four years and until they are reappointed or their respective successors are appointed and qualified. The Chairman is designated by the Governor; the Vice Chairman and Treasurer are elected by the members from among their number. The commissioners do not receive compensation. Meetings are held at the call of the Chairman or whenever two commissioners so request. Four commissioners constitute a quorum, and any action taken by Rhode Island Housing may be authorized by a resolution approved by a majority but not less than three of the commissioners. The Act provides that if any commissioner of Rhode Island Housing is a director, officer or employee of, or has an ownership interest in any entity interested directly or indirectly in a contract with Rhode Island Housing, such commissioner must disclose such interest to Rhode Island Housing and shall not participate in the authorization of any such contract.

The present commissioners of Rhode Island Housing are:

**James V. DeRentis, Chairman.** Mr. DeRentis was appointed as Chairman of the Board of Commissioners on July 12, 2011. Mr. DeRentis has twenty-five years of experience in the Rhode Island banking, mortgage finance and real estate industries. Mr. DeRentis currently is a principal in Markham +

DeRentis, a real estate brokerage affiliated with Residential Properties, LTD, Providence. Prior to joining Markham + DeRentis, he served as Chief Business Officer for Bank Rhode Island. Mr. DeRentis is a graduate of Bryant University and earned an MBA from Providence College. Mr. DeRentis' term expires on July 1, 2014.

**Denise A. Barge, Vice Chair.** Ms. Barge was appointed to the Board of Commissioners on April 4, 2001. She is principal of Barge & Associates, LLC, a consulting firm in nonprofit management. Ms. Barge managed and led the Minority Investment Development Corporation ("MIDC") and the Rhode Island Coalition for Minority Investment ("RICMI") as Executive Director from 1999 to 2009. Prior to joining the MIDC and RICMI in April 1999, Ms. Barge was an Assistant Vice President and Community Development Officer for BankBoston. She previously held a number of executive positions in banking with BankBoston Hospital Trust Bank and Fleet Bank. Ms. Barge has served on the boards of the Greater Providence Chamber of Commerce, RI Coalition Against Domestic Violence, and the Rhode Island Commission on Women. She is a graduate of the University of California at Los Angeles. Her term expires on July 1, 2012.

**Steven M. Costantino.** Mr. Costantino joined the Board of Commissioners as a representative of the Director of the Department of Administration, at the direction of Governor Chafee. Mr. Costantino was confirmed as the Secretary of the Executive Office of Health and Human Services in early 2011. Prior to his appointment, between 1994 and 2010, he was elected to eight terms to the Rhode Island House of Representatives. He served as Chairman of the House Finance Committee from 2004 to 2010. Mr. Costantino is a graduate of Providence College.

**T. Paul Dimeo.** Mr. Dimeo was appointed to the Board of Commissioners on July 12, 2011. He has broad experience in management and since 1993 serves as President of Dimeo Properties. Prior to Dimeo Properties, Mr. Dimeo held various positions with Dimeo Construction in the field of engineering, estimating, construction and real estate management development. He is a graduate of New York University with a master's degree in Real Estate and a bachelor's degree from Brown University. His term expires on July 1, 2013.

**Paul McGreevy.** Mr. McGreevy was appointed to the Board of Commissioners on January 4, 2011. Mr. McGreevy currently serves as the Director of the State Department of Business Regulations. He has over 28 years of experience in strategic planning and technology architecture for federal agencies seeking improved information management. Mr. McGreevy is a graduate of the University of Virginia and has earned advanced degrees from Boston University and the Naval War College. He served thirteen years in the U.S. Navy as a Surface Warfare Officer that included tours in engineering and logistics in a wide variety of sea and shore commands. Following the Navy, Mr. McGreevy enjoyed a long career in management consulting with KPMG, BearingPoint, and, Deloitte Consulting. Most recently, Mr. McGreevy acted as a project manager on the successful Chafee for Governor campaign and subsequently served as the Governor-elect's transition manager.

**Jose V. Monteiro, Jr.** Mr. Monteiro was appointed to the Board of Commissioners on May 7, 2004. He is Relationship Manager, Commercial Lending at Navigant Credit Union and prior to Navigant, Mr. Monteiro was Senior Vice President of Bank of America's Community Development Banking division. Prior to joining Bank of America's predecessor, Fleet Bank, in 1999, Mr. Monteiro was Vice President of BankBoston Development Co. He is a former Project Director for the Providence Plan's Enterprise Community program and held various executive positions with a number of commercial lending institutions. Mr. Monteiro is a graduate of Rhode Island College. His term expired on July 1, 2011. Under the Act, he continues to serve until a successor is appointed and qualified.

**Gina Raimondo.** Ms. Raimondo joined the Board on January 2, 2011, upon being sworn in as General Treasurer of the State of Rhode Island. Prior to becoming General Treasurer, she was a partner at Point Judith Capital, an investment firm she co-founded. Ms. Raimondo serves on the boards of Crossroads RI and Women and Infants Hospital. She is a graduate of Harvard University where she was recognized as the top economics student and awarded a Rhodes Scholarship to earn her doctorate at Oxford University. She is also a graduate of Yale Law School.

## **Staff**

The corporate staff, under the direction of the Executive Director, includes professionals and staff members working in Rhode Island Housing's seven divisions: Homeownership Opportunity, Loan Servicing, Resident Services, Development, Finance and Technology, Intergovernmental Relations and Executive.

Senior professional staff members of Rhode Island Housing include the following:

**Richard Godfrey – Executive Director.** Mr. Godfrey has served as Executive Director of Rhode Island Housing since November 1, 1993. Prior to his appointment, he was a partner in the law firm of Hannoeh Weisman from 1990 to 1993 and the law firm of Hawkins, Delafield & Wood from 1988 to 1990, specializing in financial and urban development matters. Mr. Godfrey served as the Deputy Treasurer and Executive Director of the Department of the Treasury of the State of New Jersey from 1986 to 1988, and held a number of positions at the New Jersey Housing and Mortgage Finance Agency from 1978 through 1986, including Acting Executive Director and Deputy Director. Mr. Godfrey holds a Bachelor of Arts in Architecture and Urban Planning from Princeton University and a Juris Doctor from Seton Hall University.

**Susan Bodington – Deputy Director – Programs.** Ms. Bodington joined Rhode Island Housing in 1991 and served as the HOME Program Coordinator from 1992 to 1993. She then served as Assistant Director for Housing Policy until her appointment as Director in 1998. She was appointed Deputy Director – Programs in September, 2003. Prior to joining Rhode Island Housing, Ms. Bodington was Community Development Programs Manager for the State of Rhode Island from 1985 to 1991 and previously held planning and community development positions with the Cities of Providence and East Providence. Ms. Bodington holds a Bachelor of Arts degree from Smith College in Economics.

**Richard G. Hartley – Treasurer.** Mr. Hartley joined Rhode Island Housing in November, 1995 as Assistant Treasurer. He was appointed Portfolio Manager in July, 2000 and Treasurer in April, 2005. From 1976 to 1995, Mr. Hartley held positions in the Commercial Lending, Finance and Treasurer's Groups at Old Stone Bank, Providence, Rhode Island. Since 1988 he served as Vice President and Manager of the Bank's Asset/Liability Department. Mr. Hartley received a Master of Business Administration degree and a Bachelor of Arts degree from the University of Rhode Island.

**Kara L. Lachapelle – Director of Finance and Technology.** Ms. Lachapelle joined the Corporation in October, 2001 and served as Assistant Controller from 2001 to 2007. She was appointed Controller in January, 2007 and appointed Director of Finance and Technology in September 2010. From 1997 to 2001, Ms. Lachapelle held various positions in public accounting at Rooney, Plotkin & Willey, specializing in governmental and non-profit audit clients. Ms. Lachapelle also worked in the Trust Department at Durfee Attleboro Bank. She is a member of the American Institute of Certified Public Accountants and received a Bachelor of Science Degree from Bryant College.

**Leslie McKnight – Director of Loan Servicing.** Ms. McKnight was appointed Director of Loan Servicing in September, 2003. She joined Rhode Island Housing in June 1995 as the Default Manager.

She was appointed Assistant Director of Loan Servicing in July, 2000. Prior to her employment at Rhode Island Housing, Ms. McKnight worked as a Loan Workout Specialist for Plymouth Mortgage Company from 1991 to 1995. Between 1982 and 1991, she held various positions in Retail Banking and Mortgage Lending including Assistant Branch Manager at Citizens Bank. Ms. McKnight received her Bachelor of Science Degree in Business Administration from Bryant College.

**Michael V. Milito – Deputy Assistant Director – Law and Human Resources.** Mr. Milito joined Rhode Island Housing in July, 1998 as Corporation Counsel, and was appointed Deputy Assistant Director–Law and Human Resources in July, 2000. Prior to joining Rhode Island Housing, Mr. Milito was a consultant engaged in affordable housing development from 1996 through 1998. From 1994 through 1996, Mr. Milito was the Community Reinvestment Manager for Citizens Bank of Rhode Island, a financial services company in Providence, Rhode Island. From 1989 through 1994, Mr. Milito was engaged in affordable housing development on behalf of nonprofit organizations in Rhode Island. Mr. Milito was a staff attorney in the housing unit with Rhode Island Legal Services from 1982 to 1989. Mr. Milito received a Bachelor of Arts degree from Le Moyne College and a Juris Doctor from Northeastern University School of Law.

**Cathleen A. Paniccia – Director of Homeownership Opportunity Programs.** Mrs. Paniccia joined Rhode Island Housing in June, 1995 as its Director of Homeownership Opportunity Programs. Prior to her appointment, she was Senior Vice President at Old Stone Bank, Providence, RI, and responsible for Old Stone’s Residential Mortgage Department from 1990 to 1995. Between 1986 and 1990, she served as Vice President/Resident Mortgage Production Manager at Old Stone Bank. Between 1976 and 1986 she held various positions with the residential lending areas of Old Stone Bank, Rhode Island Federal Savings and Loan, Rhode Island Hospital Trust National Bank and Mercury Savings and Loan Association. Mrs. Paniccia serves on the Board of the Urban League of Rhode Island. She served as a member of the RI Bankers Mortgage Committee from 1985 to 1992 and served on the Board of Elmwood Neighborhood Housing from 1990 to 1993.

**Amy D. Rainone – Director of Intergovernmental Relations.** Ms. Rainone was appointed Director of Intergovernmental Relations in December, 2006. She joined Rhode Island Housing in August of 2000 as Policy and Planning Manager and was appointed Assistant Director for the Policy Division in 2005. Prior to joining Rhode Island Housing, Ms. Rainone served as the Project Coordinator for U.S. Senator Patrick Leahy covering housing, community development, and appropriations issues for the Senator. Ms. Rainone received a Bachelors degree in Government from Dartmouth College in 1991.

**Nicole R. Turner – Controller** Ms. Turner joined Rhode Island Housing as Controller in August, 2011. Prior to joining Rhode Island Housing, Ms. Turner was a Supervisor of the Not-for-Profit Management Team with the accounting firm of Kahn, Litwin, Renza & Co., Ltd., from 2006 to 2011. From 2004 to 2006 Ms. Turner was a Senior Accountant with the accounting firm of Prescott, Chatellier, Fontaine & Wilkinson, LLP. Ms. Turner received her Bachelor of Science Degree in Accounting from Rhode Island College and is a Certified Public Accountant.

**Carol A. Ventura – Director of Development.** Ms. Ventura was appointed Director of Development in May, 2005. She joined Rhode Island Housing in August of 2001 as the Policy Programs Manager and was appointed Assistant Director of the Policy Division in 2002. Prior to joining Rhode Island Housing, Ms. Ventura worked as the Executive Director of a Community Development organization in northern Rhode Island. Ms. Ventura received a Master of Business Administration from Bryant University and a Bachelor of Science Degree from Bryant College.

The address and telephone number of Rhode Island Housing are, respectively, 44 Washington Street, Providence, RI 02903-1721 and (401) 457-1234.

## PLAN OF FINANCING

The Series Bonds are being issued to provide funds for the financing of the acquisition and rehabilitation or development of the Series Developments listed below. Proceeds of the Series Bonds not used for the developments described below may be used to fund other similar projects at the direction of Rhode Island Housing, provided, however, that there can be no assurances that the mortgage collateral on such future projects funded by the Series Bonds or additional future Bonds will not be materially different from that of the Series Developments described below and in **APPENDIX A** hereto. See “**THE PROGRAM**” and “**THE PROGRAM— Permitted Mortgage Loans While Series 2009A Bonds Remain Outstanding**” herein for a description of the guidelines used by Rhode Island Housing for its multi-family lending program.

### *Series Developments*

The following Series Developments are expected to be financed with the proceeds of the Series Bonds:

**Anthony House:** Anthony House (“Anthony House”) is a 70 unit elderly/disabled development located in Portsmouth. There are 63 one-bedroom and 7 two-bedroom units located on a single site. The proceeds of the first Mortgage Loan in the amount of \$6,150,000 will be used to finance the acquisition and rehabilitation of the development. All of the units at Anthony House receive rental subsidies pursuant to a HAP Contract which runs through September, 2031. The project is presently fully rented with vacancy only at unit turnover.

**Marvin Gardens I:** Marvin Gardens I (“Marvin Gardens”) is a 121 unit elderly/disabled development located in Providence. The project consists of 109 one-bedroom units and 12 two-bedroom units located in four buildings on a single site. The proceeds of the first Mortgage Loan in the amount of \$5,510,000 will be used to finance the acquisition and rehabilitation of the development. All of the units at Marvin Gardens receive rental subsidies pursuant to a HAP Contract which runs through January, 2030. The project is presently fully rented with vacancy only at unit turnover.

**Village Woonsocket:** Village Woonsocket (“Village Woonsocket”) is comprised of an existing 87 unit family housing development and an existing 35 unit family development located in Woonsocket. There are 40 one-bedroom units, 49 two bedroom unites, 28 three-bedroom units and 5 four-bedroom units for a total of 122 units in 22 buildings on two sites. The proceeds of the first Mortgage Loan in the amount of \$7,480,000 will be used for the acquisition and rehabilitation of the development. All of the units at Woonsocket Village receive rental subsidies pursuant to three HAP Contracts, two of which run through April of 2012 and one of which runs through February of 2017. Prior to or upon completion of the rehabilitation, HUD will provide new 20 year HAP Contracts. The project is presently fully rented with vacancy only at unit turnover.

### *Additional Information*

All of the first Mortgage Loans made to finance the Series Developments are loans permitted under the NIBP Program.

The Series Developments are being financed pursuant to Rhode Island Housing’s Preservation Program. The Preservation Program provides rules and guidelines under which sponsors may purchase, refinance or prepay housing developments financed by Rhode Island Housing. The Preservation Program

requires applicants to: (a) undertake a capital needs assessment of the related development, (b) provide for the physical needs of the development as set forth in the capital needs assessment and (c) recapitalize the development's reserves according to guidelines established by Rhode Island Housing.

The owners of the Series Developments will enter into a Regulatory Agreement with respect to the related Development under which the owner covenants that subsequent to the expiration of any Housing Assistance Payment Contract, all of the units in the related development will be restricted to individuals earning not more than 60% of area median income (as adjusted for household size) (the "Median Family Income"). In the event that project based rental assistance is made available to the owner of the Series Developments financed under the Preservation Program, during the term of their respective Regulatory Agreement, the related owner shall, to the extent economically feasible, endeavor to lease at least forty percent (40%) of the units to tenants with aggregate family income not in excess of forty percent (40%) of the Median Family Income. Notwithstanding the foregoing, all of the Series Developments other than Village Woonsocket are expected to be occupied exclusively by disabled tenants or tenants of age 62 or older (each an "Elder Development"), and such Developments may admit tenants with incomes up to eighty percent (80%) of Median Family Income subject to the income limitations imposed by the Code (see "**TAX MATTERS**"); and provided, however, that to the extent an Elder Development has received low-income housing tax credits as described below, the occupancy restrictions mandated by the tax credit program shall govern. Subsequent to the expiration of any Housing Assistance Payment Contract, as applicable, tenant contribution of rental charges for each unit, including utility payments, may not exceed the maximum tenant contribution in effect for the tax credit program below.

In addition, all of the Series Developments have been awarded low income housing tax credits ("Tax Credits"). It is anticipated that such Tax Credits will be syndicated by the related developer resulting in an equity contribution with respect to the Series Developments. In connection with the use of Tax Credits, restrictive covenant agreements will be executed with respect to each development receiving such Tax Credits which will require that either (i) 20% of the units must be rented to persons earning 50% or less of area median income at an annual rent equal to or less than 30% of the income of a person earning 50% of area median income (after adjusting for utility provisions and family size); or (ii) 40% of the units must be rented to persons earning 60% or less of area median income at an annual rent equal to or less than 30% of the income of a person earning 60% of area median income (after adjusting for utility provisions and family size). The rent and income restrictions of the Preservation Program and the Tax Credit program are co-extensive; satisfaction of the Preservation Program requirements for developments will result in compliance with the Tax Credit requirements and the income and rental restrictions which must be met with respect to the Series Developments in connection with the Series Bonds. See "**TAX MATTERS**" herein.

#### *Risks Attending Any Investment in Real Estate*

Risks attending any investment in real estate include, without limitation, adverse use of adjoining land, fire or other casualty, condemnation, possible adverse use of adjoining land, fire or other casualty, condemnation, increased taxes, changes in demand for such facilities, increases in utility rates, adverse general and local economic conditions, energy shortages, a decline in property values in the Series Developments, increases in operating costs due to inflation, non-compliance of tenants with the terms of their leases, unfavorable governmental regulation (such as enactment of rent controls), force majeure and uninsurable risks, construction strikes and decrease in the relative popularity of real estate investments as contrasted with other investments. These risks and many others cannot be controlled by Rhode Island Housing and may have a substantial bearing on the profitability and financial feasibility of the Series Developments, and which may affect the realizable value of the real estate and other collateral securing payment of the Series Bonds.

Additionally, legislation or regulations affecting the Series Bonds and Mortgage Loans may be considered and enacted by the United States Congress, the Rhode Island State legislature or federal or state regulatory bodies. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of revenues available to pay, or the security for the Series Bonds or other risks to the Bondholders.

### SOURCES AND USES OF FUNDS

The estimated sources and uses of funds from the sale of the Series Bonds and a contribution from Rhode Island Housing and the Developers are as follows:

|  |                   |
|--|-------------------|
| Sources of Funds:                                    |                   |
| Principal Amount of Series 2011A Bonds               | \$ 5,040,000.00   |
| Principal Amount of Released Subseries 2009A-2 Bonds | 14,100,000.00     |
| Rhode Island Housing Contribution                    | 567,529.00        |
| Developer Contribution                               | <u>295,200.00</u> |
| Total Sources  | \$20,002,729.00   |
|  |                   |
| Uses of Funds:                                       |                   |
| Deposit to Series Bond Proceeds Account              | \$19,140,000.00   |
| Deposit to Debt Service Reserve Account              | 567,529.00        |
| Underwriters' Fee                                    | 94,074.19         |
| Other Costs of Issuance                              | <u>201,125.81</u> |
| Total Uses   | \$20,002,729.00   |

### SECURITY FOR THE BONDS

#### **Pledge of the Resolution**

The Mortgage Loans and the Revenues and all amounts held in any Account established under the Resolution (except the Rebate Account and the Series 2009A Escrow Fund) including investments thereof, have been pledged and assigned to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application, disposition or exercise thereof for or to the purposes and on the terms and conditions therein set forth. To the fullest extent provided by the Act and other applicable laws, the money and property pledged and assigned pursuant to the Resolution are subject to the lien of such pledge and assignment without any physical delivery thereof or further act, and such lien is valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice thereof.

**Note, however, that in accordance with the Supplemental Resolution, amounts on deposit in the Series 2009A Escrow Fund and investments thereon are pledged solely to secure the Series 2009A Bonds prior to any Release Date. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Establishment of Accounts" herein.**

The pledges made in the Resolution for the security of the Bonds may be released upon provision for payment of the Bonds, as further described in "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Defeasance."

Mortgage Loans permitted to be financed pursuant to the Resolution include first lien, coordinate first lien and second lien mortgage loans as well as participations therein with other investors or with other funds of Rhode Island Housing; provided, however, that so long as any Series 2009A Bonds remain Outstanding, such mortgage loans shall be secured by a first lien mortgage. Mortgage Loans may only be financed in connection with Rhode Island Housing's activities permitted under the Act.

### **Debt Service Reserve Account**

There are to be deposited in the Debt Service Reserve Account an amount equal to the aggregate amounts for each Series established under a Supplemental Resolution authorizing such Series. Such deposit will be made either in the form of (a) a cash deposit of proceeds of a series of Bonds or amounts available under the Resolution or (b) Cash Equivalents. Prior to the issuance of the Series 2011A Bonds and the release of the Subseries 2009A-2 Bonds, the Debt Service Reserve Account Requirement was \$3,250,505.75.

The Debt Service Reserve Account Requirement for the Series Bonds is equal to one-half of the Aggregate Debt Service for such Series Bonds for the then current or (if greater) any future Fiscal Year. The Debt Service Reserve Account Requirement for other Series of Bonds, if any, shall be set forth in the Supplemental Resolution authorizing such Bonds.

If on any Interest Payment Date or Redemption Date, the amount in the Redemption Account, if applicable, and the Revenue Account shall be less than the amount required for the payment of the principal or Redemption Price and interest due on the Bonds to be paid or redeemed on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency. If, after payment of amounts due under the Resolution for interest, principal, redemptions and Program Expenses, the amount in the Debt Service Reserve Account is in excess of the Debt Service Reserve Requirement, the Trustee shall transfer moneys from the Debt Service Reserve Account to the Revenue Account, but only to the extent necessary to meet the payments required to be made from the Revenue Account. Additionally, amounts in the Debt Service Reserve Account in excess of the Debt Service Reserve Account Requirement shall, upon receipt by the Trustee of the written instructions of an Authorized Officer determining to withdraw such amount, be paid to and deposited in the Revenue Account.

### **Additional Bonds**

Additional Series of Bonds may be issued as provided in the General Resolution on a parity with the Bonds and secured by an equal charge and lien on the revenues and assets pledged under the General Resolution and payable equally therefrom so long as no Event of Default shall be existing and continuing; provided, however that if any Series 2009A Bonds remain outstanding, (a) no Additional Bonds other than Refunding Bonds may be issued unless such Additional Bonds provide for additional financing of the Developments relating to the Series 2009A Bonds or any subseries thereof, and such Bonds are rated at least A3/A- by each nationally recognized rating agency then providing its long term rating therefor and (b) no Refunding Bonds shall be issued unless such Refunding Bonds refund all of the Series 2009A Bonds then Outstanding. Notwithstanding the provisions of the General Resolution, Rhode Island Housing has covenanted in connection with the issuance of the Series 2011A Bonds, that so long as any Series Bonds remain Outstanding, Rhode Island Housing will not issue any additional Bonds under the General Resolution unless written notice from each rating agency then rating the Outstanding Bonds is received, confirming that the issuance of such additional Bonds will not result in a reduction of the rating then applicable to such Outstanding Bonds, or cause such rating agency to suspend or withdraw its rating then applicable to the Outstanding Bonds. Additionally, Rhode Island Housing has covenanted in the Resolution that (i) the sum of the Series 2009A Bonds and any parity bonds which are not Series 2009A



Bonds issued and Outstanding under the Resolution shall not at any time exceed \$108,500,000, (ii) on each Release Date, Series 2009A Bonds Outstanding shall constitute not less than 30% of the aggregate amount of Series 2009A Bonds and parity bonds issued and Outstanding under the Resolution which are not Series 2009A Bonds and (iii) following the final Release Date, Rhode Island Housing will not issue any additional parity bonds (other than parity bonds issued to refund outstanding parity bonds) under the Resolution so long as any Series 2009A Bonds remain Outstanding. In any event, no Series of Bonds may be issued if the principal amount of all Bonds issued or to be issued will exceed any limitation imposed by law nor if, upon the issuance and delivery of such Bonds, the amount credited to the Debt Service Reserve Account will be less than the Debt Service Reserve Account Requirement. See **“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Provisions for Issuance of Bonds, Provisions for Refunding Issues.”**

## **DESCRIPTION OF THE SERIES BONDS**

### **General**

The Series 2011A Bonds are being issued as fixed rate bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The Series 2011A Bonds will be dated and will bear interest from their date of delivery, at the rates set forth on the inside cover page hereof, payable on each April 1 and October 1 thereafter, commencing April 1, 2012. Calculations of interest on the Series 2011A Bonds will be based on a 360 day year consisting of twelve 30 day months.

The Subseries 2009A-2 Bonds are dated December 21, 2009 and will accrue interest from December 8, 2011. The Subseries 2009A-2 Bonds will mature on the date and bear interest at the rates as set forth on the inside cover page hereof payable on February 8, 2012, and thereafter on each April 1 and October 1, beginning April 1, 2012.

### **Book-Entry Only System**

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

DTC will act as securities depository for the Series Bonds. The Series Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) 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 thereof, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing of U.S. and Non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC’s Direct Participants deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). The DTC Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series Bonds, except in the event that use of the book-entry system for the Series Bonds is discontinued.

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

To facilitate subsequent transfers, all Series Bonds deposited by 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 do not effect indirect 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 remain responsible for keeping account of their holdings on behalf of their customers.

Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to 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 Series Bonds 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 procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Rhode Island Housing 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).

Redemption proceeds, distributions, and dividend 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 the funds and corresponding detail information from Rhode Island Housing or its Agent, on payable date in accordance with their respective holdings shown on DTC's record. 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, the Bond Registrar, the Tender Agent or Rhode Island Housing, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to Cede & Co. (or such other nominees as may be requested by an authorized representative of DTC) is the responsibility of the Rhode Island Housing or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series Bonds at any time by giving reasonable notice to Rhode Island Housing or the Trustee. Under such circumstances the event that a successor depository is not obtained, Series Bond certificates are required to be printed and delivered. In the event such Series Bond certificates are issued, the Beneficial Owner, upon registration of the Series Bonds held in such Beneficial Owner's name, shall become the Owner for purposes of the Resolution and the provisions of the Resolution shall apply to, among other things, the transfer and exchange of certificates and the method of payment of principal of and interest on the Series Bonds. Rhode Island Housing may decide (with consent of 100% of the holders of the Series Bonds) to discontinue the 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.

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

**The information included under this caption (except for the fifth paragraph and the immediately preceding paragraph) concerning DTC and DTC's book-entry system has been obtained from sources Rhode Island housing believes to be reliable but no representation is made by Rhode Island Housing or the Trustee as to the accuracy or adequacy thereof.**

## REDEMPTION PROVISIONS

The Series Bonds are subject to redemption as described below.

### Optional Redemption

The Series 2011A Bonds are redeemable, at the option of Rhode Island Housing, on or after April 1, 2021, in whole or in part on any date upon not less than thirty days notice, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

The Subseries 2009A-2 Bonds are redeemable at the option of Rhode Island Housing on the first Business Day of any month, in whole or in part from any source of funds upon not less than thirty days notice, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

### Mandatory Sinking Fund Redemption

The Series 2011A Bonds maturing on October 1, 2021, October 1, 2026 and April 1, 2032 and the Subseries 2009A-2 Bonds maturing on October 1, 2051 are subject to mandatory redemption, in part, by lot, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, by application of Sinking Fund Payments which are required to be made to redeem such Bonds in the respective amounts on each of the dates shown below:

#### Series 2011A Term Bonds Due October 1, 2021

| Date            | Principal<br>Amount | Date                         | Principal<br>Amount |
|-----------------|---------------------|------------------------------|---------------------|
| April 1, 2018   | \$95,000            | April 1, 2020                | \$105,000           |
| October 1, 2018 | 95,000              | October 1, 2020              | 115,000             |
| April 1, 2019   | 105,000             | April 1, 2021                | 115,000             |
| October 1, 2019 | 105,000             | October 1, 2021 <sup>†</sup> | 115,000             |

<sup>†</sup> Final Maturity

#### Series 2011A Term Bonds Due October 1, 2026

| Date            | Principal<br>Amount | Date                         | Principal<br>Amount |
|-----------------|---------------------|------------------------------|---------------------|
| April 1, 2022   | \$125,000           | October 1, 2024              | \$145,000           |
| October 1, 2022 | 125,000             | April 1, 2025                | 150,000             |
| April 1, 2023   | 135,000             | October 1, 2025              | 155,000             |
| October 1, 2023 | 135,000             | April 1, 2026                | 160,000             |
| April 1, 2024   | 140,000             | October 1, 2026 <sup>†</sup> | 165,000             |

<sup>†</sup> Final Maturity

[Remainder of page intentionally left blank]

**Series 2011A Term Bonds Due April 1, 2032**

| <b>Date</b>     | <b>Principal Amount</b> | <b>Date</b>                | <b>Principal Amount</b> |
|-----------------|-------------------------|----------------------------|-------------------------|
| April 1, 2027   | \$ 170,000              | April 1, 2030              | \$210,000               |
| October 1, 2027 | 180,000                 | October 1, 2030            | 215,000                 |
| April 1, 2028   | 180,000                 | April 1, 2031              | 220,000                 |
| October 1, 2028 | 190,000                 | October 1, 2031            | 230,000                 |
| April 1, 2029   | 195,000                 | April 1, 2032 <sup>†</sup> | 35,000                  |
| October 1, 2029 | 200,000                 |                            |                         |

<sup>†</sup>Final Maturity

**Subseries 2009A-2 Term Bonds Due October 1, 2051**

| <b>Date</b>     | <b>Principal Amount</b> | <b>Date</b>                  | <b>Principal Amount</b> |
|-----------------|-------------------------|------------------------------|-------------------------|
| April 1, 2032   | \$200,000               | April 1, 2042                | \$450,000               |
| October 1, 2032 | 240,000                 | October 1, 2042              | 470,000                 |
| April 1, 2033   | 250,000                 | April 1, 2043                | 490,000                 |
| October 1, 2033 | 260,000                 | October 1, 2043              | 340,000                 |
| April 1, 2034   | 270,000                 | April 1, 2044                | 270,000                 |
| October 1, 2034 | 280,000                 | October 1, 2044              | 290,000                 |
| April 1, 2035   | 290,000                 | April 1, 2045                | 300,000                 |
| October 1, 2035 | 290,000                 | October 1, 2045              | 310,000                 |
| April 1, 2036   | 310,000                 | April 1, 2046                | 320,000                 |
| October 1, 2036 | 320,000                 | October 1, 2046              | 330,000                 |
| April 1, 2037   | 330,000                 | April 1, 2047                | 340,000                 |
| October 1, 2037 | 330,000                 | October 1, 2047              | 350,000                 |
| April 1, 2038   | 350,000                 | April 1, 2048                | 360,000                 |
| October 1, 2038 | 360,000                 | October 1, 2048              | 370,000                 |
| April 1, 2039   | 370,000                 | April 1, 2049                | 390,000                 |
| October 1, 2039 | 390,000                 | October 1, 2049              | 400,000                 |
| April 1, 2040   | 400,000                 | April 1, 2050                | 410,000                 |
| October 1, 2040 | 410,000                 | October 1, 2050              | 430,000                 |
| April 1, 2041   | 420,000                 | April 1, 2051                | 440,000                 |
| October 1, 2041 | 440,000                 | October 1, 2051 <sup>†</sup> | 530,000                 |

<sup>†</sup>Final Maturity

**Special Mandatory Redemption of Subseries 2009A-2 Bonds**

Subseries 2009A-2 Bonds shall be subject to redemption prior to their maturity, in whole or in part, on the next first Business Day of any month (subject to all required notice provisions), at a Redemption Price equal to 100% of the principal amount of such Subseries 2009A-2 Bonds to be redeemed, plus interest accrued to the Redemption Date, from:

- (a) unexpended proceeds of the Subseries 2009A-2 Bonds remaining on deposit in the Bond Proceeds Account to the extent not used to fund permitted Mortgage Loans within 30 days of the 2009A-2 Release Date, and

(b) Recoveries of Principal (as defined below) received with respect to the Series Mortgage Loans acquired or financed with the proceeds of the Series Bonds, to the extent not used to pay scheduled principal, interest or sinking fund redemptions on the Series Bonds, in an amount equal to (i) a pro rata portion of the Series Bonds (calculated based on the outstanding principal amount of the Subseries 2009A-2 Bonds divided by the outstanding principal amount of the Series Bonds), if there are Series 2011A Bonds Outstanding, and (ii) 100% of such available funds, if there are no longer any Series 2011A Bonds Outstanding. “*Recoveries of Principal*” means all amounts received by Rhode Island Housing as a recovery of the principal amount disbursed by Rhode Island Housing in connection with any Mortgage Loan including any premium or penalty with respect thereto, on account of (a) the advance payment of amounts to become due pursuant to such Mortgage Loan, (b) the sale, assignment, endorsement or other disposition thereof, (c) the acceleration of payments due thereunder or other remedial proceedings taken in the event of the default thereon, (d) proceeds of mortgage insurance or the net proceeds of hazard or title insurance or (e) proceeds of condemnation.

Notwithstanding the foregoing, tax credit equity with respect to Series Mortgage Loans may be used solely to redeem Series 2011A Bonds.

### **Special Optional Redemption of Series Bonds**

Series 2011A Bonds are subject to redemption, in whole or in part and on any date, at the option of Rhode Island Housing, from (a) any unexpended proceeds of the Series 2011A Bonds remaining on deposit in the Bond Proceeds Account after any Special Mandatory Redemption of Subseries 2009A-2 Bonds, (b) any Recoveries of Principal remaining on deposit in the Redemption Account after any Special Mandatory Redemption of Subseries 2009A-2 Bonds above and (c) any Pledged Receipts, to the extent such amounts (i) are not used to pay scheduled principal, interest or sinking fund redemptions on the Series Bonds and (ii) in excess of amounts required to meet Debt Service requirements, the Debt Service Reserve Requirement, Program Expenses with respect to all Bonds outstanding under the General Resolution and any amounts necessary to retain on deposit in the General Resolution in order to meet Rating Agency criteria to maintain the then existing rating applicable to the Bonds.

Subseries 2009A-2 Bonds are subject to redemption, in whole or in part and on any date, at the option of Rhode Island Housing, from any Pledged Receipts, to the extent such amounts (i) are not used to pay scheduled principal, interest or sinking fund redemptions on the Series Bonds and (ii) in excess of amounts required to meet Debt Service requirements, the Debt Service Reserve Requirement, Program Expenses with respect to all Bonds outstanding under the General Resolution and any amounts necessary to retain on deposit in the General Resolution in order to meet Rating Agency criteria to maintain the then existing rating applicable to the Bonds.

“*Pledged Receipts*” means (a) the scheduled or other payments required by any Mortgage Loan and paid to Rhode Island Housing from any source, including both timely and delinquent payments with late charges, (b) any extension privilege payment required in connection with delays in construction, cost certification or initial occupancy of the residential housing being financed by any Mortgage Loan, (c) all income earned or gain realized in excess of losses suffered on any investment or deposit of monies in the Accounts established and maintained pursuant to the Resolution (except the Rebate Account), (d) net income received with respect to any Acquired Development (as defined herein under the caption “**SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—The Program**”) and (e) any other amounts set forth in the Supplemental Resolution authorizing a Series of Bonds, but shall not mean or include Recoveries of Principal, any payments with respect to any Mortgage Loan received or accrued prior to the date that Revenues therefrom are pledged under the Resolution, Escrow Payments or any

amount retained by the servicer of any Mortgage Loan, if there be one other than Rhode Island Housing, as financing or settlement fees payable at the time of initial disbursement of a Mortgage Loan.

### **General Provisions**

In the case of any redemption of Bonds at the election or direction of Rhode Island Housing, Rhode Island Housing shall give written notice to the Trustee of its election or direction so to redeem, of the Redemption Date, of the principal amounts of the Bonds of such Series (and subseries, if applicable) and maturities to be redeemed (which Redemption Date, Series (and subseries, if applicable), maturities and principal amounts thereof to be redeemed shall be determined by Rhode Island Housing in its sole discretion, subject to any limitations with respect thereto contained in or permitted by the Resolution) and of any moneys to be applied to the payment of the Redemption Price.

If less than all of the Outstanding Bonds of a like Series and maturity are to be redeemed, the Trustee shall select increments of \$5,000 maturity amount of such Series and maturity to be redeemed on a proportionate basis; provided, however, the Series 2009A Bonds or any subseries thereof may only be redeemed in increments of \$10,000.

### **Notice of Redemption**

Notice of redemption of Bonds shall be given by the Trustee in the name of Rhode Island Housing. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by mailing a copy thereof, first class postage prepaid, not less than 20 days nor more than 30 days prior to the Redemption Date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Notices to Bondholders of at least \$1,000,000 principal amount of Bonds national information services, and any Depositaries, upon written request, shall also be sent by certified mail, return receipt requested. Bondholders of at least \$1,000,000 principal amount of Bonds may request that notices also be sent to an additional address. If the Bonds to be redeemed are fully registered, then mailing of notice of redemption to the holders thereof shall be sufficient, and Rhode Island Housing may elect to dispense with the publication of such notice. A Bondholder may waive its right to receive notice pursuant to this section.

A copy of any notice sent pursuant to the preceding paragraph shall be sent by the Trustee to at least two of the national information services that disseminate redemption notices or redemption notice information (so long as two such services exist).

A second notice must be sent by the Trustee to any Bondholder whose Bonds have been redeemed but who has not delivered its Bonds for redemption by the sixtieth day following the applicable Redemption Date. Such notice shall be sent in the manner and shall include the same information described in the first paragraph of this section.

## **THE PROGRAM**

Under Rhode Island Housing's Multi-Family Funding Program (the "Program"), Rhode Island Housing may finance only developments in which at least 20% of the rental units are occupied or are to be occupied by persons and families whose income is 50% or less of the Area Median Gross Income or developments in which at least 40% of the rental units are occupied or are to be occupied by persons and families whose income is 60% or less of the Area Median Gross Income as that term is defined in Section 142(d) of the Code.

To encourage the development of such low-income rental units, the Board of Commissioners has established a "Special Loan Fund" from reserve funds of Rhode Island Housing from which below market rate loans can be made for developments to either fund capital costs or fund operating and debt service costs of a development.

Under the Program, Rhode Island Housing gives priority to proposals which: (a) utilize other available funding sources such as federal, state, local and private grants; (b) request less than the maximum amount from the Special Loan Fund; (c) utilize federal tax credits in a cost-effective manner; (d) creatively respond to the needs of persons and families that are physically handicapped; (e) provide rental housing to families rather than individuals; and (f) preserve the affordability of the existing housing stock throughout the State.

### **Permitted Mortgage Loans While Series 2009A Bonds Remain Outstanding**

So long as any Series 2009A Bonds, or any subseries thereof, remain outstanding, Mortgage Loans financed under the Resolution must be (i) loans insured by FHA, including loans under the FHA risk sharing program, (ii) loans guaranteed by Government National Mortgage Association, (iii) loans guaranteed by either Fannie Mae or Freddie Mac, and (iv) loans originated pursuant to underwriting criteria agreed to by Fannie Mae and Freddie Mac (which criteria are provided by Fannie Mae and Freddie Mac in writing for use in connection with the Series 2009A Bonds) which are either newly originated or refinanced as part of a refunding of variable rate debt of the Issuer issued on or before October 19, 2009, which debt was issued to acquire and finance the holding of multifamily loans described in (i) - (iv) above on or after October 19, 2004, so long as all such loans are eligible to be financed on a tax exempt basis under applicable federal income tax law.

### **Mortgage Loan Processing For Developments**

Rhode Island Housing is authorized under the Act to provide financing for developments for low and moderate income persons and families, and, in providing financing, Rhode Island Housing is required to follow provisions of the Act and State and federal laws and regulations.

Rhode Island Housing's review of proposals from housing developers typically occurs through a two-stage process, preliminary and loan commitment review as described below.

### **The Preliminary Review Process**

When a housing developer contacts Rhode Island Housing in contemplation of seeking financing for a development from Rhode Island Housing, Rhode Island Housing's Housing Development Division evaluates the suitability of the site and adequacy of the market for rental housing in the area. This review may include a preliminary financial analysis and analysis of the site characteristics, surrounding land uses, available utilities, transportation, employment and recreation opportunities, and shopping facilities.



If the preliminary review is satisfactory the developer is requested to submit a formal proposal which is evaluated by staff of Rhode Island Housing. This evaluation includes a preliminary analysis of the development costs and operating expenses, marketing and management information, schematic and preliminary drawings and site plans, information about the developer and development team and the economic feasibility of the development, including an examination of external or environmental factors of the industry which may affect the long-term viability of the development. An evaluation is also completed by Rhode Island Housing's Loan Servicing Division to determine if the proposed managing agent is qualified to manage the development in conformity with the management standards and procedures established by Rhode Island Housing. A review of the financial statements of the developer and other development team members is made to determine their financial capability. With respect to a prospective acquisition of an existing development, Rhode Island Housing also reviews prior years' financial statements and operating history of such developments. The conclusions of the preliminary evaluation are presented to the Board of Commissioners, and upon the Board's approval of the proposed development, the developer is issued a reservation letter that details the additional requirements that must be met in order for a loan commitment to be issued.

### **The Loan Commitment Review Process**

Upon the completion of the preliminary review process, a more detailed review of all aspects of a development proposal is completed. A developer must submit working drawings and specifications, detailed operating and expense budgets, financial statements for the developer and general contractor, prior years' financial statements and operating history for the development, if applicable, and any additional documentation requested for commitment processing. A review of the management and marketing plan is made with attention to marketing strategies, operating budgets and affirmative marketing. Concurrently, the Housing Development Division makes a cost estimate for the development and evaluates cost projections. Once Rhode Island Housing is satisfied that all reviews are in order, a loan commitment presentation is made to the Board of Commissioners, and, if accepted, a commitment letter is issued to the mortgagor.

### **Initial Closing**

At the initial closing of a mortgage loan, a regulatory agreement (the "Regulatory Agreement") is executed by Rhode Island Housing and the mortgagor. The Regulatory Agreement regulates tenant eligibility and rent levels in accordance with pertinent regulations of the Program and the Code. The Regulatory Agreement also regulates management and operation of the development, and disbursement of development income.

In addition to the Regulatory Agreement, major documents executed at or before the initial loan closing include a loan agreement, mortgage note, mortgage, and security agreement. Some developments also require the execution of rental assistance contracts with either the federal or State government. A "cost plus not-to exceed" construction contract is typically executed by the mortgagor and the contractor in connection with the construction that is to be completed in a development. The loan agreement provides that upon occupancy of the development, a reserve fund for repairs and replacements will be established with Rhode Island Housing and funded monthly from rental income. In addition, the mortgagor will, at the end of the construction period, fund an operating reserve fund, or equivalent reserve acceptable to Rhode Island Housing for operating expenses.

As assurance for completion of construction, the mortgagor typically must deliver payment and performance bonds issued by a surety company acceptable to Rhode Island Housing in the amount of 100% of the construction cost under the construction contract between the mortgagor and the contractor. An acceptable alternative is a letter of credit in the amount of 25% of the construction contract amount. If

the construction contract amount is greater than amounts provided therefor in Rhode Island Housing's mortgage loan commitment, the mortgagor may be required to deposit with Rhode Island Housing additional cash or an irrevocable letter of credit in the amount of such difference. Rhode Island Housing may draw upon such amounts to fully fund construction. In addition, an agreement guaranteeing completion of the construction by a principal, or other related person or entity may be required by Rhode Island Housing. Where the acquisition of an existing development is financed under the Program and a determination is made by Rhode Island Housing that the nature of the rehabilitation work to be financed does not warrant payment and performance bonds or a letter of credit as described above, such requirements may be waived.

## **Construction**

During construction or renovation of a development, the Development Division field inspectors make frequent on-site inspections of the progress of construction to determine compliance with the approved drawings, plans and specifications.

Upon completion of construction, Rhode Island Housing makes a final inspection to determine that (a) construction of the development has been completed in accordance with the approved plans and specifications and other terms of the mortgage loan, (b) the development has been constructed in accordance with any applicable building, housing and other codes and ordinances, and (c) the development is in good and tenantable condition. If the inspection is satisfactory, the general contractor and the mortgagor submit cost certifications of all actual costs of the construction and the development, respectively.

The construction of the developments is subject to certain Rhode Island Housing procedures and requirements. Among these are the following:

(1) Builder's risk property insurance in excess of the construction cost under the construction contract is obtained for each of the developments.

(2) Rhode Island Housing conducts field inspections of construction progress for each development on a weekly or monthly basis, as necessary.

(3) Prior to the execution of the construction contract, either (i) the general contractor for each development posts a payment and performance bond, in the amount of 100% of the construction contract, in dual obligee form (Rhode Island Housing and mortgagor), (ii) the general contractor for each development posts a letter of credit for 25% of the construction price or (iii) the developer, or a principal of the developer, provides a completion guaranty in the amount of 110% of the construction contract. Rhode Island Housing must approve the surety company selected for each development.

(4) With respect to each development, a Construction Loan Agreement is entered into between the mortgagor and Rhode Island Housing and a construction contract approved by Rhode Island Housing is entered into between the mortgagor and the general contractor. Each such contract generally provides:

(a) A total amount payable equal to the general contractor's estimated cost of construction;

(b) Monthly payments to be made to the contractor by the mortgagor based upon the percentage of the work completed as work is approved by Rhode Island Housing;

(c) A retainage of 10% of each approved construction advance which is typically held until substantial completion of construction. In certain instances, Rhode Island Housing may exercise its discretion and reduce the retainage after the development is 50% completed;

(d) Payments due the contractor to be made only after a title insurance company, licensed to do business in the State, certifies to Rhode Island Housing in writing that the mortgage will continue to constitute a first or second lien on the development;

(e) All change orders must receive the written approval of Rhode Island Housing; and

(f) Certification of the contractor's expenses to be provided to Rhode Island Housing.

### **Permanent Financing**

Upon satisfactory completion of a final cost certification audit, the loan shifts from a construction loan to the permanent financing. Level monthly mortgage loan payments of principal and interest commence on the earlier of the first day of the month following the month in which construction is completed or the first day of the 18<sup>th</sup> month after closing in amounts sufficient to amortize the principal amount of the mortgage loan over its term, and, if applicable, FHA Mortgage Loan Insurance or any other applicable mortgage insurance policy takes effect.

### **Resident Selection, Marketing and Management**

In addition to the Regulatory Agreement, the management of the development is governed by a Housing Management Agreement between the mortgagor, the management agent and Rhode Island Housing. Rhode Island Housing has the right to terminate the Housing Management Agreement for just cause as determined by Rhode Island Housing's Loan Servicing Division, which is responsible for establishing the standards and procedures for management of the development. Contact with the management agent is initiated by the Loan Servicing Division at the commitment stage. Prior to a loan commitment, the management agent submits a comprehensive Management Plan for the development for Rhode Island Housing's review and approval. The Plan details the form of resident lease, principles of landlord-resident relations, standards for eligibility for initial occupancy, marketing plans, affirmative marketing plans, budgets, operations reporting systems and accounting systems.

After completion of construction and occupancy, the Loan Servicing Division inspects developments and conducts no less than yearly audits of the management agent's verification of resident eligibility, development accounts, resident waiting lists, accounts payable and receivable, and development bank accounts, including all escrow and reserve accounts and generally observes all management operations. The management agent is required to submit monthly reports to the Loan Servicing Division which include information on the aging of all accounts payable and receivable for the development, a listing of all occupancies by unit size and rental rate, a summary of marketing activity for the preceding month, a cash reconciliation and budget review. Rhode Island Housing utilizes warning and exception reporting systems designed to identify potential problems at an early stage. Maintenance

problems found during inspections are noted and the owners and managing agents have thirty days in which to respond to such findings and make corrections.

### **Prepayment of Mortgage Loans**

The Mortgage Loans financed under the Program provide that the developer may voluntarily prepay such mortgage loan only with the consent of Rhode Island Housing. Rhode Island Housing has consented to the voluntary prepayment of Mortgage Loans financed under its other multi-family programs in conjunction with its Preservation Program, and Rhode Island Housing may consent to the voluntary prepayment of additional Mortgage Loans under the Program and its other multi-family programs in conjunction with the Preservation Program where prepayment will not result in a material escalation of rents charged to residents of the developments financed with such Mortgage Loans, as required by applicable statutes and regulations governing prepayment of Mortgage Loans. See “**PLAN OF FINANCING**” herein for a description of the Preservation Program. Any exercised prepayment option or voluntary prepayment of a mortgage loan could result in the redemption of Series Bonds at par as described herein under the heading “**REDEMPTION PROVISIONS**” under “**—Special Mandatory Redemption of Subseries 2009A-2 Bonds**” and “**—Special Optional Redemption of Series Bonds**” herein.

## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The Resolution contains various covenants and security provisions certain of which are summarized below.

### **Contract with Bondholders**

The Resolution is a contract among Rhode Island Housing, the Trustee and the holders of the Bonds and its provisions are for the equal benefit, protection and security of the holders of any and all of such Bonds each of which shall be of equal rank.

### **Provisions for Issuance of Bonds**

The Resolution authorizes Bonds to be issued from time to time in accordance with its terms without limitation as to amount except as provided by law. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

- (1) A Bond Counsel’s Opinion to the effect that the Bonds of such Series upon delivery will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the Resolution;
- (2) The amount of the proceeds of such Series to be deposited in any Account held by the Trustee pursuant to the Resolution;
- (3) Except in the case of any refunding issue, a Certificate of an Authorized Officer stating that Rhode Island Housing is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution; and
- (4) A Certificate of an Authorized Officer stating that the Revenues expected to be received by Rhode Island Housing from Mortgage Loans expected to be financed from amounts in the Bond Proceeds Account are estimated to be received at times and in amounts

sufficient, when added to amounts otherwise available therefor, to provide for the payment of all Outstanding Bonds and the interest thereon in full.

### **Provisions for Refunding Issues**

One or more Series of Refunding Bonds may be issued to refund any Outstanding Bonds; provided, however, that Rhode Island Housing has covenanted in the Resolution that (i) the sum of the Series 2009A Bonds and any parity bonds which are not Series 2009A Bonds issued and Outstanding under the Resolution shall not at any time exceed \$108,500,000, (ii) on each Release Date, Series 2009A Bonds Outstanding shall constitute not less than 30% of the aggregate amount of Series 2009A Bonds and parity bonds issued and Outstanding under the Resolution which are not Series 2009A Bonds and (iii) following the final Release Date, the Issuer will not issue any additional parity bonds (other than parity bonds issued to refund outstanding parity bonds) under the Resolution so long as any Series 2009A Bonds remain Outstanding. In any event, no Series of Bonds may be issued if the principal amount of all Bonds issued or to be issued will exceed any limitation imposed by law nor if, upon the issuance and delivery of such Bonds, the amount credited to the Debt Service Reserve Account will be less than the Debt Service Reserve Account Requirement. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the pendency of such redemption and to give notice of the call for redemption of such Bonds and either (a) moneys sufficient to effect payment or redemption at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (b) direct obligations of, or obligations guaranteed by, the United States of America, or any bond, debenture, note, participation certificate or other similar obligation issued by Fannie Mae (but only to the extent such obligations are guaranteed by the Government National Mortgage Association) or issued by another federal agency and backed by the full faith and credit of the United States of America, or obligations secured by such obligations through an irrevocable trust, which by their terms will provide moneys sufficient to provide for the payment when due of the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in trust under the Resolution.

### **Application of Bond Proceeds**

As soon as practicable upon the delivery of each Series of Bonds, other than Refunding Bonds, the amount necessary to cause the amount on deposit in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement so specified in the Supplemental Resolution authorizing such Bonds are required to be deposited in the Debt Service Reserve Account. The balance remaining after such deposits have been made is required to be deposited in the Bond Proceeds Account.

### **Deposits and Investments**

Except as otherwise provided in the Resolution, moneys in any account shall be continuously invested and reinvested or deposited and redeposited by the Trustee, at the direction of an Authorized Officer, promptly confirmed in writing, in the highest yield Investment Securities that may be reasonably known, with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds. Rhode Island Housing may direct the Trustee to invest and reinvest the moneys in any account in Investment Securities so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be expended. The Investment Securities purchased shall be held by the Trustee, or for its account as Trustee, and shall be deemed at all times to be part of such Account, and the Trustee shall keep Rhode Island Housing advised as to the details of all such investments. Except as otherwise expressly provided, in computing the amount in any Account, obligations purchased as an investment of moneys

therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on each January 1 and July 1 and as otherwise required under the Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any such moneys or investment.

### **Establishment of Accounts**

The Resolution established the following Accounts which are to be held by the Trustee:

- (a) Bond Proceeds Account.
- (b) Revenue Account.
- (c) Redemption Account.
- (d) Debt Service Reserve Account
- (e) Rebate Account.

Notwithstanding anything in the General Resolution to the contrary, to the extent provided in a Supplemental Resolution authorizing a Series of Bonds, the Trustee may establish an escrow proceeds account for such Series within the Bond Proceeds Account, into which the net proceeds of such Series of Bonds shall be deposited, held, applied and invested separate and apart from all other funds on deposit in the Bond Proceeds Account, as set forth in a Supplemental Resolution.

### **Bond Proceeds Account**

In addition to the proceeds of a Series of Bonds, Recoveries of Principal are required to be deposited in the Bond Proceeds Account established for such Series. Amounts in the Bond Proceeds Account may be expended only to finance Mortgage Loans, to pay Costs of Issuance, to make deposits in the Revenue Account representing capitalized interest, to redeem Bonds, if no Series 2009A Bonds remain Outstanding, to pay notes of Rhode Island Housing, including interest thereon, and to provide amounts for deposit in the Revenue Account upon delivery to the Trustee of a Certificate of an Authorized Officer satisfying the conditions for the issuance of Bonds.

Amounts in the Bond Proceeds Account may not be disbursed for the financing of a Mortgage Loan (except to the extent that a variance is permitted by the insurer or guarantor of any Mortgage Loan) unless, among other things:

- (a) the mortgagor has warranted generally the title to the premises, subject to Permitted Encumbrances, and has agreed to execute such further assurances as may be requisite;
- (b) the mortgagor has entered into a binding agreement with or for the benefit of Rhode Island Housing that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and that it will discharge any prior liens levied against the Premises or any part thereof, and that the mortgagor will at the request of Rhode Island Housing deliver appropriate proof of the payment of such items;
- (c) the mortgagor covenants that it will keep buildings on the premises insured against loss by fire and other hazards as required by Rhode Island Housing and that it will

maintain the premises in good repair and comply with all requirements of governmental authority relating thereto; and

(d) the mortgagor has obtained the approval of all governmental entities having jurisdiction over the proposed residential housing.

### **Revenue Account**

All Pledged Receipts are to be deposited in the Revenue Account. On or before each Interest Payment Date the Trustee is required to pay to the Paying Agent the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date. On or before each Redemption Date or date of purchase the Trustee is required to pay the Paying Agent the amounts required for the redemption or purchase price of Bonds redeemed or purchased for retirement and accrued interest thereon, unless the accrued interest has been otherwise provided for.

The amount accumulated in the Revenue Account for each Sinking Fund Payment may be applied either (a) to the purchase of Bonds for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus accrued interest, or (b) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above.

Upon the purchase or redemption of Bonds from amounts in the Revenue Account an amount equal to the principal amount of the Bonds so purchased or redeemed is required to be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment is to be credited against future Sinking Fund Payments in direct chronological order unless otherwise instructed in writing by an Authorized Officer.

Subject to the terms of the Supplemental Resolution and provided no Event of Default has occurred and is continuing for so long as the Series 2009A Bonds remain Outstanding, Rhode Island Housing is permitted to direct the transfer of amounts from the Revenue Account at any time to the Bond Proceeds Account, Debt Service Reserve Account or Redemption Account, or to the general operating accounts of Rhode Island Housing for the purpose of paying Program Expenses for the then current Fiscal Year. Except for the payment of reasonable and necessary Program Expenses, no such transfer is permitted, however, unless the Debt Service Reserve Account Requirement is met and a Certificate of an Authorized Officer is delivered to the Trustee.

### **Redemption Account**

There are to be deposited in the Redemption Account any amounts required by the General Resolution or a Supplemental Resolution to be so deposited and any other amounts available therefor and determined by Rhode Island Housing to be deposited therein. Subject to the provisions of the respective Series of Bonds and those of any Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, the Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date. At any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in any Account within the Redemption Account to the purchase of any of such Bonds, except that Rhode Island Housing may require or prohibit such purchases. The purchase price paid may not exceed the principal amount of such Bonds unless such Bonds may be redeemed within thirteen months after such purchase in which event such price shall not exceed the applicable Redemption Price. If the Trustee is able to purchase Bonds at a price less than the

applicable Redemption Price, the Trustee is required to deposit in the Revenue Account the difference between such purchase price and such Redemption Price.

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund.

Payment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless a different method for crediting Sinking Fund Payments is otherwise directed by Rhode Island Housing.

### **Debt Service Reserve Account**

There are to be deposited in the Debt Service Reserve Account all amounts required to be deposited therein pursuant to the Resolution and any other amounts received and determined by Rhode Island Housing to be deposited therein.

Amounts on deposit in the Debt Service Reserve Account are to be applied, to the extent other funds are not available therefor, to pay the Bonds when due, whether by call for redemption or otherwise. Whenever the amount in the Debt Service Reserve Account exceeds the Debt Service Reserve Account Requirement, the Trustee, if directed by Rhode Island Housing, is required to withdraw from the Debt Service Reserve Account the amount of such excess and deposit such amount into the Revenue Account, but only to the extent necessary to meet payments required from the Revenue Account.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Revenue Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Account shall be transferred to the Debt Service Reserve Account. Prior to said transfer, any Bonds constituting a part of the Revenue Account shall be deemed paid and cancelled.

Subject to any limitation in the Act, a Supplemental Resolution may provide that the Debt Service Reserve Account Requirement with respect to the applicable Series of Bonds may be funded through Cash Equivalents. For purposes of determining whether the Debt Service Reserve Account Requirement has been met, the amount in the Debt Service Reserve Account shall be deemed to include any amount payable thereunder on the demand of the Trustee without material conditions.

### **Rebate Account**

There are to be deposited in the Rebate Account all amounts required to be deposited therein pursuant to the Supplemental Resolution authorizing each Series of Bonds and any other amounts received and determined to be deposited therein by Rhode Island Housing. Amounts on deposit in the Rebate Account are to be applied in accordance with such Supplemental Resolution.

### **Payment of Bonds**

Rhode Island Housing covenants that it will duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.



## **Tax Covenants**

Rhode Island Housing covenants that (a) it will at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the owners thereof and exempt from such taxation, except in the event that such recipient is a “substantial user” or “related person” within the meaning of Section 147(a) of the Code, (b) it will not permit at any time any of the proceeds of the Bonds or other funds of Rhode Island Housing to be used directly or indirectly to acquire any investment property, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148 of the Code, and (c) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by Section 103(a) of such Code by reason of the classification of such Bond as a “private activity bond which is not a qualified bond” within the meaning of the Code. The residential housing being financed by any Mortgage Loan will be either a “qualified residential rental project” within the meaning of the Code or a residence eligible to be financed with the proceeds of “qualified mortgage bonds” within the meaning of the Code. Notwithstanding the foregoing, Rhode Island Housing may elect to issue obligations the interest on which is not exempt from federal income taxation so long as such election is made prior to the issuance of such obligations. The covenants contained in this Section shall not apply to Bonds issued pursuant to such an election. Such covenants do not apply to the Series 2009A Bonds prior to their Release Date.

## **The Program**

For the benefit and protection of the holders from time to time of the Bonds, Rhode Island Housing covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Resolution and sound banking practices and principles, to use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance the Mortgage Loans pursuant to the Act and the Resolution, to do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Mortgage Loans) sufficient to pay the expenses of the Program, and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of Rhode Island Housing to protect, its rights with respect to or to maintain any insurance on Mortgage Loans and to enforce all terms, covenants and conditions of the Mortgage Loans including the collection, custody and prompt application of all Escrow Payments required by the terms of the Mortgage Loans for the purposes for which they were made.

Subject to the first paragraph of this section, whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, Rhode Island Housing shall commence foreclosure or pursue other appropriate remedies with respect to any Mortgage Loan which is in default. In the event that Rhode Island Housing shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, Rhode Island Housing may bid for and purchase the residential housing securing any such Mortgage Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such residential housing (herein in this Section called an “Acquired Development”) prior to the foreclosure of any such residential housing.

Subject to the first paragraph of this Section and the terms of any Supplemental Resolution, Rhode Island Housing may at any time sell, assign or otherwise dispose of a Mortgage Loan (or the Acquired Development to which such Mortgage Loan relates):

- (a) in order to realize the benefits of insurance, if any, with respect to such Mortgage Loan or Acquired Development;

(b) in order to provide funds to finance another Mortgage Loan having substantially equivalent terms as the remainder of such Mortgage Loan; or

(c) in order to provide funds for the redemption or purchase of a principal amount of Bonds corresponding to the unpaid principal amount of such Mortgage Loan plus the unamortized portion of the Costs of Issuance and original issue discount allocable to such Mortgage Loan; provided, however, that so long as any Series 2009A Bonds remain outstanding, Rhode Island Housing may not sell, assign or otherwise dispose of a Mortgage Loan (or the Acquired Development to which such Mortgage Loan relates) for the purposes specified in (a) and (b) above.

In addition, Rhode Island Housing may sell any Acquired Development if there shall be filed with the Trustee a Certificate of an Authorized Officer to the effect that, in the judgment of Rhode Island Housing, (a) the proposed sale and the terms thereof are in the best interests of the Bondholders and (b) either (i) the loss of revenues available for the payment or retirement of Bonds as a result of such sale is less than that estimated to result if the Acquired Development were not so sold or (ii) the risk of such a loss in the event that the Acquired Development is not so sold is substantial.

### **Accounts and Reports**

Rhode Island Housing covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Mortgage Loans and all Accounts established by the Resolution which books of record and account shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Within 120 days after the close of each Fiscal Year, Rhode Island Housing is required to file with the Trustee a copy of an annual report as to the operations and accomplishments of Rhode Island Housing during such Fiscal Year, and financial statements for such Fiscal Year, setting forth in reasonable detail, among other things, the balance sheet for Rhode Island Housing and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year.

If at any time during any Fiscal Year there shall have occurred an Event of Default or an Event of Default shall have continued, then Rhode Island Housing shall file with the Trustee, within 45 days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Account under the Resolution.

### **Budgets**

Rhode Island Housing shall adopt an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than the first day of each such Fiscal Year, and file the same with the Trustee. The annual budget shall set forth for such Fiscal Year the estimated Revenues, the Principal Installments and the amount of interest due and payable or estimated to become due and payable during such Fiscal Year and estimated Program Expenses. Rhode Island Housing at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided in the Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

## **Powers of Amendment**

Subject to the further terms of the Supplemental Resolution, any modification or amendment of any provision of the Resolution and of the rights and obligations of Rhode Island Housing and of the holders of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution (a) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (b) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected, or (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment, except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentage of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

## **Events of Default**

It is an “Event of Default” if: (a) Rhode Island Housing defaults in the payment of the principal or Redemption Price of any Bonds when due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds is not made within 30 days after becoming due (provided, however, that so long as any Series 2009A Bonds remain Outstanding, it shall be an Event of Default under the Resolution if payment of any installment of interest on any of the Bonds shall not be made when as the same shall become due); or (c) Rhode Island Housing fails or refuses to comply with the provisions of the Resolution, or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default continues for a period of 90 days (45 days so long as the Series 2009A Bonds remain Outstanding) after written notice thereof by the Trustee or by the holders of not less than 5% in principal amount of the Outstanding Bonds.

## **Remedies**

Upon the happening and continuance of any Event of Default specified in clauses(a) and (b) above, the Trustee will proceed, or upon the happening and continuance of any Event of Default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to an acceleration of the bonds pursuant to clause (e) below) must proceed, in its own name, subject to the Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require Rhode Island Housing to receive and collect Revenues and to carry out the covenants and agreements as to the Mortgage Loans and to require Rhode Island Housing to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require Rhode Island Housing to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; or (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such

declaration and its consequences and in the event that all Bonds are declared due and payable, by selling such Mortgage Loans and Investment Securities securing the Bonds.

In addition, notwithstanding anything to the contrary in the Resolution the owners of a majority in principal amount of the Series 2009A Bonds shall have the exclusive right to direct the exercise of remedies under the Resolution and, following the occurrence of an Event of Default with respect to the Series 2009A Bonds and any such parity bonds, the Trustee shall take such remedial actions as are directed solely by the owners of a majority in principal amount of the Series 2009A Bonds.

### **Priority of Payment After Default**

In the event that during the continuance of an Event of Default, the funds held by the Trustee and Paying Agent are insufficient for the payment of principal or Redemption Price, if any, and interest 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 moneys received or collected by the Trustee acting pursuant to the Act and the Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or the Paying Agent in the performance of their respective duties under the Resolution, are to be applied as follows:

(a) Unless the principal of all of the Bonds has become or been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amounts available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference; and

(b) If the principal of all the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

### **Compensation of Trustee**

Rhode Island Housing is required to pay to the Trustee, to any Depository and to the Paying Agent from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the

Resolution, and the Trustee, any Depositary and the Paying Agent shall have a lien therefor on any and all funds at any time held by them under the Resolution.

### **Defeasance**

If Rhode Island Housing pays or causes to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any revenues and assets thereby pledged and all other rights granted thereby will be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by Rhode Island Housing of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any outstanding Bonds will, prior to maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, Rhode Island Housing has given to the Trustee in form satisfactory to it irrevocable instructions to give, as provided in the Resolution, notice of redemption on said date of such Bonds, and (b) there has been deposited with the Trustee either moneys in an amount which are sufficient, or direct obligations of, or obligations guaranteed by, the United States of America, or any bond, debenture, note, participation certificate or other similar obligation issued by Fannie Mae (but only to the extent such obligations are guaranteed by the Government National Mortgage Association) or issued by another federal agency and backed by the full faith and credit of the United States of America, or obligations secured by such obligations, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be.

### **TRUSTEE**

The Trustee for the Series Bonds will be The Bank of New York Mellon Trust Company, N.A., Providence, Rhode Island. The Trustee also serves as bond trustee for other outstanding bonds of Rhode Island Housing. The Trustee also acts as Paying Agent for the Bonds. Principal, premium, if any, and interest on the Bonds will be payable at the Paying Agent's corporate trust office in Dallas, Texas.

Pursuant to the Resolution, Rhode Island Housing agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default. Any Fiduciary may become the owner of any Bonds and coupons, with the same rights it would have if it were not a Fiduciary. Any Fiduciary may act as Depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may be an underwriter in connection with the sale of the Bonds or of any other securities offered or issued by Rhode Island Housing.

No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified.

## **AGREEMENT OF THE STATE**

Pursuant to the Act, the State has pledged to and agreed with the owners of any Bonds that the State will not limit or alter the rights vested in Rhode Island Housing to fulfill the terms of any agreements made with them, or in any way impair the right and remedies of such owners until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners, are fully met and discharged.

## **STATE NOT LIABLE ON BONDS**

The Bonds of Rhode Island Housing shall not be in any way a debt or liability of the State or of any political subdivision thereof and shall not create or constitute an indebtedness, liability or obligation of the State or of any such political subdivision or be or constitute a pledge of the faith and credit of the State or of any such political subdivision, but such Bonds shall be payable solely from revenues or funds of Rhode Island Housing pledged for their payment.

## **LEGALITY FOR INVESTMENT**

The Act provides that the Bonds shall be legal investments in which all public officers and public bodies of the State, its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, banking institutions including savings and loan associations, building and loan associations, trust companies, savings banks and savings associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. The Bonds are securities which may properly and legally be deposited with and received by all public officers and bodies of the State or any agency or political subdivision of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

## **LITIGATION**

Rhode Island Housing is party to certain claims and lawsuits which are being contested. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either Rhode Island Housing's financial position or the result of its operations.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, issuance, sale and delivery of the Series Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to Rhode Island Housing, whose approving opinions in substantially the forms of **APPENDIX G** hereto will be delivered with the issuance of the Series 2011A Bonds and the conversion and redesignation of the Subseries 2009A-2 Bonds. Certain legal matters in connection with Series Bonds are subject to the approval of Brown Rudnick LLP, Providence, Rhode Island, Issuer's Counsel to Rhode Island Housing and to Kutak Rock LLP, Atlanta, Georgia, Counsel to the Underwriters.

## **TAX MATTERS**

### **General**

The requirements of applicable federal tax law must be satisfied with respect to all of the bonds which are treated as a single issue under the code in order that interest on the bonds which are part of such single issue note be included in gross income for federal income tax purposes retroactive to the date of issuance thereof. The Series Bonds are treated as a single issue under the Code.

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to Rhode Island Housing, under existing statutes and court decisions, (i) interest on the Series Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Series Bond for any period during which such Series Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of facilities financed with the proceeds of the Series Bonds or a “related person” and (ii) interest on the Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by Rhode Island Housing, the Series Developers and others in connection with the Series Bonds, and Bond Counsel has assumed compliance by Rhode Island Housing and the related Series Developers with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. In addition, in the opinion of Bond Counsel, pursuant to the provisions of the Act, income on the Series Bonds (including any profit on the sale thereof) is free from Rhode Island personal income taxes.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date of the Series 2011A Bonds and as of the Release Date of the Subseries 2009A-2 Bonds, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

### **Summary of Certain Federal Tax Requirements Applicable to the Series Bonds**

The Code requires that at all times during the “qualified project period” (as defined below), the Series Developments financed with the proceeds of the Series Bonds (collectively, the “Tax Exempt Developments”) satisfy one of two set-aside requirements and constitutes rental property. Under these set-aside requirements, the developers of such Tax Exempt Developments must elect that either (a) 40% or more of the residential units in such Tax Exempt Developments are occupied by individuals whose income is 60% or less of area median gross income or (b) 20% or more of residential units in such Tax Exempt Developments are occupied by individuals whose income is 50% or less of area median gross income. Under the Code, the income of tenants of a development and area median gross income must be determined pursuant to Section 8 of the United States Housing Act of 1937, as amended. Income determinations under the Code, therefore, are subject to adjustments for family size.

The Code also requires that the low and moderate income occupancy requirement and the continuous rental requirement be continuously satisfied during the qualified project period. Determination of income qualification must be made on a continuing basis. Increases in a tenant's income of up to 140% of the applicable income limit (as adjusted for family size) will not necessarily adversely affect the exclusion from gross income of interest on the Series Bonds. In the event that a tenant's income increases to a level which is greater than 140% of the applicable limit (or if the tenant's family size decreases so that a lower maximum income applies), that tenant may no longer be treated as a person of low and moderate income for purposes of satisfying the low and moderate income requirement. Thereafter, any unit of comparable or smaller size in the related Tax Exempt Development which subsequently becomes vacant must be rented to an income qualifying tenant until such Tax Exempt Development again is in compliance. The related Series Developer will have a minimum of 60 days to cure any noncompliance with the income requirement.

The "qualified project period" is defined by the Code as the period beginning on the first day upon which 10% of the units in the related development are occupied and ending on the latest of (a) the date which is 15 years after the date upon which 50% of the units in such development are first occupied, (b) the first day upon which none of the bonds issued with respect to that development remain outstanding or (c) the date upon which any assistance provided under Section 8 of the United States Housing Act of 1937, as amended, terminates.

In addition, the Code establishes certain additional requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. Rhode Island Housing and the applicable Series Developers have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code.

*Compliance with Federal Tax Requirements.* Rhode Island Housing's Tax Certification, which will be delivered concurrently with the delivery of the Series Bonds, will contain provisions and procedures relating to compliance with the requirements of the Code. Rhode Island Housing, in executing its Tax Certification, will certify to the effect that it expects to be able to and will comply with the provisions and procedures set forth therein. Rhode Island Housing has also covenanted in the Resolution that it shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the Series Bonds is not included in gross income for federal income tax purposes. In furtherance thereof, Rhode Island Housing has required the Mortgagors with respect to the Mortgage Loans to be financed by the Series Bonds to make certain covenants in the Mortgage Loan documents in order to satisfy the above-described requirements of applicable federal tax law. However, no assurance can be given that in the event of a breach of any such covenants, the remedies available to Rhode Island Housing and/or owners of the Series Bonds can be judicially enforced in such manner as to assure compliance with the requirements of applicable federal tax law and therefore to prevent the loss of the exclusion of interest on the Series Bonds under applicable federal tax law. Any loss of the exclusion of interest on the Series Bonds may be retroactive to the delivery date of the Series Bonds irrespective of when an event of noncompliance may occur or be ascertained.



## **Certain Collateral Federal Tax Consequences**

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

Prospective owners of Series Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and certain foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

## **Information Reporting and Backup Withholding**

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

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

## **Proposed Legislation and Other Matters**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2011 Series 1 Bonds under federal or state law or otherwise prevent beneficial owners of the 2011 Series 1 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2011 Series 1 Bonds. For example, on September 12, 2011, President Obama sent to Congress draft legislation entitled the "American Jobs Act of 2011" (the "Proposed Act"). On September 13, 2011, Senate Majority Leader Reid introduced the Proposed Act in the Senate (S.1549). The Proposed Act included a provision that, if enacted as proposed, would have limited the amount of exclusions (including tax-exempt interest, such as interest on the 2011 Series 1 Bonds) and deductions certain high income taxpayers could use to reduce their income tax liability for taxable years after 2012. On October 11, 2011, a procedural vote in the Senate to end debate and thus allow a vote on

the Proposed Act, as amended, did not pass. This or other legislative proposals may be considered or introduced that could affect the market price or marketability of tax-exempt bonds, such as the 2011 Series 1 Bonds.

Prospective purchasers of the 2011 Series 1 Bonds should consult their own tax advisors regarding the foregoing matters.

## **FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING**

The financial statements of Rhode Island Housing as of and for the years ended June 30, 2011 and 2010 are included in **APPENDIX C** hereto. Such financial statements have been audited by CCR LLP (“CCR”), Providence, Rhode Island, independent certified public accountants, to the extent indicated in their report thereon. CCR has not audited or reviewed Rhode Island Housing’s financial statements subsequent to the completion of the audit of the financial statements as of and for the year ended June 30, 2011.

## **UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC (together, the “Underwriters”) have jointly and severally agreed, subject to certain conditions, to purchase the Series 2011A Bonds at a purchase price of \$5,040,000.00, representing the par amount thereof. The Underwriters will be paid a fee in connection with their purchase of the Series 2011A Bonds, in an amount of \$94,074.19. The obligation of the Underwriters to purchase the Series 2011A Bonds is subject to certain terms and conditions set forth in the Purchase Contract with respect to the Series 2011A Bonds. The Series 2011A Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed from time to time, by the applicable underwriters.

The Underwriters did not act as placement agents, financial advisors or otherwise provide services with respect to the Subseries 2009A-2 Bonds, and the Subseries 2009A-2 Bonds are not being offered or remarketed hereby.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for Rhode Island Housing, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Rhode Island Housing.

Morgan Stanley & Co. LLC is providing the following language for inclusion in the Offering Statement. Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. LLC (an underwriter of the Series 2011A Bonds) and Citigroup Global Markets Inc., each have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution

arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with its allocation of Series 2011A Bonds.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa" to the Series Bonds, with a negative outlook. Any explanation of the significance of such ratings should be obtained directly from Moody's. There is no assurance that a particular rating will pertain for any given period of time or that it will not be lowered or withdrawn entirely, if, in the judgment of the rating service, circumstances so warrant. Any downward revision or withdrawal of any such ratings will have an adverse affect on the market price of the Series Bonds.

## **UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE**

Rhode Island Housing will enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement"), a form of which is attached hereto as Appendix F, for the benefit of the holders and beneficial owners of the Series 2011A Bonds. Under this Continuing Disclosure Agreement, Rhode Island Housing will be obligated while any Series 2011A Bonds remain Outstanding to provide certain updated financial information and operating data annually, and timely notice of specified listed events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

During the past five years, Rhode Island Housing has complied in all material respects with its obligations under all previous continuing disclosure agreements.

## **MISCELLANEOUS**

The references herein to the Act and the Resolution are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act and the Resolution for full and complete statements of such provisions. The agreements of Rhode Island Housing with the holders of the Series Bonds are fully set forth in the Resolution, and this Official Statement is not to be construed as a contract with the purchasers of the Series Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

Copies of the Act, the General Resolution and the Supplemental Resolution are on file at the office of Rhode Island Housing.

The execution and delivery of this Official Statement by the Treasurer have been duly authorized by Rhode Island Housing.

RHODE ISLAND HOUSING AND MORTGAGE  
FINANCE CORPORATION

/s/ Richard G. Hartley  
Treasurer

## **APPENDIX A**

### **DESCRIPTION OF THE DEVELOPMENTS**

This Appendix A sets forth descriptions of the Series Developments expected to be financed with the proceeds of the Series Bonds and the Prior Developments financed with Mortgage Loans funded with proceeds of other series of Bonds issued under the General Resolution.. The Series Bonds are secured on a parity with the other Bonds issued under the General Resolution by a pledge of the Mortgage Loans and the Revenues derived from the Mortgage Loans on the developments described in this Appendix A and all amounts held in any account under the Resolution (except the Rebate Account) including investment income thereof.

[Remainder of page intentionally left blank]

**DESCRIPTION OF THE DEVELOPMENTS EXPECTED TO BE  
FINANCED BY THE SERIES BONDS**

| <b>Development Name</b>     | <b>Anthony House</b>        | <b>Marvin Gardens I</b>      | <b>Village Woonsocket</b>                             |
|-----------------------------|-----------------------------|------------------------------|---|
| Mortgagor                   | 51 Middle, L.P.             | MG Apartments, L.P.          | Village Woonsocket, L.P.                              |
| Date of Completion          | 2012                        | 2012                         | 2012  |
| Management Agent            | Phoenix Property Management | Guardian Property Management | Housing Management Resources, Inc.                    |
| Location                    | Portsmouth                  | Providence                   | Woonsocket  |
| Development Cost*           | \$11,300,000                | \$8,250,000                  | \$13,900,000  |
| Mortgage Loan Amount        | \$6,150,000                 | \$5,510,000                  | \$7,480,000   |
| Dwelling Units              | 70                          | 121                          | 122   |
| Type of Units               | Elderly/Disabled            | Elderly/Disabled             | Family  |
| Subsidized Units %          | 100%                        | 100%                         | 100%  |
| Type of Subsidy Program     | Section 8                   | Section 8                    | Section 8   |
| HAP Expiration**            | September, 2031             | January, 2030                | February and April, 2012;<br>20 Year Renewal Expected |
| Mortgage Loan Maturity Date | April 1, 2043               | September 1, 2051            | September 1, 2051                                     |
| Insurance                   | FHA Risk Share              | FHA Risk Share               | FHA Risk Share  |
| Occupancy Status***         | Fully Rented                | Fully Rented                 | Fully Rented  |

\* Development Cost includes construction costs, rehabilitation costs and payment in full of outstanding project debt.

\*\* Scheduled expiration date of Section 8 Housing Assistance Payment Contract.

\*\*\* Fully Rented means fully occupied except for normal turnover.

**CURRENT STATUS OF DEVELOPMENTS FINANCED  
BY OUTSTANDING BONDS**

| <b>Development Name</b>                | <b>315 Park Ave</b>                      | <b>Bear Hill Apartments</b>              | <b>Bourne Mill</b>                       |
|--|--|--|--|
| Bond Issue                             | Series 2010A/Series 2009A, Subseries A-1 | Series 2010A/Series 2009A, Subseries A-1 | Series 2010A/Series 2009A, Subseries A-1 |
| Mortgagor                              | Park Avenue RIH, LLC                     | Bear Hill Village RIH, LLC               | Bourne Mills Rental 9, LLC               |
| Date of Completion                     | 2011                                     | 2011                                     | 2009                                     |
| Management Agent                       | Wingate Management Company               | Wingate Management Company               | Peabody Properties, Inc.                 |
| Location                               | Cranston                                 | Cumberland                               | Tiverton                                 |
| Development Cost                       | \$7,760,964                              | \$17,726,728                             | \$43,678,075                             |
| Mortgage Loan Amount                   | \$5,075,000                              | \$11,870,000                             | \$11,250,000                             |
| Outstanding Loan Balance as of 6/30/11 | \$5,075,000                              | \$11,870,000                             | \$11,210,073                             |
| Dwelling Units                         | 71                                       | 126                                      | 166                                      |
| Type of Units                          | Elderly                                  | Elderly                                  | Family                                   |
| Subsidized Units %                     | 100%                                     | 100%                                     | 19.88%                                   |
| Type of Subsidy Program                | Section 8                                | Section 8                                | Section 8                                |
| HAP Expiration*                        | October 31, 2025                         | November 30, 2025                        | June 30, 2024                            |
| Mortgage Loan Maturity Date            | October 1, 2051                          | October 1, 2051                          | September 1, 2050                        |
| Insurance                              | FHA Risk Share                           | FHA Risk Share                           | FHA Risk Share                           |
| Occupancy Status**                     | Fully Rented                             | Fully Rented                             | Fully Rented                             |

\* Scheduled expiration date of Section 8 Housing Assistance Payment Contract.

\*\* Fully Rented means fully occupied except for normal turnover.

**CURRENT STATUS OF THE DEVELOPMENTS  
FINANCED BY OUTSTANDING BONDS (continued)**

| <b>Development Name</b>                | <b>Chateau Clare</b>                     | <b>Douglas Manor</b>                     | <b>Gatewood Apartments</b>               |
|--|--|--|--|
| Bond Issue                             | Series 2010A/Series 2009A, Subseries A-1 | Series 2010A/Series 2009A, Subseries A-1 | Series 2010A/Series 2009A, Subseries A-1 |
| Mortgagor                              | Chateau Clare RIH, LLC                   | Douglas Manor Apartments, LP             | Gatewood RIH, LLC                        |
| Date of Completion                     | 2011                                     | 2010                                     | 2011                                     |
| Management Agent                       | Wingate Management Company               | Property Advisory Group                  | Wingate Management Company               |
| Location                               | Woonsocket                               | North Providence                         | North Smithfield                         |
| Development Cost                       | \$7,059,517                              | \$8,460,832                              | \$7,128,177                              |
| Mortgage Loan Amount                   | \$5,300,000                              | \$6,225,000                              | \$4,600,000                              |
| Outstanding Loan Balance as of 6/30/11 | \$5,300,000                              | \$6,222,348                              | \$4,600,000                              |
| Dwelling Units                         | 88                                       | 100                                      | 60                                       |
| Type of Units                          | Elderly                                  | Elderly                                  | Elderly                                  |
| Subsidized Units %                     | 100%                                     | 100%                                     | 100%                                     |
| Type of Subsidy Program                | Section 8                                | Section 8                                | Section 8                                |
| HAP Expiration*                        | April 30, 2025                           | January 31, 2030                         | April 10, 2025                           |
| Mortgage Loan Maturity Date            | October 1, 2051                          | March 1, 2051                            | October 1, 2051                          |
| Insurance                              | FHA Risk Share                           | FHA Risk Share                           | FHA Risk Share                           |
| Occupancy Status**                     | Fully Rented                             | Fully Rented                             | Fully Rented                             |

\* Scheduled expiration date of Section 8 Housing Assistance Payment Contract.

\*\* Fully Rented means fully occupied except for normal turnover.



**CURRENT STATUS OF THE DEVELOPMENTS  
FINANCED BY OUTSTANDING BONDS (continued)**

| <b>Development Name</b>                | <b>Hardig Brook</b>                      | <b>Indian Run Village</b>                | <b>Metcalf/Etta Apartments</b>  |
|--|--|--|---|
| Bond Issue                             | Series 2010A/Series 2009A, Subseries A-1 | Series 2010A/Series 2009A, Subseries A-1 | Series 2010A/Series 2009A, Subseries A-1  |
| Mortgagor                              | Hardig Brook Village RIH, LLC            | Indian Run Village RIH, LLC              | Metcalf Courts II RIH, LLC  |
| Date of Completion                     | 2011                                     | 2011                                     | 2011  |
| Management Agent                       | Wingate Management Company               | Wingate Management Company               | Wingate Management Company  |
| Location                               | Warwick                                  | South Kingstown                          | Providence  |
| Development Cost                       | \$11,081,725                             | \$17,971,876                             | \$14,055,390  |
| Mortgage Loan Amount                   | \$7,300,000                              | \$12,000,000                             | \$8,640,000   |
| Outstanding Loan Balance as of 6/30/11 | \$7,300,000                              | \$12,000,000                             | \$8,640,000   |
| Dwelling Units                         | 100                                      | 114                                      | 148   |
| Type of Units                          | Elderly                                  | Elderly                                  | Elderly   |
| Subsidized Units %                     | 100%                                     | 100%                                     | 100%  |
| Type of Subsidy Program                | Section 8                                | Section 8                                | Section 8   |
| HAP Expiration*                        | January 31, 2025                         | March 31, 2025                           | April 30, 2025<br>Metcalf Courts I;<br>May 31, 2025<br>Metcalf Courts II;<br>November 30, 2025<br>Etta Apartments |
| Mortgage Loan Maturity Date            | October 1, 2051                          | October 1, 2051                          | October 1, 2051   |
| Insurance                              | FHA Risk Share                           | FHA Risk Share                           | FHA Risk Share  |
| Occupancy Status**                     | Fully Rented                             | Fully Rented                             | Fully Rented  |

\* Scheduled expiration date of Section 8 Housing Assistance Payment Contract.

\*\* Fully Rented means fully occupied except for normal turnover.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX B**

**SUMMARY OF OUTSTANDING BOND INDEBTEDNESS  
OF RHODE ISLAND HOUSING**

The following table sets forth the original and outstanding amounts of Rhode Island Housing's bonds as of September 30, 2011:

|  | <b>Dated</b> | <b>Original<br/>Amount</b> | <b>Outstanding<br/>Amount</b> |
|--|--------------|----------------------------|-------------------------------|
| <b>Homeownership Opportunity Bonds</b> |              |                            |                               |
| Series 10-A                            | 09/01/1992   | 153,270,000                | 2,000,000                     |
| Series 15-A                            | 05/01/1994   | 51,000,000                 | 2,000,000                     |
| Series 25-A                            | 09/01/1997   | 38,375,000                 | 2,535,000                     |
| Series 26-B                            | 03/01/1998   | 39,870,000                 | 8,300,000                     |
| Series 27-B                            | 08/01/1998   | 38,025,000                 | 265,000                       |
| Series 28-A                            | 09/01/1998   | 20,000,000                 | 2,455,000                     |
| Series 29-A                            | 12/01/1998   | 35,000,000                 | 26,265,000                    |
| Series 30-B                            | 03/15/1999   | 28,205,000                 | 2,500,000                     |
| Series 34-B                            | 09/01/2000   | 15,450,000                 | 70,000                        |
| Series 36-B                            | 03/01/2001   | 23,330,000                 | 2,875,000                     |
| Series 37-B                            | 07/15/2001   | 24,590,000                 | 1,490,000                     |
| Series 38-A                            | 12/01/2001   | 25,000,000                 | 16,440,000                    |
| Series 39-A                            | 03/01/2002   | 7,490,000                  | 45,000                        |
| Series 39-B                            | 03/01/2002   | 37,510,000                 | 16,205,000                    |
| Series 40-A                            | 09/01/2002   | 30,000,000                 | 29,615,000                    |
| Series 41-A                            | 12/01/2002   | 9,235,000                  | 2,010,000                     |
| Series 41-B                            | 12/01/2002   | 23,480,000                 | 6,815,000                     |
| Series 42-A                            | 03/01/2003   | 25,000,000                 | 13,545,000                    |
| Series 43-A                            | 06/01/2003   | 20,000,000                 | 10,865,000                    |
| Series 44-A                            | 09/24/2003   | 35,000,000                 | 14,895,000                    |
| Series 45-A                            | 11/20/2003   | 17,900,000                 | 8,335,000                     |
| Series 45-B                            | 11/20/2003   | 27,100,000                 | 18,560,000                    |
| Series 46-A                            | 03/18/2004   | 40,000,000                 | 32,955,000                    |
| Series 46-T                            | 03/18/2004   | 15,000,000                 | 15,000,000                    |
| Series 47-A                            | 08/12/2004   | 9,890,000                  | 5,145,000                     |
| Series 47-B                            | 08/12/2004   | 30,110,000                 | 30,035,000                    |
| Series 48-A                            | 12/09/2004   | 10,000,000                 | 5,320,000                     |
| Series 48-B                            | 12/09/2004   | 20,000,000                 | 19,820,000                    |
| Series 48-T                            | 12/09/2004   | 15,000,000                 | 15,000,000                    |
| Series 49-A                            | 03/23/2005   | 10,415,000                 | 10,415,000                    |
| Series 49-B                            | 03/23/2005   | 44,585,000                 | 29,930,000                    |
| Series 50-A                            | 07/28/2005   | 43,135,000                 | 26,445,000                    |
| Series 50-B                            | 07/28/2005   | 38,365,000                 | 38,365,000                    |
| Series 51-A                            | 01/19/2006   | 47,165,000                 | 40,035,000                    |
| Series 51-B                            | 01/19/2006   | 7,605,000                  | 4,455,000                     |
| Series 52-A                            | 06/15/2006   | 25,000,000                 | 20,165,000                    |
| Series 52-B                            | 06/15/2006   | 25,000,000                 | 24,215,000                    |

|                          | <b>Dated</b> | <b>Original<br/>Amount</b> | <b>Outstanding<br/>Amount</b> |
|--------------------------|--------------|----------------------------|-------------------------------|
| Series 53-A              | 09/13/2006   | 21,310,000                 | 17,450,000                    |
| Series 53-B              | 09/13/2006   | 48,690,000                 | 41,930,000                    |
| Series 54                | 11/14/2006   | 68,085,000                 | 60,675,000                    |
| Series 55-A              | 03/01/2007   | 10,625,000                 | 10,625,000                    |
| Series 55-B              | 03/01/2007   | 69,375,000                 | 62,055,000                    |
| Series 56-A              | 06/21/2007   | 65,000,000                 | 62,170,000                    |
| Series 56-B1-T           | 06/21/2007   | 11,000,000                 | 5,195,000                     |
| Series 57-A              | 09/13/2007   | 13,410,000                 | 9,300,000                     |
| Series 57-B              | 09/13/2007   | 56,590,000                 | 55,685,000                    |
| Series 58-A              | 11/15/2007   | 62,620,000                 | 55,370,000                    |
| Series 58-T              | 11/15/2007   | 10,000,000                 | 7,280,000                     |
| Series 59-A              | 03/20/2008   | 23,285,000                 | 17,070,000                    |
| Series 59-B              | 03/20/2008   | 24,325,000                 | 12,980,000                    |
| Series 59-C              | 03/20/2008   | 25,000,000                 | 25,000,000                    |
| Series 60-A1             | 08/26/2008   | 16,220,000                 | 12,480,000                    |
| Series 60-A2             | 08/26/2008   | 27,265,000                 | 9,120,000                     |
| Series 60-B              | 08/26/2008   | 21,235,000                 | 1,840,000                     |
| Unamortized bond premium |              |                            | 1,182,458                     |
|                          |              | <u>\$1,680,135,000</u>     | <u>\$ 972,792,458</u>         |

#### **Home Funding Bonds and Notes**

|                                |            |                       |                       |
|--------------------------------|------------|-----------------------|-----------------------|
| Series 1-A                     | 12/23/2009 | \$ 30,000,000         | \$ 28,285,000         |
| Series 1-B                     | 12/21/2009 | \$ 45,000,000         | \$ 44,100,000         |
| Series 2                       | 12/21/2009 | \$ 83,000,000         | \$ 32,000,000         |
| Series 2, Subseries 2A         | 12/21/2009 | \$ 30,000,000         | \$ 30,000,000         |
| Series 2, Subseries 2B         | 9/15/2011  | \$ 21,000,000         | \$ 21,000,000         |
| Series 3                       | 11/04/2010 | \$ 20,000,000         | \$ 19,805,000         |
| Series 4                       | 9/15/2011  | \$ 14,000,000         | \$ 14,000,000         |
| Unamortized bond discount, net |            |                       | \$ (15,549)           |
|                                |            | <u>\$ 243,000,000</u> | <u>\$ 189,174,451</u> |

#### **Multi-Family Housing Bonds**

|               |            |                       |                     |
|---------------|------------|-----------------------|---------------------|
| 1995 Series A | 05/15/1995 | 147,535,000           | 740,000             |
| 1998 Series A | 04/01/1998 | 4,510,000             | 3,640,000           |
|               |            | <u>\$ 152,045,000</u> | <u>\$ 4,380,000</u> |

#### **Housing Bonds**

|                  |            |            |            |
|------------------|------------|------------|------------|
| 2001 Series A    | 12/01/2000 | 3,800,000  | 2,160,000  |
| 2001 Series B-1B | 11/01/2001 | 30,355,000 | 14,480,000 |
| 2001 Series B-2T | 12/13/2001 | 18,605,000 | 3,790,000  |
| 2002 Series A    | 05/01/2002 | 9,900,000  | 8,955,000  |
| 2003 Series A-1  | 02/01/2003 | 11,105,000 | 7,630,000  |
| 2003 Series A-2T | 03/12/2003 | 26,660,000 | 21,390,000 |
| 2003 Series B-1A | 08/01/2003 | 13,655,000 | 10,970,000 |
| 2003 Series B-1B | 08/01/2003 | 3,370,000  | 2,700,000  |
| 2003 Series B-2T | 08/20/2003 | 16,435,000 | 8,980,000  |
| 2003 Series C-1A | 12/23/2003 | 18,265,000 | 16,660,000 |

|   | <b>Dated</b> | <b>Original<br/>Amount</b> | <b>Outstanding<br/>Amount</b> |
|---|--------------|----------------------------|-------------------------------|
| 2003 Series C-1B                            | 12/23/2003   | 2,705,000                  | 1,450,000                     |
| 2004 Series A-1A                            | 06/17/2004   | 8,070,000                  | 7,255,000                     |
| 2004 Series A-1B                            | 06/17/2004   | 3,595,000                  | 3,170,000                     |
| 2004 Series B-1A                            | 12/29/2004   | 2,005,000                  | 1,955,000                     |
| 2004 Series B-1B-1                          | 12/29/2004   | 22,790,000                 | 13,495,000                    |
| 2004 Series B-1B-2                          | 12/29/2004   | 1,090,000                  | 980,000                       |
| 2004 Series B-2T                            | 12/29/2004   | 9,215,000                  | 3,475,000                     |
| 2005 Series A-1A                            | 10/20/2005   | 21,180,000                 | 19,160,000                    |
| 2005 Series A-1B                            | 10/20/2005   | 5,235,000                  | 270,000                       |
| 2005 Series A-2T                            | 10/20/2005   | 7,845,000                  | 1,345,000                     |
| 2006 Series A-1                             | 12/21/2006   | 26,785,000                 | 21,190,000                    |
| 2007 Series A-1                             | 05/10/2007   | 35,775,000                 | 31,750,000                    |
| 2007 Series A-2T                            | 05/10/2007   | 7,265,000                  | 1,335,000                     |
| 2007 Series B-1A/B                          | 12/20/2007   | 45,560,000                 | 25,955,000                    |
| Unamortized bond premium, net               |              |                            | \$106,928                     |
|   |              | <u>\$ 351,265,000</u>      | <u>\$230,606,928</u>          |
| <b>Multi-Family Funding Bonds</b>           |              |                            |                               |
| Series 2009A                                | 12/21/2009   | \$ 65,100,000              | \$ 14,100,000                 |
| Series 2009A, Subseries 2009A-1             | 12/21/2009   | \$ 51,000,000              | \$ 51,000,000                 |
| Series 2010A                                | 12/16/2010   | \$ 21,310,000              | \$ 21,310,000                 |
|   |              | <u>\$ 137,410,000</u>      | <u>\$ 86,410,000</u>          |
| <b>Multi-Family Development Bonds</b>       |              |                            |                               |
| 2010 Series 1                               | 12/22/2010   | \$ 11,235,000              | \$ 8,935,000                  |
| <b>Multi-Family Mortgage Revenue Bonds</b>  |              |                            |                               |
| 1998 Series A                               | 12/18/1998   | \$ 2,660,000               | \$ 2,040,000                  |
| 2006 Series (University Heights Project)    | 03/31/2006   | \$ 26,700,000              | \$ 26,700,000                 |
| 2006 Series (Sutterfield Project)           | 03/31/2006   | \$ 7,000,000               | \$ 7,000,000                  |
| 2006 Series (The Groves)                    | 09/21/2006   | \$ 35,000,000              | \$ 30,950,000                 |
|   |              | <u>\$ 71,360,000</u>       | <u>\$ 66,690,000</u>          |
| <b>General Obligation Bonds Series 2008</b> |              |                            |                               |
|   | 10/31/2008   | \$ 5,000,000               | \$ 5,000,000                  |
| <b>Total</b>                                |              | <b>\$2,567,905,000</b>     | <b>\$1,563,988,837</b>        |

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS OF RHODE ISLAND HOUSING  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

[THIS PAGE INTENTIONALLY LEFT BLANK]



**RHODE ISLAND HOUSING AND MORTGAGE  
FINANCE CORPORATION  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**Financial Statements and Supplementary Information  
For the Years Ended June 30, 2011 and 2010**



**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**Financial Statements and Supplementary Information**  
**June 30, 2011 and 2010**

|  | Page |
|--|------|
| Independent Auditors' Report   | 1    |
| Management's Discussion and Analysis   | 3    |
| Financial Statements:  |      |
| Combining Balance Sheets   | 10   |
| Combining Statements of Revenues, Expenses and Changes in Fund Equity                                | 12   |
| Combining Statements of Cash Flows   | 14   |
| Statements of Fiduciary Net Assets – Private Purpose Trust Component Unit                            | 18   |
| Statements of Changes in Fiduciary Net Assets – Private Purpose Trust Component Unit                 | 19   |
| Notes to Financial Statements  | 20   |
| Independent Auditors' Report on Supplementary Information  | 51   |
| Supplementary Schedules:   |      |
| Required Supplementary Information - Schedule of Funding Progress (Retiree Health Care Benefit Plan) | 52   |
| Combining Balance sheets – Single-Family Fund  | 53   |
| Combining Statements of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund           | 55   |
| Combining Balance Sheets - Multi-Family Funds  | 57   |
| Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund            | 60   |

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners of the  
Rhode Island Housing and Mortgage Finance Corporation  
Providence, Rhode Island

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (the "Corporation"), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the schedule of funding progress on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CCR LLP

Providence, Rhode Island  
September 29, 2011

## Management's Discussion and Analysis

The accompanying basic financial statements include Rhode Island Housing and Mortgage Finance Corporation (the Corporation) and Affordability Housing Trust (the Trust, a component unit of the Corporation), collectively referred to as Rhode Island Housing.

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of June 30, 2011 and 2010 and for the years then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

### Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the years ended June 30, 2011 and 2010 increased (decreased) from the previous year as follows:

|                           | 2011   |        | 2010  |       |
|---------------------------|--------|--------|-------|-------|
|                           | \$     | %      | \$    | %     |
| Mortgage loans, gross     | 12.2   | 0.7    | 25.2  | 1.5   |
| Investments               | 19.8   | 7.9    | 46.4  | 22.8  |
| Cash and cash equivalents | (59.4) | (20.6) | 107.6 | 59.4  |
| Total Assets              | (18.0) | (0.8)  | 187.1 | 9.0   |
| Bonds and notes payable   | (60.7) | (3.5)  | 133.4 | 8.4   |
| Total fund equity         | 4.7    | 1.6    | 9.6   | 3.5   |
| Total revenues            | (6.4)  | (5.7)  | 3.8   | 3.5   |
| Total expenses            | (1.5)  | (1.5)  | (2.2) | (2.1) |
| Operating income          | (4.9)  | (51.1) | 6.0   | 165.1 |

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production, which adds to the Corporation's loan portfolio, was lower than historical levels. Multi-family new loan production increased, resulting in an overall increase to the loan portfolio of \$12 million.

Bonds and notes payable are the largest component of the liabilities and this category decreased by approximately \$61 million in 2011. In 2010, the Corporation issued new bonds under a U.S. Treasury bond purchase program which required all of the allocation under the program to be drawn for loan funding or to be put in a matched fund escrow until drawn at a later time when needed for loan funding.

### Overview of the Financial Statements

The Corporation engages only in business-type activities that are commercial in nature; that is, activities that are financed in whole or in part by charges to external parties for services, with funding sources that are primarily external to the Corporation. As a result, the Corporation's basic financial statements include the balance sheet, the statement of revenues, expenses and changes in fund equity, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The balance sheet presents information on the Corporation's assets, liabilities and fund equity. Over time, increases or decreases in the Corporation's fund equity may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. Other factors, both internal and external to the Corporation, should be considered when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in fund equity presents information on how the Corporation's fund equity changed during the year.

All assets, liabilities, and changes in fund equity are reported using the accrual basis of accounting for governmental entities and are reported as soon as the underlying event giving rise to the asset or liability and resulting change in fund equity occurs, regardless of the timing of when a corresponding amount of cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in fund equity will result in cash flows in future periods.

The Affordability Housing Trust is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

### **Operating Activity of the Corporation**

The following tables summarize the changes in operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31:

| For the Years Ended June 30, 2011 and 2010 (in thousands)    |           |           |          |
|--|-----------|-----------|----------|
|  | 2011      | 2010      | % Change |
| <b>Revenues:</b>   |           |           |          |
| Interest income on loans                                     | \$ 84,825 | \$ 87,650 | (3.2)%   |
| Interest on investments                                      | 8,946     | 7,640     | 17.1     |
| Gain on sale of treasury bonds                               | -         | 2,254     | (100.0)  |
| Other  | 10,183    | 9,960     | 2.2      |
| Total revenues   | 103,954   | 107,504   | (3.3)    |
| <b>Expenses:</b>   |           |           |          |
| Interest expense   | 65,386    | 66,865    | (2.2)    |
| Provision for loan losses                                    | 3,268     | 4,288     | (23.8)   |
| REO expenditures   | 1,637     | 1,183     | 38.3     |
| Amortization of deferred bond issuance costs                 | 660       | 667       | (1.1)    |
| Early retirement of debt                                     | 856       | 417       | 105.4    |
| Operating expenses   | 20,949    | 19,080    | 9.8      |
| Other  | 8,842     | 10,607    | (16.6)   |
| Total expenses   | 101,598   | 103,107   | (1.5)    |
| Operating income, before adjusting investments to fair value | \$ 2,356  | \$ 4,397  | (46.4)%  |

For the Years Ended June 30, 2010 and 2009 (in thousands)

|   | 2010            | 2009            | % Change      |
|---|-----------------|-----------------|---------------|
| <b>Revenues:</b>  |                 |                 |               |
| Interest income on loans  | \$ 87,650       | \$ 91,422       | (4.1)%        |
| Interest on investments   | 7,640           | 9,625           | (20.6)        |
| Gain on sale of treasury bonds                                  | 2,254           | -               | 100.0         |
| Other   | 9,960           | 5,976           | 66.7          |
| Total revenues  | <u>107,504</u>  | <u>107,023</u>  | <u>0.4</u>    |
| <b>Expenses:</b>  |                 |                 |               |
| Interest expense  | 66,865          | 72,044          | (7.2)         |
| Provision for loan losses                                       | 4,288           | 3,470           | 23.6          |
| REO expenditures  | 1,183           | -               | 100.0         |
| Amortization of deferred bond issuance costs                    | 667             | 699             | (4.6)         |
| Early retirement of debt  | 417             | 53              | 686.8         |
| Operating expenses  | 19,080          | 19,622          | (2.8)         |
| Other   | 10,607          | 9,433           | 12.4          |
| Total expenses  | <u>103,107</u>  | <u>105,321</u>  | <u>(2.1)</u>  |
| Operating income, before adjusting investments<br>to fair value | <u>\$ 4,397</u> | <u>\$ 1,702</u> | <u>158.4%</u> |

Operating income, after adjusting investments to fair value, was \$4.7 million for the year ended June 30, 2011 (2011), \$9.6 million for the year ended June 30, 2010 (2010), and \$3.6 million for the year ended June 30, 2009 (2009). GASB Statement No. 31, which requires investments to be recorded at fair value, caused an increase in operating income of \$2.3 million in 2011 compared to an increase of \$5.2 million in 2010 and an increase of \$1.9 million in 2009. Operating income, excluding the unrealized gains and losses on investments, decreased 46.4% in 2011 to \$2.4 million from \$4.4 million in 2010, which had increased 158.4% from \$1.7 million in 2009. The fluctuations are primarily due to a gain on the sale of treasury bonds in 2010.

Other revenue consists of loan related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs. Other revenue increased to \$10.2 million in 2011 from \$10.0 million in 2010, which had increased from \$6.0 million in 2009, primarily due to fees received on federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$20.9 million in 2011, an increase of 9.8% from \$19.1 million in 2010, which had decreased 2.8% from \$19.6 million in 2009. The Corporation places a high priority on controlling operating expenses. The increase in 2011 is a result of increased medical costs and recording of additional accruals.

REO expenditures are cumulative preservation costs of existing REO properties deemed to be non-recoverable based on a valuation analysis of the underlying properties.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income remained stable at \$28.4 million from 2010 to 2011, as compared to a 2.0% decrease in 2010 from \$29.0 million in 2009. Interest income on loans decreased \$2.8 million in 2011 compared to a decrease of \$3.7 million in 2010. Interest income on investments increased \$1.3 million in 2011 and decreased \$1.9 million 2010. Net interest income as a percentage of average bonds and notes payable was 1.68% in 2011 and 1.72% in 2010, respectively. The interest income on loans decreased from 5.15% in 2010 to 4.93% in 2011, while interest expense on bonds and notes decreased from 4.05% in 2010 to 3.88% in 2011, causing a net decrease in the spread margin (i.e., differential between loans and bonds) from 1.10% in 2010 to 1.06% in 2011. This is a result of continued lower borrowing costs during 2011.

The Corporation's revenue recognition policy requires that upon occurrence of any loan's delinquency of ninety days versus its contractual requirement for payment, the accrual formulation for that loan is placed in abeyance and any accrued income is reversed.

The provision for loan losses decreased from \$4.3 million in 2010 to \$3.3 million in 2011 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows associated with multi-family portfolios.

For single-family loans, an estimate of loss reserve is based on the last instance of economic softness and real estate depreciation, which occurred in the mid-1990s. The single-family reserve is set at approximately double the worst experience incurred in that period.

For the multi-family portfolios, a specific loan loss reserve analysis is performed for every loan demonstrating signs of financial strain. Cash flow projections are developed from the most recent audited financials for each of the sites which may be experiencing difficulty and which have a mortgage loan. For each of these sites an analysis of value is calculated and compared to the loan balance. This methodology is the same as that used in the formulation of the income approach found in standard real estate appraisals. Beyond the specific reserves derived above, a general reserve is also established. The general reserve is based on a range of reserve percentages applicable to each loan portfolio.

In December 2009, the Corporation issued bonds under two new indentures following the announcement by the United States Treasury Department of its intent to purchase bonds from state and local housing finance agencies. This program is part of a federal plan to help stabilize the United States housing market and provide families with access to affordable rental housing and homeownership. The Treasury Department agreed to purchase from the Corporation up to \$128 million of single-family bonds under the new Home Funding Bonds indenture, and up to \$65.1 million of rental housing bonds under the new Multi-Family Funding Bonds indenture.



## Financial Analysis of the Corporation

The following tables summarize certain financial information regarding the Corporation's financial position:

| June 30, 2011 and 2010 (in millions) |          |          |          |
|--------------------------------------|----------|----------|----------|
|                                      | 2011     | 2010     | % Change |
| Loans receivable, net                | \$ 1,691 | \$ 1,676 | 0.9%     |
| Investments                          | 270      | 250      | 7.9      |
| Cash and cash equivalents            | 229      | 289      | (20.6)   |
| Other assets                         | 64       | 57       | 11.4     |
| Total assets                         | 2,254    | 2,272    | (0.8)    |
| Bonds and notes payable              | 1,657    | 1,717    | (3.5)    |
| Total liabilities                    | 1,963    | 1,987    | (1.1)    |
| Fund equity:                         |          |          |          |
| Invested in capital assets           | 9        | 9        | 0.3      |
| Restricted                           | 234      | 232      | 1.0      |
| Unrestricted                         | 47       | 45       | 5.2      |

| June 30, 2010 and 2009 (in millions) |          |          |          |
|--------------------------------------|----------|----------|----------|
|                                      | 2010     | 2009     | % Change |
| Loans receivable, net                | \$ 1,676 | \$ 1,651 | 1.5%     |
| Investments                          | 250      | 204      | 22.5     |
| Cash and cash equivalents            | 289      | 181      | 59.7     |
| Other assets                         | 57       | 49       | 16.3     |
| Total assets                         | 2,272    | 2,085    | 9.0      |
| Bonds and notes payable              | 1,717    | 1,584    | 8.4      |
| Total liabilities                    | 1,987    | 1,809    | 9.8      |
| Fund equity:                         |          |          |          |
| Invested in capital assets           | 9        | 9        | -        |
| Restricted                           | 232      | 217      | 6.9      |
| Unrestricted                         | 45       | 50       | (11.4)   |

At June 30, 2011, total assets of the Corporation decreased 0.8% from June 30, 2010, as compared to a 9.0% increase from 2009 to 2010. Net loans receivable increased \$15.0 million or 0.9% from the previous year to \$1.691 billion as of June 30, 2011. Bonds and notes payable totaled \$1.657 billion as of June 30, 2011, a decrease of \$60.7 million or 3.5% from June 30, 2010, which had increased \$133.4 million or 8.4% from June 30, 2009. During 2011, \$50.0 million of bonds were issued to fund single-family loans and \$83.5 million of bonds were issued to fund multi-family loans. During the same period, \$50.4 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose. During 2010, \$158.0 million of bonds were issued to fund single-family loans and \$65.1 million of bonds were issued to fund multi-family loans. During the same period, \$57.9 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

As of June 30, 2011 and June 30, 2010, the equity-to-asset ratio was 12.9% and 12.6% respectively and the loan-to-asset ratio was 75.0% and 73.8%, respectively. These figures reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of June 30, 2011 and 2010, single-family residential mortgages in bond resolutions remained unchanged at \$1.1 billion and multi-family loans in bond resolutions totaled \$375.2 million and \$322.9 million, respectively.

The Corporation invests funds according to an investment policy, the primary goal of which is the preservation of capital and the minimization of risk. Other investment policy objectives include liquidity and maximization of yield. Under its current investment policy, the Corporation invests substantially all funds in United States Government and Agency securities rated 'AAA' or in guaranteed investment contracts with providers rated 'AA' or better.

The Operating Fund is used to record the receipt of income not directly pledged to the repayment of specific bonds and notes, as well as to record expenses related to the Corporation's administrative functions and the provision for loan losses. The Operating Fund also is used for the purpose of recording funds to be utilized in the administration of various housing programs that are not covered by the Corporation's bond resolutions.

### **External Influences**

With very few exceptions, most states are contending with the negative ramifications of the economic downturn occurring nationally. The most pronounced implication of the downturn is a high level of unemployment across the country. Rhode Island's unemployment rate is presently in the mid-11% range while the national rate is in the mid-10% range. The soft economy and the high level of unemployment produce an adverse effect for any lending institution. Notwithstanding the fact that households historically place a very high priority on making their mortgage payments to their mortgage lenders, there is an unavoidable ripple effect produced in a lending institution's delinquency statistics. High unemployment also negatively affects the resale value and the market equity in houses, since there are fewer households financially able to upgrade their housing burden in an economic downturn. Because the Corporation's loans (1) do not include sub-prime, (2) are conservatively underwritten and (3) represent the homeowner's first home, the Corporation's delinquency experience is below average when compared to industry data for all Rhode Island mortgage loans.

In February 2010 the U.S. Department of the Treasury established the Hardest Hit Fund to provide targeted aid to families in states hit hard by the economic and housing market downturn. Rhode Island has been chosen to receive assistance as one of the states struggling with unemployment rates at or above the national average or steep home price declines greater than 20 percent since the housing market downturn. The Corporation is helping our borrowers through the application process for these programs which include mortgage payment assistance for unemployed or underemployed homeowners, funds for principal reduction and loan modification to help homeowners get into more affordable mortgages and help for homeowners transitioning out of their homes.

As of October 1, 2011 the U.S. Department of Housing and Urban Development (HUD) has made changes to their Project Based Section 8 Contract Administration Program. Under the new Annual Contributions Contract HUD has reduced the number of tasks to be performed and has reduced the associated administrative fees. The new contract is for a term of six months with an option for HUD to further extend for up to three additional and successive renewal terms of three calendar months each. At a later date HUD will issue a Notice of Funding Availability to award the contract on a more long term basis. The Corporation has taken steps to reduce both operating and programmatic expenses to offset the expected reduction in fees from this program.

### **Requests for Information**

This management's discussion and analysis is designed to provide a general overview of the Corporation's finances. Questions concerning this report may be addressed to the Director of Finance and Technology, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: [www.rhodeislandhousing.org](http://www.rhodeislandhousing.org).

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Balance Sheets**  
**June 30, 2011 and 2010**

|   | <u>Operating Fund</u> |                       | <u>Single-Family Fund</u> |                         |
|---|-----------------------|-----------------------|---------------------------|-------------------------|
|   | 2011                  | 2010                  | 2011                      | 2010                    |
| <b>Assets</b>                               |                       |                       |                           |                         |
| Loans receivable                            | \$ 281,070,717        | \$ 248,355,283        | \$ 1,068,902,926          | \$ 1,141,683,107        |
| Less allowance for loan losses              | (32,872,334)          | (33,105,943)          | (1,260,983)               | (3,835,432)             |
| Loans receivable, net                       | 248,198,383           | 215,249,340           | 1,067,641,943             | 1,137,847,675           |
| Investments                                 | 105,309,336           | 107,001,853           | 110,965,050               | 91,121,596              |
| Accrued interest-loans                      | 814,430               | 585,270               | 3,998,019                 | 4,046,402               |
| Accrued interest-investments                | 39,314                | 48,470                | 602,533                   | 610,202                 |
| Cash and cash equivalents                   | 53,209,041            | 49,099,669            | 135,477,423               | 148,392,734             |
| Accounts receivable                         | 12,264,164            | 8,360,464             | -                         | -                       |
| Deferred bond issuance costs, net           | 52,483                | 74,976                | 8,884,429                 | 9,729,187               |
| Other assets, net                           | 17,745,774            | 18,997,916            | 17,366,629                | 12,770,994              |
| Interfund receivable (payable)              | (421,690)             | (11,904,524)          | 10,997                    | (49,461)                |
| <b>Total Assets</b>                         | <b>\$ 437,211,235</b> | <b>\$ 387,513,434</b> | <b>\$ 1,344,947,023</b>   | <b>\$ 1,404,469,329</b> |
| <b>Liabilities and Fund Equity</b>          |                       |                       |                           |                         |
| Bonds and notes payable                     | \$ 84,610,123         | \$ 81,047,822         | \$ 1,174,864,267          | \$ 1,237,201,953        |
| Accrued interest payable on bonds and notes | 138,035               | 104,633               | 12,495,219                | 13,076,295              |
| Accounts payable and accrued liabilities    | 7,559,095             | 5,620,515             | 724,800                   | 1,073,819               |
| Deferred fees                               | 6,167,833             | 5,841,564             | 345,877                   | 392,845                 |
| Escrow deposits                             | 272,072,493           | 236,093,164           | -                         | 302                     |
| <b>Total liabilities</b>                    | <b>370,547,579</b>    | <b>328,707,698</b>    | <b>1,188,430,163</b>      | <b>1,251,745,214</b>    |
| <b>Fund Equity</b>                          |                       |                       |                           |                         |
| Invested in capital assets                  | 9,144,237             | 9,120,957             | -                         | -                       |
| Restricted                                  | 10,670,494            | 5,142,025             | 156,516,860               | 152,724,115             |
| Unrestricted                                | 46,848,925            | 44,542,754            | -                         | -                       |
| <b>Total fund equity</b>                    | <b>66,663,656</b>     | <b>58,805,736</b>     | <b>156,516,860</b>        | <b>152,724,115</b>      |
| <b>Total Liabilities and Fund Equity</b>    | <b>\$ 437,211,235</b> | <b>\$ 387,513,434</b> | <b>\$ 1,344,947,023</b>   | <b>\$ 1,404,469,329</b> |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Balance Sheets**  
**June 30, 2011 and 2010**

|   | <u>Multi-Family Fund</u>     |                              | <u>Total</u>                   |                                |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|
|   | <u>2011</u>                  | <u>2010</u>                  | <u>2011</u>                    | <u>2010</u>                    |
| <b>Assets</b>                               |                              |                              |                                |                                |
| Loans receivable                            | \$ 375,191,254               | \$ 322,943,955               | \$ 1,725,164,897               | \$ 1,712,982,345               |
| Less allowance for loan losses              | -                            | -                            | (34,133,317)                   | (36,941,375)                   |
| Loans receivable, net                       | <u>375,191,254</u>           | <u>322,943,955</u>           | <u>1,691,031,580</u>           | <u>1,676,040,970</u>           |
| Investments                                 | 53,652,659                   | 52,039,136                   | 269,927,045                    | 250,162,585                    |
| Accrued interest-loans                      | 1,848,936                    | 1,598,346                    | 6,661,385                      | 6,230,018                      |
| Accrued interest-investments                | 284,882                      | 261,545                      | 926,729                        | 920,217                        |
| Cash and cash equivalents                   | 40,511,777                   | 91,058,904                   | 229,198,241                    | 288,551,307                    |
| Accounts receivable                         | -                            | -                            | 12,264,164                     | 8,360,464                      |
| Deferred bond issuance costs, net           | 187,995                      | 436,497                      | 9,124,907                      | 10,240,660                     |
| Other assets, net                           | -                            | -                            | 35,112,403                     | 31,768,910                     |
| Interfund receivable (payable)              | 410,693                      | 11,953,985                   | -                              | -                              |
| <b>Total Assets</b>                         | <b><u>\$ 472,088,196</u></b> | <b><u>\$ 480,292,368</u></b> | <b><u>\$ 2,254,246,454</u></b> | <b><u>\$ 2,272,275,131</u></b> |
| <b>Liabilities and Fund Equity</b>          |                              |                              |                                |                                |
| Bonds and notes payable                     | \$ 397,207,235               | \$ 399,119,100               | \$ 1,656,681,625               | \$ 1,717,368,875               |
| Accrued interest payable on bonds and notes | 3,400,772                    | 3,096,457                    | 16,034,026                     | 16,277,385                     |
| Accounts payable and accrued liabilities    | 2,534,322                    | 2,581,592                    | 10,818,217                     | 9,275,926                      |
| Deferred fees                               | 67,226                       | 66,750                       | 6,580,936                      | 6,301,159                      |
| Escrow deposits                             | 1,715,596                    | 1,317,329                    | 273,788,089                    | 237,410,795                    |
| <b>Total liabilities</b>                    | <b><u>404,925,151</u></b>    | <b><u>406,181,228</u></b>    | <b><u>1,963,902,893</u></b>    | <b><u>1,986,634,140</u></b>    |
| <b>Fund Equity</b>                          |                              |                              |                                |                                |
| Invested in capital assets                  | -                            | -                            | 9,144,237                      | 9,120,957                      |
| Restricted                                  | 67,163,045                   | 74,111,140                   | 234,350,399                    | 231,977,280                    |
| Unrestricted                                | -                            | -                            | 46,848,925                     | 44,542,754                     |
| <b>Total fund equity</b>                    | <b><u>67,163,045</u></b>     | <b><u>74,111,140</u></b>     | <b><u>290,343,561</u></b>      | <b><u>285,640,991</u></b>      |
| <b>Total Liabilities and Fund Equity</b>    | <b><u>\$ 472,088,196</u></b> | <b><u>\$ 480,292,368</u></b> | <b><u>\$ 2,254,246,454</u></b> | <b><u>\$ 2,272,275,131</u></b> |

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Revenues, Expenses and Changes in Fund Equity**  
**For the Years Ended June 30, 2011 and 2010**

|   | Operating Fund       |                      | Single-Family Fund    |                      |
|---|----------------------|----------------------|-----------------------|----------------------|
|   | 2011                 | 2010                 | 2011                  | 2010                 |
| <b>Operating revenues:</b>                                    |                      |                      |                       |                      |
| Interest income on loans                                      | \$ 6,201,819         | \$ 5,607,053         | \$ 55,387,664         | \$ 59,890,960        |
| Interest income attributable to internal servicing activities | 2,915,381            | 2,937,514            | -                     | -                    |
| Total interest income on loans                                | 9,117,200            | 8,544,567            | 55,387,664            | 59,890,960           |
| <br>Income on investments:                                    |                      |                      |                       |                      |
| Interest on investments                                       | 772,987              | 1,164,602            | 5,267,821             | 3,462,565            |
| Net increase in fair value of investments                     | 216,268              | 31,966               | 2,279,848             | 3,580,018            |
| Gain on sale of treasury bonds                                | -                    | 2,253,971            | -                     | -                    |
| Fees  | 9,662,206            | 9,066,724            | -                     | -                    |
| Servicing fee income  | 520,876              | 894,036              | -                     | -                    |
| <b>Total operating revenues</b>                               | <b>20,289,537</b>    | <b>21,955,866</b>    | <b>62,935,333</b>     | <b>66,933,543</b>    |
| <br><b>Operating expenses:</b>                                |                      |                      |                       |                      |
| Interest expense  | 1,273,828            | 593,488              | 51,181,410            | 53,217,038           |
| Personnel services  | 14,699,270           | 12,515,022           | -                     | -                    |
| Other administrative expenses                                 | 4,014,350            | 4,335,316            | 113,875               | 97,577               |
| Housing initiatives   | 5,465,643            | 5,673,995            | 43,919                | 48,754               |
| Provision for loan loss                                       | 212,778              | 1,188,119            | 3,064,633             | 3,100,000            |
| REO expenditures  | 1,627,101            | 1,182,943            | -                     | -                    |
| Arbitrage rebate  | -                    | -                    | 51,198                | 247,340              |
| Amortization of deferred bond issuance costs                  | 22,493               | 22,493               | 616,839               | 626,808              |
| Early retirement of debt                                      | -                    | -                    | 627,666               | 416,715              |
| Depreciation and amortization of other assets                 | 1,410,923            | 1,506,264            | 455,678               | 353,111              |
| State Rental Subsidy Program                                  | 2,370,586            | 3,056,563            | -                     | -                    |
| <b>Total operating expenses</b>                               | <b>31,096,972</b>    | <b>30,074,203</b>    | <b>56,155,218</b>     | <b>58,107,343</b>    |
| <br><b>Operating income (loss)</b>                            | <b>(10,807,435)</b>  | <b>(8,118,337)</b>   | <b>6,780,115</b>      | <b>8,826,200</b>     |
| <br>Transfers in (out) of fund equity                         | 18,665,355           | 170,065              | (2,987,370)           | 1,299,218            |
| <br><b>Total change in fund equity</b>                        | <b>7,857,920</b>     | <b>(7,948,272)</b>   | <b>3,792,745</b>      | <b>10,125,418</b>    |
| <br>Fund equity, beginning of year                            | 58,805,736           | 66,754,008           | 152,724,115           | 142,598,697          |
| <br>Fund equity, end of year                                  | <b>\$ 66,663,656</b> | <b>\$ 58,805,736</b> | <b>\$ 156,516,860</b> | <b>\$152,724,115</b> |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
(A Component Unit of the State of Rhode Island)  
**Combining Statements of Revenues, Expenses and Changes in Fund Equity**  
For the Years Ended June 30, 2011 and 2010

|   | Multi-Family Fund                  |                                    | Total                               |                                     |
|---|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
|   | 2011                               | 2010                               | 2011                                | 2010                                |
| <b>Operating revenues:</b>                                    |                                    |                                    |                                     |                                     |
| Interest income on loans                                      | \$ 20,320,292                      | \$ 19,214,096                      | \$ 81,909,775                       | \$ 84,712,109                       |
| Interest income attributable to internal servicing activities | -                                  | -                                  | 2,915,381                           | 2,937,514                           |
| Total interest income on loans                                | <u>20,320,292</u>                  | <u>19,214,096</u>                  | <u>84,825,156</u>                   | <u>87,649,623</u>                   |
| <b>Income on investments:</b>                                 |                                    |                                    |                                     |                                     |
| Interest on investments                                       | 2,904,946                          | 3,012,624                          | 8,945,754                           | 7,639,791                           |
| Net increase in fair value of investments                     | (149,727)                          | 1,615,519                          | 2,346,389                           | 5,227,503                           |
| Gain on sale of treasury bonds                                | -                                  | -                                  | -                                   | 2,253,971                           |
| Fees  | -                                  | -                                  | 9,662,206                           | 9,066,724                           |
| Servicing fee income  | -                                  | -                                  | 520,876                             | 894,036                             |
| <b>Total operating revenues</b>                               | <u><b>23,075,511</b></u>           | <u><b>23,842,239</b></u>           | <u><b>106,300,381</b></u>           | <u><b>112,731,648</b></u>           |
| <b>Operating expenses:</b>                                    |                                    |                                    |                                     |                                     |
| Interest expense  | 12,930,604                         | 13,054,434                         | 65,385,842                          | 66,864,960                          |
| Personnel services  | -                                  | -                                  | 14,699,270                          | 12,515,022                          |
| Other administrative expenses                                 | 254,446                            | 273,058                            | 4,382,671                           | 4,705,951                           |
| Housing initiatives   | 618,923                            | 555,956                            | 6,128,485                           | 6,278,705                           |
| Provision for loan loss                                       | -                                  | -                                  | 3,277,411                           | 4,288,119                           |
| REO expenditures  | -                                  | -                                  | 1,627,101                           | 1,182,943                           |
| Arbitrage rebate  | 293,146                            | 1,024,466                          | 344,344                             | 1,271,806                           |
| Amortization of deferred bond issuance costs                  | 20,388                             | 17,514                             | 659,720                             | 666,815                             |
| Early retirement of debt                                      | 228,114                            | -                                  | 855,780                             | 416,715                             |
| Depreciation and amortization of other assets                 | -                                  | -                                  | 1,866,601                           | 1,859,375                           |
| State Rental Subsidy Program                                  | -                                  | -                                  | 2,370,586                           | 3,056,563                           |
| <b>Total operating expenses</b>                               | <u><b>14,345,621</b></u>           | <u><b>14,925,428</b></u>           | <u><b>101,597,811</b></u>           | <u><b>103,106,974</b></u>           |
| <b>Operating income (loss)</b>                                | <u><b>8,729,890</b></u>            | <u><b>8,916,811</b></u>            | <u><b>4,702,570</b></u>             | <u><b>9,624,674</b></u>             |
| Transfers in (out) of fund equity                             | <u>(15,677,985)</u>                | <u>(1,469,283)</u>                 | <u>-</u>                            | <u>-</u>                            |
| <b>Total change in fund equity</b>                            | <u><b>(6,948,095)</b></u>          | <u><b>7,447,528</b></u>            | <u><b>4,702,570</b></u>             | <u><b>9,624,674</b></u>             |
| Fund equity, beginning of year                                | <u>74,111,140</u>                  | <u>66,663,612</u>                  | <u>285,640,991</u>                  | <u>276,016,317</u>                  |
| Fund equity, end of year                                      | <u><u><b>\$ 67,163,045</b></u></u> | <u><u><b>\$ 74,111,140</b></u></u> | <u><u><b>\$ 290,343,561</b></u></u> | <u><u><b>\$ 285,640,991</b></u></u> |

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
(A Component Unit of the State of Rhode Island)  
Combining Statements of Cash Flows  
For the Years Ended June 30, 2011 and 2010

|   | Operating Fund       |                      | Single-Family Fund    |                       |
|---|----------------------|----------------------|-----------------------|-----------------------|
|   | 2011                 | 2010                 | 2011                  | 2010                  |
| <b>Cash Flows from Operating Activities</b>                         |                      |                      |                       |                       |
| Interest on loans receivable  | \$ 8,888,040         | \$ 8,291,195         | \$ 55,436,046         | \$ 60,014,642         |
| Repayment of loans receivable                                       | 72,407,878           | 33,411,308           | 102,855,928           | 153,098,194           |
| Fees collected  | 10,509,175           | 9,908,918            | (46,967)              | (32,436)              |
| Other receipts (disbursements), net                                 | 35,979,505           | 45,078,718           | (302)                 | 225                   |
| Loans disbursed   | (105,123,312)        | (101,670,704)        | (30,075,746)          | (115,048,835)         |
| Accounts receivable, net  | (3,903,699)          | (1,354,683)          | -                     | -                     |
| Loss on loans receivable  | (2,073,489)          | (2,203,994)          | (5,639,081)           | (3,014,568)           |
| Bond issuance costs   | -                    | -                    | (399,748)             | (886,670)             |
| Personnel services  | (14,699,269)         | (12,515,022)         | -                     | -                     |
| Other administrative expenses                                       | (4,014,350)          | (4,335,316)          | (113,875)             | (97,577)              |
| Housing initiative expenses   | (5,465,643)          | (5,673,995)          | (43,919)              | (48,754)              |
| Other assets  | (158,782)            | (4,334,152)          | (5,051,312)           | (9,362,468)           |
| Arbitrage rebate  | -                    | -                    | (51,198)              | (247,340)             |
| Accounts payable and accrued liabilities                            | 1,938,580            | (1,332,645)          | (349,019)             | (31,160)              |
| State Rental Subsidy Program  | (2,370,586)          | (3,056,563)          | -                     | -                     |
| Transfers from (to) other programs                                  | 7,182,521            | 12,127,269           | (3,047,828)           | 1,295,999             |
| <b>Net cash provided (used) for operating activities</b>            | <b>(903,431)</b>     | <b>(27,659,666)</b>  | <b>113,472,979</b>    | <b>85,639,252</b>     |
| <b>Cash Flows from Noncapital Financing Activities:</b>             |                      |                      |                       |                       |
| Proceeds from sale of bonds and notes                               | 294,600,000          | 270,410,000          | 50,001,201            | 158,017,885           |
| Payment of bond and note principal                                  | (291,037,700)        | (257,017,169)        | (112,338,887)         | (80,946,915)          |
| Interest paid on bonds and notes                                    | (1,240,426)          | (591,400)            | (51,762,487)          | (53,504,949)          |
| <b>Net cash provided (used) for noncapital financing activities</b> | <b>2,321,874</b>     | <b>12,801,431</b>    | <b>(114,100,173)</b>  | <b>23,566,021</b>     |
| <b>Cash Flows from Investing Activities:</b>                        |                      |                      |                       |                       |
| Redemption of investments   | 9,656,809            | 21,463,633           | 23,089,711            | 52,636,661            |
| Income on investments   | 782,143              | 1,138,482            | 5,275,489             | 3,346,176             |
| Purchase of investments   | (7,748,023)          | (14,968,713)         | (40,653,317)          | (97,272,804)          |
| <b>Net cash provided (used) for investing activities</b>            | <b>2,690,929</b>     | <b>7,633,402</b>     | <b>(12,288,117)</b>   | <b>(41,289,967)</b>   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>         | <b>4,109,372</b>     | <b>(7,224,833)</b>   | <b>(12,915,311)</b>   | <b>67,915,306</b>     |
| Cash and Cash Equivalents, beginning of year                        | 49,099,669           | 56,324,502           | 148,392,734           | 80,477,428            |
| Cash and Cash Equivalents, end of year                              | <u>\$ 53,209,041</u> | <u>\$ 49,099,669</u> | <u>\$ 135,477,423</u> | <u>\$ 148,392,734</u> |

(Continued)



**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Cash Flows**  
**For the Years Ended June 30, 2011 and 2010**

|   | Multi-Family Fund    |                      | Total                 |                       |
|---|----------------------|----------------------|-----------------------|-----------------------|
|   | 2011                 | 2010                 | 2011                  | 2010                  |
| <b>Cash Flows from Operating Activities</b>                         |                      |                      |                       |                       |
| Interest on loans receivable  | \$ 20,069,702        | \$ 19,316,405        | \$ 84,393,788         | \$ 87,622,242         |
| Repayment of loans receivable                                       | 3,084,565            | 10,196,783           | 178,348,371           | 196,706,285           |
| Fees collected  | 476                  | 371                  | 10,462,684            | 9,876,853             |
| Other receipts (disbursements), net                                 | 398,267              | 20,950               | 36,377,470            | 45,099,893            |
| Loans disbursed   | (55,331,864)         | -                    | (190,530,922)         | (216,719,539)         |
| Accounts receivable, net  | -                    | -                    | (3,903,699)           | (1,354,683)           |
| Loss on loans receivable  | -                    | -                    | (7,712,570)           | (5,218,562)           |
| Bond issuance costs   | -                    | (267,369)            | (399,748)             | (1,154,039)           |
| Personnel services  | -                    | -                    | (14,699,269)          | (12,515,022)          |
| Other administrative expenses                                       | (254,447)            | (273,057)            | (4,382,672)           | (4,705,950)           |
| Housing initiative expenses   | (618,924)            | (555,956)            | (6,128,486)           | (6,278,705)           |
| Other assets  | -                    | -                    | (5,210,094)           | (13,696,620)          |
| Arbitrage rebate  | (293,146)            | (1,024,466)          | (344,344)             | (1,271,806)           |
| Accounts payable and accrued liabilities                            | (47,270)             | 1,022,426            | 1,542,291             | (341,379)             |
| State Rental Subsidy Program  | -                    | -                    | (2,370,586)           | (3,056,563)           |
| Transfers from (to) other programs                                  | (4,134,693)          | (13,423,268)         | -                     | -                     |
| <b>Net cash provided (used) for operating activities</b>            | <b>(37,127,334)</b>  | <b>15,012,819</b>    | <b>75,442,214</b>     | <b>72,992,405</b>     |
| <b>Cash Flows from Noncapital Financing Activities:</b>             |                      |                      |                       |                       |
| Proceeds from sale of bonds and notes                               | 83,576,089           | 65,251,287           | 428,177,290           | 493,679,172           |
| Payment of bond and note principal                                  | (85,487,954)         | (22,265,174)         | (488,864,541)         | (360,229,258)         |
| Interest paid on bonds and notes                                    | (12,626,289)         | (13,390,129)         | (65,629,202)          | (67,486,478)          |
| <b>Net cash provided (used) for noncapital financing activities</b> | <b>(14,538,154)</b>  | <b>29,595,984</b>    | <b>(126,316,453)</b>  | <b>65,963,436</b>     |
| <b>Cash Flows from Investing Activities:</b>                        |                      |                      |                       |                       |
| Redemption of investments   | 2,130,892            | 12,545,221           | 34,877,412            | 86,645,515            |
| Income on investments   | 2,881,611            | 3,015,282            | 8,939,243             | 7,499,940             |
| Purchase of investments   | (3,894,142)          | (13,302,489)         | (52,295,482)          | (125,544,006)         |
| <b>Net cash provided (used) for investing activities</b>            | <b>1,118,361</b>     | <b>2,258,014</b>     | <b>(8,478,827)</b>    | <b>(31,398,551)</b>   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>         | <b>(50,547,127)</b>  | <b>46,866,817</b>    | <b>(59,353,066)</b>   | <b>107,557,290</b>    |
| Cash and Cash Equivalents, beginning of year                        | 91,058,904           | 44,192,087           | 288,551,307           | 180,994,017           |
| Cash and Cash Equivalents, end of year                              | <b>\$ 40,511,777</b> | <b>\$ 91,058,904</b> | <b>\$ 229,198,241</b> | <b>\$ 288,551,307</b> |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Cash Flows**  
**For the Years Ended June 30, 2011 and 2010**

|  | Operating Fund         |                        | Single-Family Fund    |                      |
|--|------------------------|------------------------|-----------------------|----------------------|
|  | 2011                   | 2010                   | 2011                  | 2010                 |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |                        |                        |                       |                      |
| <b>Operating income (loss)</b>   | <b>\$ (10,807,435)</b> | <b>\$ (8,118,337)</b>  | <b>\$ 6,780,115</b>   | <b>\$ 8,826,200</b>  |
| Adjustments:   |                        |                        |                       |                      |
| Income on investments  | (782,143)              | (1,138,482)            | (5,275,489)           | (3,346,176)          |
| Net (increase) decrease in fair value of investments   | (216,268)              | (2,285,938)            | (2,279,848)           | (3,580,018)          |
| Interest paid on bonds and notes   | 1,240,426              | 591,400                | 51,762,487            | 53,504,949           |
| Transfer of investments and/or fund equity   | 18,665,355             | 170,065                | (2,987,370)           | 1,299,218            |
| (Increase) decrease in assets:   |                        |                        |                       |                      |
| Loans receivable/Loss allowance  | (32,949,043)           | (68,092,327)           | 70,205,732            | 32,929,133           |
| Accrued Interest-Loans   | (229,160)              | (253,372)              | 48,383                | 123,682              |
| Accrued Interest-Investments   | 9,156                  | (26,077)               | 7,669                 | (116,390)            |
| Accounts Receivable  | (3,903,700)            | (1,354,683)            | -                     | -                    |
| Deferred bond issuance costs   | 22,493                 | 22,492                 | 844,758               | 156,853              |
| Other Assets   | 1,252,142              | (2,827,888)            | (4,595,635)           | (3,803,700)          |
| Interfund receivable (payable)   | (11,482,834)           | 11,957,204             | (60,458)              | (3,219)              |
| Increase (decrease) in liabilities:  |                        |                        |                       |                      |
| Accrued Interest-Bonds and Notes   | 33,402                 | 2,088                  | (581,076)             | (287,911)            |
| Accounts Payable/Accrued Liabilities   | 1,938,580              | (1,332,645)            | (349,019)             | (31,160)             |
| Deferred Fees  | 326,269                | (51,842)               | (46,968)              | (32,437)             |
| Escrow Deposits  | 35,979,329             | 45,078,676             | (302)                 | 228                  |
| <b>Total adjustments</b>   | <b>9,904,004</b>       | <b>(19,541,329)</b>    | <b>106,692,864</b>    | <b>76,813,052</b>    |
| <b>Net cash provided (used) for operating activities</b>   | <b>\$ (903,431)</b>    | <b>\$ (27,659,666)</b> | <b>\$ 113,472,979</b> | <b>\$ 85,639,252</b> |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
(A Component Unit of the State of Rhode Island)  
Combining Statements of Cash Flows  
For the Years Ended June 30, 2011 and 2010

|  | <u>Multi-Family Fund</u> |                      | <u>Total</u>         |                      |
|--|--------------------------|----------------------|----------------------|----------------------|
|  | <u>2011</u>              | <u>2010</u>          | <u>2011</u>          | <u>2010</u>          |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |                          |                      |                      |                      |
| <b>Operating income (loss)</b>   | <b>\$ 8,729,890</b>      | <b>\$ 8,916,811</b>  | <b>\$ 4,702,570</b>  | <b>\$ 9,624,674</b>  |
| Adjustments:   |                          |                      |                      |                      |
| Income on investments  | (2,881,611)              | (3,015,282)          | (8,939,243)          | (7,499,940)          |
| Net (increase) decrease in fair value of investments   | 149,727                  | (1,615,519)          | (2,346,389)          | (7,481,475)          |
| Interest paid on bonds and notes   | 12,626,289               | 13,390,129           | 65,629,202           | 67,486,478           |
| Transfer of investments and/or fund equity   | (15,677,985)             | (1,469,283)          | -                    | -                    |
| (Increase) decrease in assets:   |                          |                      |                      |                      |
| Loans receivable/Loss allowance  | (52,247,299)             | 10,196,783           | (14,990,610)         | (24,966,411)         |
| Accrued Interest-Loans   | (250,590)                | 102,309              | (431,367)            | (27,381)             |
| Accrued Interest-Investments   | (23,337)                 | 2,660                | (6,512)              | (139,807)            |
| Accounts Receivable  | -                        | -                    | (3,903,700)          | (1,354,683)          |
| Deferred bond issuance costs   | 248,502                  | (249,855)            | 1,115,753            | (70,510)             |
| Other Assets   | -                        | -                    | (3,343,493)          | (6,631,588)          |
| Interfund receivable (payable)   | 11,543,292               | (11,953,985)         | -                    | -                    |
| Increase (decrease) in liabilities:  |                          |                      |                      |                      |
| Accrued Interest-Bonds and Notes   | 304,315                  | (335,696)            | (243,359)            | (621,519)            |
| Accounts Payable/Accrued Liabilities   | (47,270)                 | 1,022,427            | 1,542,291            | (341,378)            |
| Deferred Fees  | 476                      | 371                  | 279,777              | (83,908)             |
| Escrow Deposits  | 398,267                  | 20,949               | 36,377,294           | 45,099,853           |
| <b>Total adjustments</b>   | <b>(45,857,224)</b>      | <b>6,096,008</b>     | <b>70,739,644</b>    | <b>63,367,731</b>    |
| <b>Net cash provided (used) for operating activities</b>   | <b>\$ (37,127,334)</b>   | <b>\$ 15,012,819</b> | <b>\$ 75,442,214</b> | <b>\$ 72,992,405</b> |

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Statements of Fiduciary Net Assets - Private Purpose Trust Component Unit**  
**June 30, 2011 and 2010**

|   | <b>Affordability Housing Trust</b> |                             |
|---|------------------------------------|-----------------------------|
|   | <b>2011</b>                        | <b>2010</b>                 |
| <b>Assets</b>                           |                                    |                             |
| Loans receivable                        | \$ 42,808,374                      | \$ 45,348,831               |
| Less allowance for loan losses          | (1,320,729)                        | (1,320,729)                 |
| Loans receivable, net                   | <u>41,487,645</u>                  | <u>44,028,102</u>           |
| Investments                             | 5,272,939                          | 2,471,512                   |
| Accrued interest-loans                  | 108,471                            | 125,966                     |
| Accrued interest-investments            | 10,059                             | 11,850                      |
| Cash and cash equivalents               | 17,259,576                         | 13,968,830                  |
| Accounts receivable                     | 244,078                            | 309,071                     |
| Other assets, net                       | <u>3,541,468</u>                   | <u>3,696,589</u>            |
| <b>Total Assets</b>                     | <b><u>\$ 67,924,236</u></b>        | <b><u>\$ 64,611,920</u></b> |
| <b>Liabilities and Net Assets</b>       |                                    |                             |
| Deferred fees                           | \$ 2,072,879                       | \$ 2,012,780                |
| <b>Total liabilities</b>                | <b><u>2,072,879</u></b>            | <b><u>2,012,780</u></b>     |
| <b>Net Assets</b>                       |                                    |                             |
| Held in trust                           | <u>65,851,357</u>                  | <u>62,599,140</u>           |
| <b>Total Liabilities and Net Assets</b> | <b><u>\$ 67,924,236</u></b>        | <b><u>\$ 64,611,920</u></b> |

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Statements of Changes in Fiduciary Net Assets - Private Purpose Trust Component Unit**  
**For the Years Ended June 30, 2011 and 2010**

|   | <b>Affordability Housing Trust</b> |                      |
|---|------------------------------------|----------------------|
|   | <b>2011</b>                        | <b>2010</b>          |
| <b>Revenues:</b>                          |                                    |                      |
| Interest income on loans                  | \$ 1,675,122                       | \$ 1,963,408         |
| Income on investments:                    |                                    |                      |
| Interest on investments                   | 29,505                             | 55,376               |
| Net increase in fair value of investments | 15,055                             | 5,062                |
| Trust receipts                            | 1,432,763                          | 907,184              |
| Fees                                      | 99,772                             | 89,189               |
| <b>Total revenues</b>                     | <b>3,252,217</b>                   | <b>3,020,219</b>     |
| <b>Expenses:</b>                          |                                    |                      |
| Amortization of other assets              | -                                  | 56,817               |
| Other administrative expenses             | -                                  | 160                  |
| Provision for loan loss                   | -                                  | 200,000              |
| <b>Total expenses</b>                     | <b>-</b>                           | <b>256,977</b>       |
| <b>Total change in net assets</b>         | <b>3,252,217</b>                   | <b>2,763,242</b>     |
| Net assets, beginning of year             | 62,599,140                         | 59,835,898           |
| Net assets, end of year                   | <u>\$ 65,851,357</u>               | <u>\$ 62,599,140</u> |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**1. Organization and Summary of Significant Accounting Policies**

**a. Organization and Description of Financial Reporting Entity**

Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") is a public instrumentality established in 1973 by an Act of the Rhode Island General Assembly. The Corporation was created to originate loans and administer other activities in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State of Rhode Island (the "State"). It has the power to issue negotiable notes and bonds to achieve its corporate purpose. The notes and bonds do not constitute a debt of the State, and the State is not liable for the repayment of such obligations.

The Corporation is considered a component unit of the State and is included in the State's comprehensive annual financial report.

The Corporation is exempt from federal and state income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39. Through the application of GASB Statement Nos. 14 and 39, the accompanying financial statements present the Corporation and the Affordability Housing Trust (the "Trust"), a component unit over which the Corporation has control and for which the Corporation has financial accountability. Control over and financial accountability for the Trust is determined on the basis of appointment of a voting majority of the Trust's trustees. The Corporation and the Trust are collectively referred to herein as Rhode Island Housing.

**b. Affordability Housing Trust**

The Affordability Housing Trust is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

**c. Financial Statement Presentation, Measurement Focus and Basis of Accounting**

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties. The accompanying balance sheets, statements of revenues, expenses and changes in fund equity, and statements of cash flows (enterprise fund financial statements) present the financial information of the Corporation.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. All inter-fund activity has been eliminated from the combining totals in the accompanying financial statements.

The Operating Fund accounts for the receipt of income not directly pledged to the repayment of specific bonds and notes, expenses related to the Corporation's administrative functions, and for various housing program activities that are not covered by bond resolutions. The Operating Fund also accounts for the activities of the Corporation's two separate subsidiaries: Rhode Island Housing Equity Corporation, and Rhode Island Housing Development Corporation. The Single-Family Fund accounts for activities to finance ownership of single-family housing, ranging from one to four dwelling units, within the State by eligible persons and families. These activities include originating and purchasing from participating originating lenders qualified mortgages, as defined in bond resolutions. The Multi-Family Fund accounts for activities to finance the origination of multi-family loans secured by a lien constituting a first mortgage or to provide for the payment of debt issued for such purpose.

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activities are excluded from presentation in enterprise fund financial statements.

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. Private-sector standards of accounting and financial reporting issued on or before November 30, 1989 generally are followed in the accompanying financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The Corporation has the option of following private-sector guidance, subject to this same limitation; however, the Corporation has elected not to follow subsequent private-sector guidance.

The Corporation has presented an unclassified balance sheet in accordance with financial institution industry trade practice. Although contractual terms define the principal amount of loans receivable to be received, and the amount of principal required to be paid on bonds and notes payable, by the Corporation within one year from the balance sheet date, the actual principal amount of loans received and the actual amount of principal repaid on bonds and notes is affected significantly by changes in interest rates, economic conditions, and other factors. Consequently, the principal amount of loans receivable and the required principal repayable for bonds and notes based on contractual terms would not be representative of actual amounts expected to be received or paid, and such amounts are not reliably estimable.

The Corporation distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of services

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

provided, administrative expenses, and depreciation and amortization expense. All other revenues and expenses are reported as non-operating revenues and expenses.

**d. Loans Receivable and Allowance for Loan Losses**

Loans receivable are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses.

Interest income from loans is recognized on the accrual basis. A loan is considered delinquent when a payment has not been made according to contractual terms. Accrual of income is suspended when a loan is delinquent for ninety days or more; all interest accrued for nonaccrual status loans is reversed against interest income and subsequently recognized as income when received. Loans are returned to accrual status when all amounts contractually due are brought current or the loans have been restructured and future payments are reasonably assured. Interest on loans which is deferred and payable by borrowers only from available cash flow or other specified sources is recorded as income when received.

Losses on loans are provided for under the allowance method of accounting. The allowance is increased by provisions charged to operating expenses and by recoveries of previously charged-off loans. The allowance is decreased as loans are charged off.

The allowance is an amount that management believes will be adequate for loan losses based on evaluation of collectability and prior loss experience, known and inherent risk in the portfolio, changes in the nature and volume of the loan portfolio, overall portfolio quality, specific problem loans, the estimated value of the underlying collateral, current and anticipated economic conditions that may affect the borrower's ability to pay, and historical loss experience and the types of mortgage insurance or guarantee programs provided by outside parties. Substantially all loans are secured by real estate in Rhode Island; accordingly, the ultimate collectability of substantially all of the loans is susceptible to changes in market conditions in this area. Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, evaluation assessments made by management are inherently subjective and future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluation.

**e. Cash and Cash Equivalents**

Cash and cash equivalents represent funds on deposit with various financial institutions and funds held by the trustees of the various bond programs. Deposits held in financial institutions and all highly liquid investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less, are considered cash and cash equivalents.

**f. Investments**

Investments held by Rhode Island Housing consist of those permitted by the various bond resolutions and Rhode Island Housing's investment policy. Investments include securities of the U.S. Government and of U.S. Government agencies, securities guaranteed by the U.S. Government and U.S. Government agencies, savings accounts, and guaranteed investment contracts.



**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

In accordance with GASB Statement No. 31, money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost provided that the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in non-participating interest earning investment contracts, such as non-negotiable and non-transferable guaranteed investment contracts which are redeemable at contract or stated value rather than fair value based on current market rates and certificates of deposit with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that the fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. Investments not reported at cost or amortized cost are reported at fair value in accordance with GASB Statement No. 31. The fair value of securities is provided by an investment trustee as reported by recognized pricing firms. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statement of revenues, expenses and changes in fund equity and in the Trust's statement of changes in fiduciary net assets. The Corporation records a liability for the portion of investment income that is rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended, (the Code) for taxable bonds sold after 1981. The Code requires that such excess investment income be remitted to the Internal Revenue Service. Such rebateable investment income is included in accounts payable and accrued liabilities in the accompanying balance sheets and recorded within operating expenses in the statement of revenues, expenses and changes in fund equity.

**g. Bond Issuance Costs, Premiums, Discounts and Early Retirements**

Costs relating to issuing bonds are capitalized and amortized using a method that approximates the interest method over the life of the related bonds or to the date the Corporation has the option to redeem the bonds. In addition, when refinancing debt, the unamortized costs associated with the refinanced bond continue to be amortized over the shorter of the life of the old or new bonds.

Premiums and discounts are capitalized and amortized using a method that approximates the interest method over the life of the related issue or to the date the Corporation has the option to redeem the bonds.

The Corporation periodically retires bonds prior to their redemption date. Unamortized deferred bond issuance costs, along with any premium paid on the call, related to the early retirement of bonds that are not refunded, are reported in the statement of revenues, expenses and changes in fund equity.

**h. Other Assets**

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, loan origination and other fees paid to mortgagors, and deferred servicing costs related to service release premiums paid to participating originating lenders for origination of single-family loans. The Corporation amortizes loan origination and other fees over the estimated average life of the related loans on a straight-line basis and depreciates property and equipment on a straight-line basis over the assets estimated lives, which range from 3-40 years.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

The Corporation states its other real estate owned acquired through or in lieu of foreclosure, at the lower of cost or fair value at the date of foreclosure. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund are at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all of the balance of these assets through such insurance and from proceeds from the sale of the underlying properties. The Corporation holds such properties for subsequent sale in a manner that will allow maximization of value.

**i. Fund Equity**

Fund equity is classified in the following three components: invested in capital assets, restricted, and unrestricted. Invested in capital assets consists of all capital assets, net of accumulated depreciation.

Restricted fund equity consists of fund equity for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Unrestricted fund equity consists of fund equity not included in invested in capital assets or restricted fund equity.

The Corporation classifies all fund equity amounts associated with its bond resolutions as restricted fund equity. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such fund equity amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program.

At June 30, 2011 and 2010, restricted fund equity in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for Federal programs totaled \$10,670,494 and \$5,142,025, respectively.

**j. Interest Income on Loans**

The Corporation presents two categories of interest income on loans. The first category, "interest income on loans," represents interest income earned net of the component of the mortgagors' payments payable to all mortgage servicing entities (including the Corporation's Operating Fund) as compensation for monthly servicing. The second category, "interest income attributable to internal servicing activities," represents that portion of interest income attributable to compensation for mortgage servicing for those loans serviced by the Corporation. Together, these two components comprise interest income on loans owned by the Corporation.

**k. Use of Estimates**

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and disclosure of contingent assets and liabilities when preparing the financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**1. Reclassification**

Certain amounts in the accompanying 2010 financial statements have been reclassified to conform to the current year presentation.

**2. Restricted Assets**

The Corporation in the course of its business maintains various trust and escrow accounts required by applicable bond covenants for the benefit of bondholders and others, and all such accounts are considered restricted in this context. Also, restricted assets principally include Mortgage Lenders Reserve Accounts because their use is restricted by agreements between the Corporation and mortgage lenders, escrow funds received from borrowers and advance funds received from the U.S. Department of Housing and Urban Development (HUD) for the use in HUD programs.

At June 30, 2011 and 2010, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$157,186,312 and \$154,299,709, respectively, of investments and cash and cash equivalents and \$136,359,475 and \$98,884,002, respectively, of loans receivable and other assets in the Corporation's Operating Fund are restricted.

**3. Loans Receivable**

The Corporation provides single-family mortgage loans to qualified borrowers in the State of Rhode Island. The mortgage loans are generally required to be insured through the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Administration (VA) or USDA Rural Development, or conventionally financed with traditional primary mortgage insurance. Under the single-family program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan-to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

The single-family mortgage loan balances in the Single Family Fund are insured, subject to maximum insurable limits described below:

|                            | 2011             | 2010             |
|----------------------------|------------------|------------------|
| Private Mortgage Insurance | \$ 601,450,237   | \$ 658,098,590   |
| FHA Insurance              | 164,338,911      | 160,797,542      |
| VA Guaranteed              | 17,380,059       | 18,485,413       |
| USDA/RD Guaranteed         | 6,250,155        | 4,344,762        |
| Uninsured                  | 279,483,564      | 299,956,800      |
| Total                      | \$ 1,068,902,926 | \$ 1,141,683,107 |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of Housing and Urban Development (HUD). The insurance proceeds are usually paid in cash, but at the discretion of the Secretary may be settled through issuance of twenty-year debentures. The VA mortgage loan guarantee covers from 25% up to 50% of the original principal amount of a loan up to a maximum of \$60,000, depending on the loan amount. Private mortgage insurers must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation or Fannie Mae and must be authorized to do business in the State of Rhode Island. Private mortgage insurance typically covers between 6% and 35% of claims depending upon the premium plan and coverage selected when the loan is originated. The risk exists that if these private mortgage insurance companies are not able to honor claims, these loans would be considered uninsured. To date, all claims have been paid in accordance with contractual terms.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 50% to 90% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at June 30, 2011, of \$221,559,578 and \$11,121,692, respectively, and at June 30, 2010, of \$222,541,132 and \$8,956,200, respectively, are insured under such agreements subject to maximum participation limits. At June 30, 2011 loan balances of \$7,238,073 in the Affordability Housing Trust are also insured under such agreements.

In both the Single-Family Fund and the Multi-Family Fund, 98% of the loan portfolio is in first lien position. In the Operating Fund and the Affordable Housing Trust Fund, 35% and 39%, respectively, of the loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the years ended June 30, 2011 and 2010, interest received under such deferred loan arrangements was \$555,415 and \$653,947 in the Operating Fund and \$83,631 and \$64,936 in the Single-Family Fund, respectively.

At June 30, 2011 and 2010, principal outstanding under such deferred loan arrangements is as follows:

|                     | 2011           | 2010           |
|---------------------|----------------|----------------|
| Operating Fund:     |                |                |
| Single-family loans | \$ 35,510,731  | \$ 34,903,452  |
| Multi-family loans  | 153,373,893    | 115,062,040    |
| Subtotal            | 188,884,624    | 149,965,492    |
| Single-Family Fund: |                |                |
| Single-family loans | 9,512,849      | 9,050,901      |
| Total               | \$ 198,397,473 | \$ 159,016,393 |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At June 30, 2011 and 2010, principal outstanding under such non-accrual status loans is as follows:

|                     | 2011          | 2010          |
|---------------------|---------------|---------------|
| Operating Fund:     |               |               |
| Single-family loans | \$ 4,690,687  | \$ 2,058,254  |
| Multi-family loans  | 1,076,694     | 1,908,935     |
| Subtotal            | 5,767,381     | 3,967,189     |
| Single-Family Fund: |               |               |
| Single-family loans | 80,963,208    | 63,440,729    |
| Total               | \$ 86,730,589 | \$ 67,407,918 |

A summary of the changes in the allowance for loan losses is as follows:

|                                      | 2011          | 2010          |
|--------------------------------------|---------------|---------------|
| Balance at beginning of year         | \$ 36,941,375 | \$ 36,688,875 |
| Loans charged off, net of recoveries | (2,824,460)   | (1,723,579)   |
| Write down of REO properties         | (3,061,073)   | (2,123,921)   |
| Provisions for loan losses           | 3,077,475     | 4,100,000     |
| Balance at end of year               | \$ 34,133,317 | \$ 36,941,375 |

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lender's Reserve Account"). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At June 30, 2011 and 2010, the Mortgage Lenders Reserve Account totaled \$1,134,839 and \$1,176,503, respectively.

Under its trust agreement, the Affordable Housing Trust may invest its funds in securities and real estate related assets and loans in furtherance of its purpose of preserving affordable housing opportunities in the State. In this regard, it may originate a loan directly or purchase all or a portion of a loan originated by another lender. During the year ended June 30, 2010, the Trust purchased \$5,000,000 of loans from the Corporation, which were originated in order to preserve and refurbish affordable rental housing stock.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**4. Cash and Cash Equivalents and Investments**

**Cash and Cash Equivalents** Rhode Island Housing assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a financial institution failure, Rhode Island Housing's deposits may not be returned to it. Cash and cash equivalents are exposed to custodial credit risk as follows: A) uninsured and uncollateralized; B) uninsured and collateralized with securities held by the financial institution trust departments in the Corporation's or Trust's name; and C) uninsured and collateralized with securities held by financial institution trust departments or agents which are not held in the Corporation's or Trust's name.

The State requires that certain uninsured deposits of the State and State Agencies be collateralized. Section 35-10.1-7 of the General Laws of the State, dealing with the collateralization of public deposits, requires all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator be collateralized. Rhode Island Housing does not have any additional policy in regard to custodial credit risk for its deposits.

Cash and cash equivalents include short-term investments of \$67,162,042 and \$81,103,257 as of June 30, 2011 and 2010, respectively. Such amounts consist of open ended mutual funds invested in short-term securities that are issued or guaranteed by the US Government or US Government Agencies. The Corporation's short-term investments are not subject to custodial credit risk disclosures.

Cash and cash equivalents of Rhode Island Housing, exclusive of short-term investments, were exposed to custodial credit risk at June 30, 2011 and 2010 as follows:

|                    | June 30, 2011         |                      |                     | Total Bank<br>Balance |
|--------------------|-----------------------|----------------------|---------------------|-----------------------|
|                    | A                     | Category<br>C        | Insured             |                       |
| Operating Fund     | \$ 577,556            | \$ 41,713,811        | \$ 1,159,645        | \$ 43,451,012         |
| Single-Family Fund | 79,942,772            | -                    | -                   | 79,942,772            |
| Multi-Family Fund  | 26,398,740            | -                    | -                   | 26,398,740            |
| Trust              | 6,660,158             | 10,281,111           | 250,000             | 17,191,269            |
| Subtotal           | 113,579,226           | 51,994,922           | 1,409,645           | 166,983,793           |
| Escrows            | 16,075,661            | 31,749               | -                   | 16,107,410            |
| Total              | <u>\$ 129,654,887</u> | <u>\$ 52,026,671</u> | <u>\$ 1,409,645</u> | <u>\$ 183,091,203</u> |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|                    | June 30, 2010  |               |              | Total Bank<br>Balance |
|--------------------|----------------|---------------|--------------|-----------------------|
|                    | Category       |               |              |                       |
|                    | A              | C             | Insured      |                       |
| Operating Fund     | \$ 1,424,531   | \$ 38,025,151 | \$ 1,255,492 | \$ 40,705,174         |
| Single-Family Fund | 146,006,053    | -             | -            | 146,006,053           |
| Multi-Family Fund  | 91,059,092     | -             | -            | 91,059,092            |
| Trust              | 5,472,061      | 8,496,768     | -            | 13,968,829            |
| Subtotal           | 243,961,737    | 46,521,919    | 1,255,492    | 291,739,148           |
| Escrows            | 15,983,344     | -             | -            | 15,983,344            |
| Total              | \$ 259,945,081 | \$ 46,521,919 | \$ 1,255,502 | \$ 307,722,492        |

**Investments** The primary objective of Rhode Island Housing in implementing its investment program is preservation of capital. All investments are to be made in a manner to minimize any risk which would jeopardize the safety of the principal invested. The second objective is to maintain sufficient liquidity in a manner that matches cash flow requirements. The third objective is to maximize yield after first satisfying the first two objectives. Other major considerations include diversification of risk and maintenance of credit ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board of Commissioners' (the Board) approved investment policy for the Corporation's Operating Fund limits the maximum maturities or repricing maturities as follows:

| Maturity                | Maximum investment |
|-------------------------|--------------------|
| Less than one year      | 100%               |
| One to five years       | 25%                |
| Greater than five years | 0%                 |

The Operating Fund holds one investment with a maturity of greater than 5 years. This investment is a marketable security that is used for collateral in support of a long-term letter of credit.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis. Although Rhode Island Housing generally will limit maturities to less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed-rate bond liabilities.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

At June 30, 2011 and 2010, the distribution of investments by remaining or re-pricing maturity is as follows:

|                                 | June 30, 2011         |                     |                       | Total                 |
|---------------------------------|-----------------------|---------------------|-----------------------|-----------------------|
|                                 | 1 year or less        | >1 to 5<br>Years    | >5 Years              |                       |
| Operating Fund:                 |                       |                     |                       |                       |
| US Government Obligations       | \$ 16,189,341         | \$ -                | \$ 2,599,149          | \$ 18,788,490         |
| Single-Family Fund:             |                       |                     |                       |                       |
| US Government Obligations       | -                     | -                   | 89,808,590            | 89,808,590            |
| US Agency Obligations           | -                     | -                   | 2,304,278             | 2,304,278             |
| Guaranteed Investment Contracts | -                     | -                   | 18,852,182            | 18,852,182            |
| Total Single-Family Fund        | <u>-</u>              | <u>-</u>            | <u>110,965,050</u>    | <u>110,965,050</u>    |
| Multi-Family Fund:              |                       |                     |                       |                       |
| US Government Obligations       | -                     | 39,277              | 40,000                | 79,277                |
| US Agency Obligations           | -                     | -                   | 22,269,388            | 22,269,388            |
| Guaranteed Investment Contracts | -                     | 1,736,533           | 29,567,461            | 31,303,994            |
| Total Multi-Family Fund         | <u>-</u>              | <u>1,775,810</u>    | <u>51,876,849</u>     | <u>53,652,659</u>     |
| Escrows*                        | <u>86,520,846</u>     | <u>-</u>            | <u>-</u>              | <u>86,520,846</u>     |
| Subtotal                        | <u>102,710,187</u>    | <u>1,775,810</u>    | <u>165,441,048</u>    | <u>269,927,045</u>    |
| Trust:                          |                       |                     |                       |                       |
| US Agency Obligations           | <u>249,904</u>        | <u>5,023,035</u>    | <u>-</u>              | <u>5,272,939</u>      |
| Total                           | <u>\$ 102,960,091</u> | <u>\$ 6,798,845</u> | <u>\$ 165,441,048</u> | <u>\$ 275,199,984</u> |



**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|                                 | June 30, 2010        |                      |                       | Total                 |
|---------------------------------|----------------------|----------------------|-----------------------|-----------------------|
|                                 | 1 year or less       | >1 to 5<br>Years     | >5 Years              |                       |
| <b>Operating Fund:</b>          |                      |                      |                       |                       |
| US Government Obligations       | \$ 18,110,824        | \$ -                 | \$ -                  | \$ 18,110,824         |
| <b>Single-Family Fund:</b>      |                      |                      |                       |                       |
| US Government Obligations       | -                    | -                    | 63,383,117            | 63,383,117            |
| US Agency Obligations           | -                    | -                    | 2,332,008             | 2,332,008             |
| Guaranteed Investment Contracts | -                    | -                    | 25,406,471            | 25,406,471            |
| Total Single-Family Fund        | <u>-</u>             | <u>-</u>             | <u>91,121,596</u>     | <u>91,121,596</u>     |
| <b>Multi-Family Fund:</b>       |                      |                      |                       |                       |
| US Government Obligations       | -                    | -                    | 79,277                | 79,277                |
| US Agency Obligations           | -                    | -                    | 22,427,309            | 22,427,309            |
| Guaranteed Investment Contracts | -                    | -                    | 29,532,550            | 29,532,550            |
| Total Multi-Family Fund         | <u>-</u>             | <u>-</u>             | <u>52,039,136</u>     | <u>52,039,136</u>     |
| Escrows*                        | <u>19,975,472</u>    | <u>68,915,557</u>    | <u>-</u>              | <u>88,891,029</u>     |
| Subtotal                        | <u>38,086,296</u>    | <u>68,915,557</u>    | <u>143,160,732</u>    | <u>250,162,585</u>    |
| <b>Trust:</b>                   |                      |                      |                       |                       |
| US Agency Obligations           | <u>2,471,512</u>     | <u>-</u>             | <u>-</u>              | <u>2,471,512</u>      |
| Total                           | <u>\$ 40,557,808</u> | <u>\$ 68,915,557</u> | <u>\$ 143,160,732</u> | <u>\$ 252,634,097</u> |

\* Included in the tables above are escrow funds relating to homeowners and to multi-family developments. Rhode Island Housing is not exposed to interest rate risk relating to escrows since the income and market gains or losses on these investments flow directly into the respective escrow deposit liability accounts.

Included in United States Government Obligations are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by the Government National Mortgage Association (GNMA). The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single Family and Operating Funds and are carried at fair value totaling \$92,407,738 and \$63,383,117 at June 30, 2011 and 2010, respectively.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contain policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements. At June 30, 2011 and 2010, investments, excluding investments relating to escrow accounts for which the credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are rated by Standard & Poor's or Moody's Investors Service as follows:

| Rating<br>Investment | June 30, 2011          |                  |
|----------------------|------------------------|------------------|
|                      | AAA/Aaa<br>US Agencies | Unrated<br>GIC's |
| Operating Fund       | \$ -                   | \$ -             |
| Single-Family Fund   | 2,304,279              | 18,852,182       |
| Multi-Family Fund    | 22,269,388             | 31,303,994       |
| Trust                | 5,272,939              | -                |

  

| Rating<br>Investment | June 30, 2010          |                  |
|----------------------|------------------------|------------------|
|                      | AAA/Aaa<br>US Agencies | Unrated<br>GIC's |
| Operating Fund       | \$ -                   | \$ -             |
| Single-Family Fund   | 2,332,008              | 25,406,471       |
| Multi-Family Fund    | 22,427,309             | 29,532,550       |
| Trust                | 2,471,512              | -                |

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer regardless of its credit history. The Board-approved policy for the Operating Fund limits the amount that may be invested with any one issuer as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| United States Government Obligations | 100% of portfolio |
| United States Agency Obligations     | 100% of portfolio |
| Repurchase Agreements                | 50% of portfolio  |
| Collective Short-Term Funds          | 25% of portfolio  |
| All other investments                | 10% of portfolio  |

Although there are no specific concentration policies for maximum percentage of investments, Rhode Island Housing attempts to diversify as much as possible given the limited number of issuers of AAA-rated investments.

At June 30, 2011 and 2010, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

At June 30, 2011 and 2010, investment concentrations of 5% or more of each respective fund's total investments, excluding investments relating to escrow accounts for which the concentration of credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are as follows:

| Issuer                   | June 30, 2011      |                   |              |
|--------------------------|--------------------|-------------------|--------------|
|                          | Single-Family Fund | Multi-Family Fund | Trust        |
| Federal Farm Credit Bank | \$ -               | \$ 10,996,191     | \$ 5,023,035 |
| Federal Home Loan Bank   | -                  | 9,030,195         | -            |
| HSBC Bank                | -                  | 31,303,994        | -            |

  

| Issuer                                 | June 30, 2010      |                   |           |
|--|--------------------|-------------------|-----------|
|  | Single-Family Fund | Multi-Family Fund | Trust     |
| Federal Farm Credit Bank               | \$ -               | \$ 11,034,096     | \$ -      |
| Federal Home Loan Bank                 | -                  | 9,110,522         | 2,000,625 |
| Federal Home Loan Mortgage Corporation | -                  | -                 | 362,091   |
| HSBC Bank                              | -                  | 29,532,550        | -         |
| LXIS Funding Corporation               | 11,068,978         | -                 | -         |

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At June 30, 2011 and 2010, there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the Other Funds. Most of Rhode Island Housing's investments are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At June 30, 2011 and 2010, there were no investments in any of the Other Funds subject to custodial credit risk.

As established in the Board-approved investment policy, the Corporation has the ability to enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At June 30, 2011 and 2010 the Corporation was not party to any derivative instruments and has no intention to enter into any such agreements in the near future.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**5. Other Assets**

The composition of Other Assets at June 30, 2011 and 2010 is:

|  | 2011          | 2010          |
|--|---------------|---------------|
| Real estate owned                        | \$ 17,017,547 | \$ 12,013,604 |
| Capital assets, net                      | 9,144,237     | 9,120,957     |
| Deferred origination costs, net          | 3,260,971     | 3,587,560     |
| Federal program properties               | 3,021,504     | 4,079,456     |
| Purchased mortgage servicing rights, net | 2,271,603     | 2,722,093     |
| Other assets and control accounts        | 396,541       | 245,240       |
| Total                                    | \$ 35,112,403 | \$ 31,768,910 |

Depreciation expense related to capital assets for the years ended June 30, 2011 and 2010 was \$819,276 and \$821,796 respectively.

Amortization expense relate to deferred origination costs and purchased mortgage servicing rights for the years ended June 30, 2011 and 2010 was \$1,021,095 and \$1,033,448 respectively.

**6. Bonds and Notes Payable**

The Corporation issues serial bonds and term bonds under various bond resolutions to provide permanent financing for the origination or purchase from participating originating lenders of single-family loans, to provide permanent financing for qualified housing developments, and to provide financing for other purposes.

The Corporation obtains principally first and second mortgage liens on real property financed. The Corporation assigns such liens to the respective bonds when the mortgage loans are permanently financed using bond proceeds. Bonds and notes are secured by related revenues and assets of the respective programs in which the related bonds and notes payable are reported.

The provisions of the applicable trust indentures require or allow for the redemption of bonds by the Corporation through the use of unexpended bond proceeds and excess funds accumulated primarily through the prepayment of mortgage loans. All outstanding bonds are subject to redemption at the option of the Corporation, in whole or in part at any time after certain dates, as specified in the respective bond series indentures.

Principal on all bonds is payable semi-annually. Interest on all bonds is payable semi-annually, except for compound interest bonds which is payable at maturity. Term bonds require the Corporation to establish a sinking fund in the year preceding any term bond mandatory redemption.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants at year end.

Bonds and notes payable at June 30, 2011 and 2010 are as follows:

|  | <b>2011</b>   | <b>2010</b>   |
|--|---------------|---------------|
| <b>Operating Fund Bonds and Notes:</b>                           |               |               |
| Federal Home Loan Bank   |               |               |
| Due 2011, interest from .23% to .32%                             | \$ 20,000,000 | \$ 23,000,000 |
|  |               |               |
| General Obligation Bonds Series 2008:                            |               |               |
| Mandatory tender bonds, due 2013, interest at 4.625%             | 5,000,000     | 5,000,000     |
|  |               |               |
| Note Payable, due 2027 to 2030, interest from 5.275% to 5.70%    | 3,610,123     | 1,047,822     |
|  |               |               |
| Lines of Credit, payable on demand, interest from 1.20% to 1.94% | 56,000,000    | 52,000,000    |
| <b>Total Operating Fund</b>                                      | 84,610,123    | 81,047,822    |
|  |               |               |
| <b>Single-Family Fund:</b>                                       |               |               |
| <b>Homeownership Opportunity Bonds and Notes:</b>                |               |               |
| Series 10-A:   |               |               |
| Term bonds, due 2022 to 2027, interest at 6.50%                  | 2,000,000     | 2,000,000     |
|  |               |               |
| Series 15-A:   |               |               |
| Term bonds, due 2024, interest at 6.85%                          | 2,000,000     | 2,000,000     |
|  |               |               |
| Series 25-A:   |               |               |
| Term bonds, due 2016, interest at 4.95%                          | 2,760,000     | 3,415,000     |
|  |               |               |
| Series 26-B:   |               |               |
| Term bonds, due 2026, interest at 5.40%                          | 8,515,000     | 9,290,000     |
|  |               |               |
| Series 27-B:   |               |               |
| Serial bonds, due 2010, interest at 5.05%                        | -             | 520,000       |
| Term bonds, due 2012, interest at 5.15%                          | 395,000       | 1,595,000     |
|  | 395,000       | 2,115,000     |
|  |               |               |
| Series 28-A:   |               |               |
| Serial bonds, due 2011 to 2012, interest from 4.80% to 4.90%     | 725,000       | 1,175,000     |
| Term bonds, due 2018, interest at 5.15%                          | 1,965,000     | 2,370,000     |
|  | 2,690,000     | 3,545,000     |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Series 29-A:   |                   |                   |
| Serial bonds, due 2011, interest at 4.75%                    | 445,000           | 1,300,000         |
| Term bonds, due 2015 to 2029, interest from 5.05% to 5.10%   | 26,265,000        | 26,620,000        |
|  | <u>26,710,000</u> | <u>27,920,000</u> |
| Series 30-B:   |                   |                   |
| Term bonds, due 2019, interest at 5.20%                      | 2,685,000         | 3,665,000         |
| Series 31-B:   |                   |                   |
| Serial bonds, due 2010, interest at 5.30%                    | -                 | 955,000           |
| Series 32-B:   |                   |                   |
| Serial bonds, due 2010, interest at 5.45%                    | -                 | 745,000           |
| Series 34-B:   |                   |                   |
| Term bonds, due 2020, interest at 5.375%                     | 170,000           | 13,760,000        |
| Series 36-A:   |                   |                   |
| Serial bonds, due 2011, interest at 4.50%                    | -                 | 875,000           |
| Series 36-B:   |                   |                   |
| Term bonds, due 2019, interest at 4.65%                      | 3,235,000         | 3,555,000         |
| Series 37-A:   |                   |                   |
| Serial bonds, due 2011, interest at 4.40%                    | -                 | 875,000           |
| Series 37-B:   |                   |                   |
| Term bonds, due 2021, interest at 4.625%                     | 1,595,000         | 2,140,000         |
| Series 38-A:   |                   |                   |
| Term bonds, due 2027, interest at 5.50%                      | 16,720,000        | 17,000,000        |
| Series 39-A:   |                   |                   |
| Serial bonds, due 2013, interest at 4.50%                    | 45,000            | 45,000            |
| Series 39-B:   |                   |                   |
| Serial bonds, due 2012 to 2013, interest from 4.65% to 4.75% | 1,655,000         | 2,335,000         |
| Term bonds, due 2019 to 2022, interest from 4.50% to 5.25%   | 14,550,000        | 15,325,000        |
|  | <u>16,205,000</u> | <u>17,660,000</u> |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Series 40-A:   |                   |                   |
| Serial bonds, due 2011 to 2016, interest from 3.70% to 4.50% | 4,705,000         | 4,705,000         |
| Term bonds, due 2022 to 2033, interest from 4.90% to 5.00%   | 25,290,000        | 25,295,000        |
|  | <u>29,995,000</u> | <u>30,000,000</u> |
| Series 41-A:   |                   |                   |
| Serial bonds, due 2012 to 2013, interest from 4.00% to 4.15% | 1,065,000         | 1,275,000         |
| Term bonds, due 2031, interest at 5.15%                      | 945,000           | 945,000           |
|  | <u>2,010,000</u>  | <u>2,220,000</u>  |
| Series 41-B:   |                   |                   |
| Term bonds, due 2022, interest at 5.20%                      | 6,855,000         | 7,190,000         |
| Series 42-A:   |                   |                   |
| Serial bonds, due 2012 to 2013, interest from 3.55% to 3.65% | 1,080,000         | 1,580,000         |
| Term bonds, due 2017 to 2033, interest from 3.50% to 4.90%   | 12,465,000        | 12,705,000        |
|  | <u>13,545,000</u> | <u>14,285,000</u> |
| Series 43-A:   |                   |                   |
| Serial bonds, due 2011 to 2017, interest from 2.95% to 3.90% | 3,885,000         | 4,370,000         |
| Term bonds, due 2018 to 2033, interest from 3.25% to 4.375%  | 7,480,000         | 7,665,000         |
|  | <u>11,365,000</u> | <u>12,035,000</u> |
| Series 44-A:   |                   |                   |
| Serial bonds, due 2011 to 2013, interest from 3.65% to 4.00% | 4,085,000         | 5,915,000         |
| Term bonds, due 2017 to 2033, interest from 4.45% to 5.05%   | 11,680,000        | 11,680,000        |
|  | <u>15,765,000</u> | <u>17,595,000</u> |
| Series 45-A:   |                   |                   |
| Serial bonds, due 2012 to 2017, interest from 3.90% to 4.60% | 8,335,000         | 9,550,000         |
| Series 45-B:   |                   |                   |
| Term bonds, due 2020 to 2024, interest from 4.00% to 4.90%   | 18,560,000        | 19,055,000        |
| Series 46-A:   |                   |                   |
| Serial bonds, due 2011 to 2014, interest from 3.30% to 3.85% | 3,010,000         | 3,770,000         |
| Term bonds, due 2019 to 2034, interest from 4.25% to 4.60%   | 30,340,000        | 30,530,000        |
|  | <u>33,350,000</u> | <u>34,300,000</u> |
| Series 46-T:   |                   |                   |
| Term bonds, due 2034, interest at variable rate              | 15,000,000        | 15,000,000        |
| Series 47-A:   |                   |                   |
| Serial bonds, due 2011 to 2015, interest from 3.55% to 4.10% | 3,850,000         | 4,580,000         |
| Term bonds, due 2017, interest at 4.30%                      | 1,670,000         | 1,670,000         |
|  | <u>5,520,000</u>  | <u>6,250,000</u>  |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| Series 47-B:  |                   |                   |
| Term bonds, due 2025 to 2033, interest from 5.00% to 5.15%    | 30,035,000        | 30,035,000        |
| Series 48-A:  |                   |                   |
| Serial bonds, due 2011 to 2017, interest from 3.35% to 4.10%  | 5,710,000         | 6,475,000         |
| Series 48-B:  |                   |                   |
| Term bonds, due 2025 to 2035, interest from 4.70% to 4.85%    | 19,820,000        | 19,820,000        |
| Series 48-T:  |                   |                   |
| Term bonds, due 2034, interest at variable rate               | 15,000,000        | 15,000,000        |
| Series 49-A:  |                   |                   |
| Serial bonds, due 2012 to 2015, interest from 3.55% to 4.10%  | 6,310,000         | 6,310,000         |
| Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%    | 4,105,000         | 4,105,000         |
|   | <u>10,415,000</u> | <u>10,415,000</u> |
| Series 49-B:  |                   |                   |
| Serial bonds, due 2011 to 2012, interest from 4.00% to 4.10%  | 1,740,000         | 2,635,000         |
| Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%    | 29,085,000        | 29,825,000        |
|   | <u>30,825,000</u> | <u>32,460,000</u> |
| Series 50-A:  |                   |                   |
| Serial bonds, due 2011 to 2014, interest from 3.55% to 3.85%  | 10,750,000        | 13,950,000        |
| Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%    | 17,270,000        | 17,270,000        |
|   | <u>28,020,000</u> | <u>31,220,000</u> |
| Series 50-B:  |                   |                   |
| Term bonds, due 2035, interest at 4.60%                       | 38,365,000        | 38,365,000        |
| Series 51-A:  |                   |                   |
| Serial bonds, due 2011 to 2017, interest from 3.65% to 4.125% | 11,700,000        | 12,665,000        |
| Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%    | 29,215,000        | 29,215,000        |
|   | <u>40,915,000</u> | <u>41,880,000</u> |
| Series 51-B:  |                   |                   |
| Term bonds, due 2036, interest at 5.00%                       | 4,455,000         | 5,715,000         |
| Series 52-A:  |                   |                   |
| Serial bonds, due 2011 to 2018, interest from 3.80% to 4.30%  | 9,020,000         | 9,595,000         |
| Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%    | 11,740,000        | 11,740,000        |
|   | <u>20,760,000</u> | <u>21,335,000</u> |
| Series 52-B:  |                   |                   |
| Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%    | 24,215,000        | 25,000,000        |



**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|   | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Series 53-A:  |             |             |
| Serial bonds, due 2011 to 2017, interest from 3.625% to 4.05% | 15,570,000  | 18,160,000  |
| Term bonds, due 2034, interest at 4.60%                       | 3,150,000   | 3,150,000   |
|   | 18,720,000  | 21,310,000  |
| Series 53-B:  |             |             |
| Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%    | 41,930,000  | 42,115,000  |
| Series 54:  |             |             |
| Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%    | 60,675,000  | 60,675,000  |
| Series 55-A:  |             |             |
| Serial bonds, due 2013 to 2017, interest from 3.70% to 3.95%  | 8,345,000   | 8,345,000   |
| Term bonds, due 2034, interest at 4.50%                       | 2,280,000   | 2,280,000   |
|   | 10,625,000  | 10,625,000  |
| Series 55-B:  |             |             |
| Serial bonds, due 2011 to 2017, interest from 4.05% to 4.375% | 4,265,000   | 4,945,000   |
| Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%    | 58,655,000  | 60,600,000  |
|   | 62,920,000  | 65,545,000  |
| Series 56-A:  |             |             |
| Serial bonds, due 2011 to 2015, interest from 4.30% to 4.65%  | 3,630,000   | 3,905,000   |
| Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%    | 58,820,000  | 59,515,000  |
|   | 62,450,000  | 63,420,000  |
| Series 56-B1-T:   |             |             |
| Term bonds, due 2047, interest at 6.074%                      | 5,765,000   | 8,590,000   |
| Series 56-B2-T:   |             |             |
| Serial bonds, due 2011 to 2014, interest at 5.67%             | -           | 1,760,000   |
| Series 57-A:  |             |             |
| Serial bonds, due 2011 to 2017, interest from 3.80% to 4.25%  | 9,490,000   | 10,150,000  |
| Term bonds, due 2034, interest at 5.00%                       | 475,000     | 475,000     |
|   | 9,965,000   | 10,625,000  |
| Series 57-B:  |             |             |
| Term bonds, due 2022 to 2047, interest from 5.15% to 5.45%    | 55,685,000  | 56,590,000  |
| Series 58-A:  |             |             |
| Term bonds, due 2023 to 2047, interest from 5.05% to 5.40%    | 56,230,000  | 59,460,000  |
| Series 58-T:  |             |             |
| Term bonds, due 2013 to 2017, interest from 4.98% to 5.51%    | 8,150,000   | 8,150,000   |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|  | <u>2011</u>        | <u>2010</u>          |
|--|--------------------|----------------------|
| Series 59-A:   |                    |                      |
| Serial bonds, due 2011 to 2017, interest from 2.875% to 4.125% | 15,110,000         | 17,520,000           |
| Term bonds, due 2034, interest at 5.15%                        | 3,215,000          | 3,215,000            |
|  | <u>18,325,000</u>  | <u>20,735,000</u>    |
| Series 59-B:   |                    |                      |
| Term bonds, due 2022 to 2028, interest from 5.45% to 5.70%     | 12,980,000         | 22,620,000           |
| Series 59-C:   |                    |                      |
| Demand bonds, due 2047, interest at variable rate              | 25,000,000         | 25,000,000           |
| Series 60-A1:  |                    |                      |
| Serial bonds, due 2011 to 2017, interest from 3.20% to 4.30%   | 10,230,000         | 11,700,000           |
| Term bonds, due 2034, interest at 5.375%                       | 3,080,000          | 3,080,000            |
|  | <u>13,310,000</u>  | <u>14,780,000</u>    |
| Series 60-A2:  |                    |                      |
| Term bonds, due 2036 to 2038, interest from 5.50% to 5.625%    | 19,345,000         | 27,265,000           |
| Series 60-B:   |                    |                      |
| Serial bonds, due 2017 to 2018, interest from 5.00% to 5.150%  | 1,840,000          | 1,840,000            |
| Unamortized bond premium                                       | 1,215,031          | 1,353,918            |
| <b>Subtotal</b>  | <u>999,690,031</u> | <u>1,079,218,918</u> |
| <b>Home Funding Bonds and Notes:</b>                           |                    |                      |
| Series 1-A:  |                    |                      |
| Serial bonds, due 2011 to 2021, interest from 1.10% to 4.125%  | 15,610,000         | 17,060,000           |
| Term bonds, due 2024 to 2027, interest from 4.25% to 4.625%    | 12,675,000         | 12,940,000           |
|  | <u>28,285,000</u>  | <u>30,000,000</u>    |
| Series 1-B:  |                    |                      |
| Term bonds, due 2039, interest at 3.96%                        | 44,100,000         | 45,000,000           |
| Series 2:  |                    |                      |
| Term bonds, due 2041, interest at variable rate                | 53,000,000         | 83,000,000           |
| Series 2, Subseries 2A:  |                    |                      |
| Term bonds, due 2041, interest at 3.16%                        | 30,000,000         | -                    |
| Series 3:  |                    |                      |
| Serial bonds, due 2011 to 2020, interest from .60% to 3.20%    | 9,290,000          | -                    |
| Term bonds, due 2025 to 2041, interest from 3.16% to 4.10%     | 10,515,000         | -                    |
|  | <u>19,805,000</u>  | <u>-</u>             |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|  | <b>2011</b>   | <b>2010</b>   |
|--|---------------|---------------|
| Unamortized bond discount                                    | (15,764)      | (16,965)      |
| <b>Subtotal</b>  | 175,174,236   | 157,983,035   |
| <b>Total Single-Family Fund</b>                              | 1,174,864,267 | 1,237,201,953 |
| <b>Multi-Family Fund:</b>                                    |               |               |
| <b>Multi-Family Housing Bonds:</b>                           |               |               |
| 1985 Series A:   |               |               |
| Compound interest term bonds, due 2010, interest at 10.125%  | -             | 1,475,000     |
| 1995 Series A:   |               |               |
| Term bonds, due 2017, interest at 6.15%                      | 840,000       | 940,000       |
| 1997 Series A:   |               |               |
| Term bonds, due 2010, interest at 5.60%                      | -             | 435,000       |
| 1998 Series A:   |               |               |
| Serial bonds, due 2011 to 2012, interest from 5.05% to 5.10% | 175,000       | 260,000       |
| Term bonds, due 2018 to 2033, interest from 5.375% to 5.50%  | 3,550,000     | 3,550,000     |
|  | 3,725,000     | 3,810,000     |
| <b>Subtotal</b>  | 4,565,000     | 6,660,000     |
| <b>Housing Bonds:</b>  |               |               |
| 2001 Series A:   |               |               |
| Serial bonds, due 2011 to 2013, interest from 5.00% to 5.15% | 670,000       | 870,000       |
| Term bonds, due 2015, interest at 5.30%                      | 1,490,000     | 1,490,000     |
|  | 2,160,000     | 2,360,000     |
| 2001 Series B-1B:  |               |               |
| Serial bonds, due 2011 to 2013, interest from 4.30% to 4.55% | 3,250,000     | 4,195,000     |
| Term bonds, due 2022 to 2031, interest from 5.15% to 5.25%   | 11,230,000    | 14,155,000    |
|  | 14,480,000    | 18,350,000    |
| 2001 Series B-2T:  |               |               |
| Term bonds, due 2031, interest at variable rate              | 3,790,000     | 3,860,000     |
| 2002 Series A:   |               |               |
| Serial bonds, due 2011 to 2012, interest from 4.35% to 4.55% | 335,000       | 485,000       |
| Term bonds, due 2016 to 2032, interest from 5.00% to 5.55%   | 8,620,000     | 8,620,000     |
|  | 8,955,000     | 9,105,000     |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| 2003 Series A-1:   |                   |                   |
| Serial bonds, due 2012 to 2013, interest from 4.00% to 4.10% | 175,000           | 255,000           |
| Term bonds, due 2018 to 2035, interest from 4.625% to 4.95%  | 7,455,000         | 7,455,000         |
|  | <u>7,630,000</u>  | <u>7,710,000</u>  |
| 2003 Series A-2T:  |                   |                   |
| Term bonds, due 2034, interest at variable rate              | 21,390,000        | 21,745,000        |
| 2003 Series B-1A:  |                   |                   |
| Serial bonds, due 2012 to 2016, interest from 4.50% to 4.90% | 1,870,000         | 2,230,000         |
| Term bonds, due 2024 to 2034, interest from 5.375% to 5.50%  | 9,100,000         | 9,100,000         |
|  | <u>10,970,000</u> | <u>11,330,000</u> |
| 2003 Series B-1B:  |                   |                   |
| Serial bonds, due 2011, interest at 4.35%                    | -                 | 90,000            |
| Term bonds, due 2024 to 2034, interest from 5.375% to 5.55%  | 2,700,000         | 2,700,000         |
|  | <u>2,700,000</u>  | <u>2,790,000</u>  |
| 2003 Series B-2T:  |                   |                   |
| Term bonds, due 2035, interest at variable rate              | 8,980,000         | 9,050,000         |
| 2003 Series C-1A:  |                   |                   |
| Serial bonds, due 2012 to 2014, interest from 3.90% to 4.10% | 965,000           | 1,245,000         |
| Term bonds, due 2023 to 2034, interest from 4.85% to 5.00%   | 15,695,000        | 15,695,000        |
|  | <u>16,660,000</u> | <u>16,940,000</u> |
| 2003 Series C-1B:  |                   |                   |
| Serial bonds, due 2012 to 2014, interest from 3.90% to 4.10% | 80,000            | 110,000           |
| Term bonds, due 2023 to 2035, interest from 4.85% to 5.00%   | 1,370,000         | 1,370,000         |
|  | <u>1,450,000</u>  | <u>1,480,000</u>  |
| 2004 Series A-1A:  |                   |                   |
| Serial bonds, due 2011 to 2016, interest from 3.90% to 4.50% | 920,000           | 1,065,000         |
| Term bonds, due 2025 to 2033, interest from 5.00% to 5.10%   | 6,335,000         | 6,335,000         |
|  | <u>7,255,000</u>  | <u>7,400,000</u>  |
| 2004 Series A-1B:  |                   |                   |
| Term bonds, due 2016 to 2045, interest from 4.50% to 5.35%   | 3,170,000         | 3,195,000         |
| 2004 Series A-2T:  |                   |                   |
| Term bonds, due 2025, interest at 6.10%                      | -                 | 3,660,000         |
| 2004 Series B-1A:  |                   |                   |
| Serial bonds, due 2011 to 2015, interest from 3.20% to 3.70% | 65,000            | 75,000            |
| Term bonds, due 2025 to 2045, interest from 4.55% to 4.85%   | 1,890,000         | 1,890,000         |
|  | <u>1,955,000</u>  | <u>1,965,000</u>  |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| 2004 Series B-1B-1:  |                   |                   |
| Serial bonds, due 2011 to 2015, interest from 3.60% to 4.10% | 620,000           | 715,000           |
| Term bonds, due 2045, interest at 4.90%                      | 12,875,000        | 12,875,000        |
|  | <u>13,495,000</u> | <u>13,590,000</u> |
| 2004 Series B-1B-2:  |                   |                   |
| Serial bonds, due 2011 to 2015, interest from 3.60% to 4.10% | 120,000           | 140,000           |
| Term bonds, due 2025 to 2035, interest from 4.65% to 4.90%   | 860,000           | 860,000           |
|  | <u>980,000</u>    | <u>1,000,000</u>  |
| 2004 Series B-2T:  |                   |                   |
| Term bonds, due 2015 to 2030, interest from 4.85% to 5.57%   | 3,475,000         | 8,960,000         |
| 2005 Series A-1A:  |                   |                   |
| Serial bonds, due 2011 to 2015, interest from 3.90% to 4.25% | 1,930,000         | 2,260,000         |
| Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%  | 17,230,000        | 17,230,000        |
|  | <u>19,160,000</u> | <u>19,490,000</u> |
| 2005 Series A-1B:  |                   |                   |
| Term bonds, due 2035, interest at 4.90%                      | 270,000           | 270,000           |
| 2005 Series A-2T:  |                   |                   |
| Term bonds, due 2015 to 2018, interest from 5.14% to 5.29%   | 1,345,000         | 7,555,000         |
| 2006 Series A-1:   |                   |                   |
| Serial bonds, due 2011 to 2016, interest from 3.80% to 4.05% | 1,510,000         | 1,730,000         |
| Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%   | 19,680,000        | 19,680,000        |
|  | <u>21,190,000</u> | <u>21,410,000</u> |
| 2006 Series A-2T:  |                   |                   |
| Term bonds, due 2048, interest at 5.88%                      | -                 | 4,490,000         |
| 2007 Series A-1:   |                   |                   |
| Serial bonds, due 2011 to 2017, interest from 3.90% to 4.35% | 2,070,000         | 2,295,000         |
| Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%   | 29,680,000        | 29,680,000        |
|  | <u>31,750,000</u> | <u>31,975,000</u> |
| 2007 Series A-2T:  |                   |                   |
| Term bonds, due 2027, interest at 5.608%                     | 1,335,000         | 4,670,000         |
| 2007 Series B-1A/B:  |                   |                   |
| Serial bonds, due 2011 to 2017, interest from 3.90% to 4.50% | 1,550,000         | 1,755,000         |
| Term bonds, due 2022 to 2049, interest from 5.00% to 5.50%   | 24,405,000        | 24,405,000        |
|  | <u>25,955,000</u> | <u>26,160,000</u> |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

|  | <b>2011</b>             | <b>2010</b>            |
|--|-------------------------|------------------------|
| Unamortized bond premium                                     | 107,235                 | 89,100                 |
| <b>Subtotal</b>  | 230,607,235             | 260,599,100            |
| <b>Multi-Family Funding Bonds:</b>                           |                         |                        |
| 2009 Series A:   |                         |                        |
| Escrow bonds, due 2041, interest at variable rate            | 14,100,000              | 65,100,000             |
| 2009 Series A, Subseries 2009A-1                             |                         |                        |
| Term bonds, due 2051, interest at 3.01%                      | 51,000,000              | -                      |
| 2010 Series A:   |                         |                        |
| Serial bonds, due 2011 to 2021, interest from .50% to 4.00%  | 5,760,000               | -                      |
| Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%  | 15,550,000              | -                      |
|  | 21,310,000              | -                      |
| <b>Subtotal</b>  | 86,410,000              | 65,100,000             |
| <b>Multi-Family Development Bonds:</b>                       |                         |                        |
| 2010 Series 1:   |                         |                        |
| Serial bonds, due 2011 to 2021, interest from .875% to 4.25% | 650,000                 | -                      |
| Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%  | 8,285,000               | -                      |
|  | 8,935,000               | -                      |
| <b>Subtotal</b>  | 8,935,000               | -                      |
| <b>Multi-Family Mortgage Revenue Bonds:</b>                  |                         |                        |
| 1998 Series A:   |                         |                        |
| Term bonds, due 2028, interest at variable rate              | 2,040,000               | 2,110,000              |
| Series 2006 (University Heights Project):                    |                         |                        |
| Term bonds, due 2039, interest at variable rate              | 26,700,000              | 26,700,000             |
| Series 2006 (Sutterfield Project):                           |                         |                        |
| Term bonds, due 2039, interest at variable rate              | 7,000,000               | 7,000,000              |
| Series 2006 (The Groves):                                    |                         |                        |
| Term bonds, due 2040, interest at variable rate              | 30,950,000              | 30,950,000             |
| <b>Subtotal</b>  | 66,690,000              | 66,760,000             |
| <b>Total Multi-Family Fund</b>                               | 397,207,235             | 399,119,100            |
| <b>Total Bonds And Notes Payable</b>                         | <b>\$ 1,656,681,625</b> | <b>\$1,717,368,875</b> |

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Notes payable consist of the Operating Fund's lines of credit, which were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At June 30, 2011, the Corporation may borrow up to a maximum of \$40,000,000 under one revolving loan agreement expiring November 2011, up to a maximum of \$20,000,000 under another additional revolving loan agreement expiring May 2013, and up to a maximum of \$15,000,000 under a third additional revolving loan agreement expiring January 2012. Borrowings under the lines of credit are payable on demand and are unsecured.

The debt service payable schedule below includes amounts required for debt service sinking funds, including compound interest bonds which are reported at their matured principal amount, for each fiscal year relating to the respective bonds and notes as of June 30, 2011 (dollars in thousands):

|           | Operating Fund<br>Bonds/Notes |                 | Single-Family<br>Fund Bonds/Notes |                   | Multi-Family<br>Fund Bonds |                   |
|-----------|-------------------------------|-----------------|-----------------------------------|-------------------|----------------------------|-------------------|
|           | Principal                     | Interest        | Principal                         | Interest          | Principal                  | Interest          |
| 2012      | \$ 65,053                     | \$ 814          | \$ 44,980                         | \$ 48,810         | \$ 5,060                   | \$ 13,315         |
| 2013      | 11,057                        | 630             | 33,480                            | 47,567            | 5,465                      | 13,124            |
| 2014      | 5,060                         | 312             | 31,730                            | 46,294            | 5,865                      | 12,915            |
| 2015      | 63                            | 193             | 33,415                            | 45,026            | 5,945                      | 12,686            |
| 2016      | 67                            | 190             | 34,425                            | 43,656            | 7,085                      | 12,416            |
| 2017-2021 | 397                           | 885             | 197,595                           | 192,708           | 34,270                     | 57,932            |
| 2022-2026 | 526                           | 756             | 178,645                           | 147,446           | 39,135                     | 50,248            |
| 2027-2031 | 2,387                         | 432             | 203,160                           | 105,105           | 52,725                     | 41,145            |
| 2032-2036 | -                             | -               | 216,575                           | 58,506            | 53,845                     | 29,137            |
| 2037-2041 | -                             | -               | 106,475                           | 20,197            | 97,545                     | 20,078            |
| 2042-2046 | -                             | -               | 84,825                            | 5,894             | 55,980                     | 11,268            |
| 2047-2051 | -                             | -               | 8,360                             | 373               | 33,105                     | 3,249             |
| 2052-2056 | -                             | -               | -                                 | -                 | 1,075                      | 16                |
|           | <u>\$ 84,610</u>              | <u>\$ 4,212</u> | <u>\$ 1,173,665</u>               | <u>\$ 761,582</u> | <u>\$ 397,100</u>          | <u>\$ 277,529</u> |

Homeownership Opportunity Bonds Series 46-T and 48-T, Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at a variable rate established quarterly, which range from 5.35%-6.50% at June 30, 2011. The Multi-Family Mortgage Revenue Bonds and the Homeownership Opportunity Bonds Series 59-C bear interest at a variable rate established weekly by the Remarketing Agent. The rates used above were the applicable rates as of June 30, 2011.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Bonds and notes payable activity for the year ended June 30, 2011 is as follows:

|                          | Beginning<br>Balance    | Additions             | Reductions             | Ending Balance          |
|--------------------------|-------------------------|-----------------------|------------------------|-------------------------|
| Bonds and notes payable: |                         |                       |                        |                         |
| General obligation bonds | \$ 5,000,000            | \$ -                  | \$ -                   | \$ 5,000,000            |
| Unsecured notes          | 53,047,822              | 246,600,000           | (240,037,699)          | 59,610,123              |
| Secured notes            | 23,000,000              | 41,000,000            | (44,000,000)           | 20,000,000              |
| Revenue bonds            | 1,636,321,053           | 133,545,000           | (197,794,551)          | 1,572,071,502           |
|                          | <u>\$ 1,717,368,875</u> | <u>\$ 421,145,000</u> | <u>\$(481,832,250)</u> | <u>\$ 1,656,681,625</u> |

Bonds and notes payable activity for the year ended June 30, 2010 is as follows:

|                          | Beginning<br>Balance    | Additions             | Reductions             | Ending Balance          |
|--------------------------|-------------------------|-----------------------|------------------------|-------------------------|
| Bonds and notes payable: |                         |                       |                        |                         |
| General obligation bonds | \$ 5,000,000            | \$ -                  | \$ -                   | \$ 5,000,000            |
| Unsecured notes          | 38,064,992              | 196,500,000           | (181,517,170)          | 53,047,822              |
| Secured notes            | 32,000,000              | 62,500,000            | (71,500,000)           | 23,000,000              |
| Revenue bonds            | 1,508,853,969           | 234,500,000           | (107,032,916)          | 1,636,321,053           |
|                          | <u>\$ 1,583,918,961</u> | <u>\$ 493,500,000</u> | <u>\$(360,050,086)</u> | <u>\$ 1,717,368,875</u> |

## 7. Commitments and Contingencies

The Corporation is party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying balance sheets. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments.



**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Total credit exposure as a result of loan commitments at June 30, 2011 is as follows:

| <b>Fund</b>        | <b>Commitments</b> |
|--------------------|--------------------|
| Operating Fund     | \$ 43,533,111      |
| Single-Family Fund | 8,373,562          |
| Multi-Family Fund  | -                  |
| Total              | \$ 51,906,673      |

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The Corporation evaluates each borrower's credit worthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation is party to a standby letter of credit agreement whereby the Corporation guarantees payment of principal and interest to bondholders in the event of nonperformance by the borrower. The Corporation's exposure to credit loss is represented by the contractual amount of the letter of credit, up to a maximum of \$2,067,666 at June 30, 2011. The Corporation also entered into a confirming letter of credit agreement with a financial institution whereby the financial institution guarantees payment of principal and interest to bondholders in the event of nonperformance by both the borrower and the Corporation. The Corporation holds a marketable security as collateral to support this confirming letter of credit with a fair value of \$2,599,149 at June 30, 2011.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which Rhode Island Housing and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of Rhode Island Housing.

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before June 30, 2011 because Rhode Island Housing officials are of the opinion that, based on prior experience, any claims will not be material.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**8. Segment Information**

The Corporation has issued various revenue bonds to finance the activities of its Single-Family Fund and Multi-Family Fund. Investors in each revenue bond rely solely on the revenue stream generated from the activities associated with the specific revenue bonds for repayment. Segment information relating to these identifiable activities is presented in the accompanying balance sheets, statements of revenues, expenses and changes in fund equity and statements of cash flows.

**9. Employee Benefits**

**Employee Benefit Plan**

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation's 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee's annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan by the Corporation for the years ended June 30, 2011 and 2010 totaled \$895,456 and \$886,247, respectively. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

**Post-employment Healthcare Plan**

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. As of June 30, 2011, the plan included 10 retirees, 8 of which are receiving benefits, and 181 active employees. RIHRHP does not issue a stand-alone financial report.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. For the years ended June 30, 2011 and 2010, plan members receiving benefits contributed \$5,895 and \$4,689, respectively, as their required contribution.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

The annual OPEB cost for the fiscal years ending June 30, 2011 and 2010, are as follows:

|   | 2011         | 2010       |
|---|--------------|------------|
| Annual required contribution (ARC)                      | \$ 343,431   | \$ 280,307 |
| Interest on OPEB obligation                             | 109,316      | 96,774     |
| Adjustments to ARC                                      | (101,280)    | 5,590      |
| Annual OPEB cost  | 351,467      | 382,671    |
| Net estimated employer contributions                    | (25,120)     | (11,310)   |
| Increase in net OPEB obligation                         | 326,347      | 371,361    |
| Net OPEB obligation, beginning of year                  | 2,429,247    | 2,057,886  |
| Net OPEB obligation, end of year                        | \$ 2,755,594 | 2,429,247  |
| Percent of annual OPEB cost contributed in current year | 7.1%         | 3.0%       |

The Net OPEB obligation is included in accounts payable and accrued liabilities in the accompanying balance sheets. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2011 and the preceding two fiscal years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Amount Contributed | Percentage Contributed | Net OPEB Obligation |
|-------------------|------------------|-----------------------------|------------------------|---------------------|
| June 30, 2009     | \$ 280,655       | \$ 12,587                   | 4.5%                   | \$ 2,150,525        |
| June 30, 2010     | 382,671          | 11,310                      | 3.0%                   | 2,429,247           |
| June 30, 2011     | 351,467          | 25,120                      | 7.1%                   | 2,755,594           |

**Funding Status and Funding Progress:**

The actuarial value of assets would be equal to the reported market value of the underlying assets. Under the reporting parameters, the Corporation's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$2,764,235 at June 30, 2011, which is the most recent actuarial valuation date.

**Actuarial Methods and Assumptions**

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The ARC was calculated based on the projected unit credit method, which provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. The unfunded accrued liability was amortized as a level percent of active payroll over 30 years.

**Rhode Island Housing and Mortgage Finance Corporation**  
**(A Component Unit of the State of Rhode Island)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Projections of health benefits are based on the plan as understood by the Corporation and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 3.00% inflation rate, an investment rate of return of 4.50% based on the Corporations overall rate of return on assets, payroll growth of 3.00%. The initial annual healthcare cost trend rate of 8.5%, declining to an ultimate rate of 4.50% after 8 years.

The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**10. State Rental Subsidy Program**

The Corporation and the State have entered into a contractual relationship whereby the Corporation assumed the responsibility for the State Rental Subsidy Program for the period July 1, 1994 through June 30, 1997. In addition, the Corporation made \$3,800,000 in advances on behalf of the State for this program in the fiscal year ended June 30, 1994. As provided in the contractual arrangement, the State agreed to repay the \$3,800,000, subject to appropriations, in installments of \$950,000 over a four-year period beginning in the year ended June 30, 1996, but to date no payments have been received, nor have any payments for advances totaling \$48,023,646 made during the years ended June 30, 1998 through 2011 been received.

**11. Subsequent Events**

The Corporation has instructed its trustee to redeem the following bonds outstanding.

| <u>Date of Call</u> | <u>Principal Program</u>        | <u>Outstanding</u> |
|---------------------|---------------------------------|--------------------|
| July 1, 2011        | Homeownership Opportunity Bonds | \$ 26,865,000      |
| October 1, 2011     | Homeownership Opportunity Bonds | 12,365,000         |
| October 1, 2011     | Home Funding Bonds              | 1,810,000          |

On September 29, 2011, the Corporation issued \$35,000,000 of Home Funding Bonds.

The Corporation's management has evaluated subsequent events through September 29, 2011, which is the date these financial statements were available to be issued.

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners of the  
Rhode Island Housing and Mortgage Finance Corporation  
Providence, Rhode Island

We have audited the financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (the "Corporation"), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 29, 2011, which contained unqualified opinions on those financial statements. Our audits were conducted for the purpose of forming opinions on the Corporation's financial statements as a whole. The supplemental information presented on pages 53 through 62 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**CCR LLP**

Providence, Rhode Island  
September 29, 2011

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION  
(COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**Required Supplementary Information  
Schedule of Funding Progress  
Year Ended June 30, 2011**

**Rhode Island Housing and Mortgage Finance Corporation  
Retiree Health Care Benefit Plan**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>Entry Age<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as<br>a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| June 30, 2009                  | \$ -                                   | \$ 1,882,457   | \$ 1,882,457                       | 0%                       | \$ 8,857,639              | 21.3%  |
| June 30, 2010                  | -                                      | 1,882,457  | 1,882,457                          | 0%                       | 9,137,027                 | 20.6%  |
| June 30, 2011                  | -                                      | 2,764,235  | 2,764,235                          | 0%                       | 9,052,294                 | 30.5%  |

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Balance Sheets - Single-Family Fund**  
**June 30, 2011 and 2010**

|   | <b>Homeownership Opportunity Bond<br/>Program</b> |                                | <b>Home Funding Bond Program</b> |                              |
|---|---|--------------------------------|----------------------------------|------------------------------|
|   | <b>2011</b>                                       | <b>2010</b>                    | <b>2011</b>                      | <b>2010</b>                  |
| <b>Assets</b>                               |   |                                |                                  |                              |
| Loans receivable                            | \$ 1,016,667,047                                  | \$ 1,108,803,499               | \$ 52,235,879                    | \$ 32,879,608                |
| Less allowance for loan losses              | (1,260,983)                                       | (3,835,432)                    | -                                | -                            |
| Loans receivable, net                       | <u>1,015,406,064</u>                              | <u>1,104,968,067</u>           | <u>52,235,879</u>                | <u>32,879,608</u>            |
| Investments                                 | 37,105,876  | 45,308,799                     | 73,859,174                       | 45,812,797                   |
| Accrued interest-loans                      | 3,842,221   | 3,949,684                      | 155,798                          | 96,718                       |
| Accrued interest-investments                | 340,470   | 441,031                        | 262,063                          | 169,171                      |
| Cash and cash equivalents                   | 76,820,295  | 62,830,773                     | 58,657,128                       | 85,561,961                   |
| Deferred bond issuance costs, net           | 7,741,537   | 8,858,324                      | 1,142,892                        | 870,863                      |
| Other assets, net                           | 17,265,478  | 12,708,827                     | 101,151                          | 62,167                       |
| Interfund receivable (payable)              | (7,600)   | (49,461)                       | 18,597                           | -                            |
| <b>Total Assets</b>                         | <b><u>\$ 1,158,514,341</u></b>                    | <b><u>\$ 1,239,016,044</u></b> | <b><u>\$ 186,432,682</u></b>     | <b><u>\$ 165,453,285</u></b> |
| <b>Liabilities and Fund Equity</b>          |   |                                |                                  |                              |
| Bonds and notes payable                     | \$ 999,690,031                                    | \$ 1,079,218,918               | \$ 175,174,236                   | \$ 157,983,035               |
| Accrued interest payable on bonds and notes | 11,351,825  | 12,335,216                     | 1,143,394                        | 741,079                      |
| Accounts payable and accrued liabilities    | 724,800   | 1,073,819                      | -                                | -                            |
| Deferred fees                               | 345,877   | 392,845                        | -                                | -                            |
| Escrow deposits                             | -   | -                              | -                                | 302                          |
| <b>Total liabilities</b>                    | <b><u>1,012,112,533</u></b>                       | <b><u>1,093,020,798</u></b>    | <b><u>176,317,630</u></b>        | <b><u>158,724,416</u></b>    |
| <b>Fund Equity</b>                          |   |                                |                                  |                              |
| Fund equity, restricted                     | <u>146,401,808</u>                                | <u>145,995,246</u>             | <u>10,115,052</u>                | <u>6,728,869</u>             |
| <b>Total Liabilities and Fund Equity</b>    | <b><u>\$ 1,158,514,341</u></b>                    | <b><u>\$ 1,239,016,044</u></b> | <b><u>\$ 186,432,682</u></b>     | <b><u>\$ 165,453,285</u></b> |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Balance Sheets - Single-Family Fund**  
**June 30, 2011 and 2010**

|   | <b>Single-Family Fund Totals</b> |                         |
|---|----------------------------------|-------------------------|
|   | <b>2011</b>                      | <b>2010</b>             |
| <b>Assets</b>                               |                                  |                         |
| Loans receivable                            | \$ 1,068,902,926                 | \$ 1,141,683,107        |
| Less allowance for loan losses              | (1,260,983)                      | (3,835,432)             |
| Loans receivable, net                       | 1,067,641,943                    | 1,137,847,675           |
| Investments                                 | 110,965,050                      | 91,121,596              |
| Accrued interest-loans                      | 3,998,019                        | 4,046,402               |
| Accrued interest-investments                | 602,533                          | 610,202                 |
| Cash and cash equivalents                   | 135,477,423                      | 148,392,734             |
| Deferred bond issuance costs, net           | 8,884,429                        | 9,729,187               |
| Other assets, net                           | 17,366,629                       | 12,770,994              |
| Interfund receivable (payable)              | 10,997                           | (49,461)                |
| <b>Total Assets</b>                         | <b>\$ 1,344,947,023</b>          | <b>\$ 1,404,469,329</b> |
| <b>Liabilities and Fund Equity</b>          |                                  |                         |
| Bonds and notes payable                     | \$ 1,174,864,267                 | \$ 1,237,201,953        |
| Accrued interest payable on bonds and notes | 12,495,219                       | 13,076,295              |
| Accounts payable and accrued liabilities    | 724,800                          | 1,073,819               |
| Deferred fees                               | 345,877                          | 392,845                 |
| Escrow deposits                             | -                                | 302                     |
| <b>Total liabilities</b>                    | <b>1,188,430,163</b>             | <b>1,251,745,214</b>    |
| <b>Fund Equity</b>                          |                                  |                         |
| Fund equity, restricted                     | 156,516,860                      | 152,724,115             |
| <b>Total Liabilities and Fund Equity</b>    | <b>\$ 1,344,947,023</b>          | <b>\$ 1,404,469,329</b> |

See Accompanying Independent Auditors' Report.



**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund**  
**For the Years Ended June 30, 2011 and 2010**

|  | <b>Homeownership Opportunity Bond</b> |                       | <b>Home Funding Bond Program</b> |                                  |
|--|---------------------------------------|-----------------------|----------------------------------|----------------------------------|
|  | <b>Program</b>                        |                       |                                  | <b>Home Funding Bond Program</b> |
|  | <b>2011</b>                           | <b>2010</b>           | <b>2011</b>                      | <b>2010</b>                      |
| <b>Operating revenues:</b>                           |                                       |                       |                                  |                                  |
| Interest income on loans                             | \$ 53,604,253                         | \$ 58,855,358         | \$ 1,783,411                     | \$ 1,035,602                     |
| Income on investments:                               |                                       |                       |                                  |                                  |
| Interest on investments                              | 2,244,545                             | 2,643,426             | 3,023,276                        | 819,139                          |
| Net increase (decrease) in fair value of investments | 120,709                               | 1,044,068             | 2,159,139                        | 2,535,950                        |
| <b>Total operating revenues</b>                      | <b>55,969,507</b>                     | <b>62,542,852</b>     | <b>6,965,826</b>                 | <b>4,390,691</b>                 |
| <b>Operating expenses:</b>                           |                                       |                       |                                  |                                  |
| Interest expense                                     | 47,370,296                            | 51,695,932            | 3,811,114                        | 1,521,106                        |
| Other administrative expenses                        | 113,875                               | 97,577                | -                                | -                                |
| Housing initiatives                                  | 43,919                                | 48,754                | -                                | -                                |
| Provision for loan loss                              | 3,064,633                             | 3,100,000             | -                                | -                                |
| Arbitrage rebate                                     | 51,198                                | 247,340               | -                                | -                                |
| Amortization of deferred bond issuance costs         | 566,008                               | 611,001               | 50,831                           | 15,807                           |
| Early retirement of debt                             | 550,779                               | 416,715               | 76,887                           | -                                |
| Depreciation and amortization of other assets        | 352,237                               | 320,970               | 103,441                          | 32,141                           |
| <b>Total operating expenses</b>                      | <b>52,112,945</b>                     | <b>56,538,289</b>     | <b>4,042,273</b>                 | <b>1,569,054</b>                 |
| <b>Operating income (loss)</b>                       | <b>3,856,562</b>                      | <b>6,004,563</b>      | <b>2,923,553</b>                 | <b>2,821,637</b>                 |
| Transfers in (out) of fund equity                    | (3,450,000)                           | (2,608,014)           | 462,630                          | 3,907,232                        |
| <b>Total change in fund equity</b>                   | <b>406,562</b>                        | <b>3,396,549</b>      | <b>3,386,183</b>                 | <b>6,728,869</b>                 |
| Fund equity, beginning of year                       | 145,995,246                           | 142,598,697           | 6,728,869                        | -                                |
| Fund equity, end of year                             | <b>\$ 146,401,808</b>                 | <b>\$ 145,995,246</b> | <b>\$ 10,115,052</b>             | <b>\$ 6,728,869</b>              |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund**  
**For the Years Ended June 30, 2011 and 2010**

|  | <b>Single-Family Fund Total</b> |                   |
|--|---------------------------------|-------------------|
|  | <b>2011</b>                     | <b>2010</b>       |
| <b>Operating revenues:</b>                           |                                 |                   |
| Interest income on loans                             | \$ 55,387,664                   | \$ 59,890,960     |
| Income on investments:                               |                                 |                   |
| Interest on investments                              | 5,267,821                       | 3,462,565         |
| Net increase (decrease) in fair value of investments | 2,279,848                       | 3,580,018         |
| <b>Total operating revenues</b>                      | <b>62,935,333</b>               | <b>66,933,543</b> |
| <b>Operating expenses:</b>                           |                                 |                   |
| Interest expense                                     | 51,181,410                      | 53,217,038        |
| Other administrative expenses                        | 113,875                         | 97,577            |
| Housing initiatives                                  | 43,919                          | 48,754            |
| Provision for loan loss                              | 3,064,633                       | 3,100,000         |
| Arbitrage rebate                                     | 51,198                          | 247,340           |
| Amortization of deferred bond issuance costs         | 616,839                         | 626,808           |
| Early retirement of debt                             | 627,666                         | 416,715           |
| Depreciation and amortization of other assets        | 455,678                         | 353,111           |
| <b>Total operating expenses</b>                      | <b>56,155,218</b>               | <b>58,107,343</b> |
| <b>Operating income (loss)</b>                       | <b>6,780,115</b>                | <b>8,826,200</b>  |
| Transfers in (out) of fund equity                    | (2,987,370)                     | 1,299,218         |
| <b>Total change in fund equity</b>                   | <b>3,792,745</b>                | <b>10,125,418</b> |
| Fund equity, beginning of year                       | 152,724,115                     | 142,598,697       |
| Fund equity, end of year                             | \$ 156,516,860                  | \$ 152,724,115    |

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Balance Sheets - Multi-Family Fund**  
**June 30, 2011 and 2010**

|   | Multi-Family Housing Bond Program |                      | Housing Bond Program  |                       |
|---|-----------------------------------|----------------------|-----------------------|-----------------------|
|   | 2011                              | 2010                 | 2011                  | 2010                  |
| <b>Assets</b>                               |                                   |                      |                       |                       |
| Loans receivable                            | \$ 5,670,034                      | \$ 5,978,617         | \$ 221,678,921        | \$ 250,205,338        |
| Less allowance for loan losses              | -                                 | -                    | -                     | -                     |
| Loans receivable, net                       | 5,670,034                         | 5,978,617            | 221,678,921           | 250,205,338           |
| Investments                                 | 29,567,461                        | 27,766,667           | 24,085,198            | 24,272,469            |
| Accrued interest-loans                      | 38,240                            | 40,478               | 1,349,572             | 1,523,639             |
| Accrued interest-investments                | 11,809                            | 9,916                | 273,073               | 251,629               |
| Cash and cash equivalents                   | 1,867,584                         | 3,856,804            | 17,729,187            | 22,012,500            |
| Deferred bond issuance costs, net           | 68,046                            | 74,855               | 64,416                | 96,572                |
| Interfund receivable (payable)              | -                                 | -                    | -                     | 11,953,985            |
| <b>Total Assets</b>                         | <b>\$ 37,223,174</b>              | <b>\$ 37,727,337</b> | <b>\$ 265,180,367</b> | <b>\$ 310,316,132</b> |
| <b>Liabilities and Fund Equity</b>          |                                   |                      |                       |                       |
| Bonds and notes payable                     | \$ 4,565,000                      | \$ 6,660,000         | \$ 230,607,235        | \$ 260,599,100        |
| Accrued interest payable on bonds and notes | 127,484                           | 144,864              | 2,506,999             | 2,914,449             |
| Accounts payable and accrued liabilities    | 188,554                           | 187,537              | 2,345,768             | 2,394,055             |
| Deferred fees                               | -                                 | -                    | -                     | -                     |
| Escrow deposits                             | -                                 | -                    | 1,247,726             | 1,247,726             |
| <b>Total liabilities</b>                    | <b>4,881,038</b>                  | <b>6,992,401</b>     | <b>236,707,728</b>    | <b>267,155,330</b>    |
| <b>Fund Equity</b>                          |                                   |                      |                       |                       |
| Fund equity, restricted                     | 32,342,136                        | 30,734,936           | 28,472,639            | 43,160,802            |
| <b>Total Liabilities and Fund Equity</b>    | <b>\$ 37,223,174</b>              | <b>\$ 37,727,337</b> | <b>\$ 265,180,367</b> | <b>\$ 310,316,132</b> |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Balance Sheets - Multi-Family Fund**  
**June 30, 2011 and 2010**

|   | Multi-Family Mortgage Revenue<br>Bond Program |                             | Multi-Family Funding Bond<br>Program |                             |
|---|---|-----------------------------|--------------------------------------|-----------------------------|
|   | 2011  | 2010                        | 2011                                 | 2010                        |
| <b>Assets</b>                               |   |                             |                                      |                             |
| Loans receivable                            | \$ 66,690,000                                 | \$ 66,760,000               | \$ 72,217,422                        | \$ -                        |
| Less allowance for loan losses              | -   | -                           | -                                    | -                           |
| Loans receivable, net                       | <u>66,690,000</u>                             | <u>66,760,000</u>           | <u>72,217,422</u>                    | <u>-</u>                    |
| Accrued interest-loans                      | 27,814  | 34,229                      | 382,297                              | -                           |
| Cash and cash equivalents                   | 468,141                                       | 69,874                      | 19,738,481                           | 65,119,726                  |
| Deferred bond issuance costs, net           | -   | -                           | 55,533                               | 265,070                     |
| Interfund receivable (payable)              | -   | -                           | 291,320                              | -                           |
| <b>Total Assets</b>                         | <b><u>\$ 67,185,955</u></b>                   | <b><u>\$ 66,864,103</u></b> | <b><u>\$ 92,685,053</u></b>          | <b><u>\$ 65,384,796</u></b> |
| <b>Liabilities and Fund Equity</b>          |   |                             |                                      |                             |
| Bonds and notes payable                     | \$ 66,690,000                                 | \$ 66,760,000               | \$ 86,410,000                        | \$ 65,100,000               |
| Accrued interest payable on bonds and notes | 11,024  | 17,418                      | 633,734                              | 19,726                      |
| Deferred fees                               | 67,226  | 66,750                      | -                                    | -                           |
| Escrow deposits                             | 467,870                                       | 69,603                      | -                                    | -                           |
| <b>Total liabilities</b>                    | <b><u>67,236,120</u></b>                      | <b><u>66,913,771</u></b>    | <b><u>87,043,734</u></b>             | <b><u>65,119,726</u></b>    |
| <b>Fund Equity</b>                          |   |                             |                                      |                             |
| Fund equity, restricted                     | <u>(50,165)</u>                               | <u>(49,668)</u>             | <u>5,641,319</u>                     | <u>265,070</u>              |
| <b>Total Liabilities and Fund Equity</b>    | <b><u>\$ 67,185,955</u></b>                   | <b><u>\$ 66,864,103</u></b> | <b><u>\$ 92,685,053</u></b>          | <b><u>\$ 65,384,796</u></b> |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Balance Sheets - Multi-Family Fund**  
**June 30, 2011 and 2010**

|   | <u>Multi-Family Development Bonds</u> |                    | <u>Multi-Family Fund Total</u> |                              |
|---|---------------------------------------|--------------------|--------------------------------|------------------------------|
|   | <u>2011</u>                           | <u>2010</u>        | <u>2011</u>                    | <u>2010</u>                  |
| <b>Assets</b>                               |                                       |                    |                                |                              |
| Loans receivable                            | \$ 8,934,877                          | \$ -               | \$ 375,191,254                 | \$ 322,943,955               |
| Less allowance for loan losses              | -                                     | -                  | -                              | -                            |
| Loans receivable, net                       | <u>8,934,877</u>                      | <u>-</u>           | <u>375,191,254</u>             | <u>322,943,955</u>           |
| Investments                                 | -                                     | -                  | 53,652,659                     | 52,039,136                   |
| Accrued interest-loans                      | 51,013                                | -                  | 1,848,936                      | 1,598,346                    |
| Accrued interest-investments                | -                                     | -                  | 284,882                        | 261,545                      |
| Cash and cash equivalents                   | 708,384                               | -                  | 40,511,777                     | 91,058,904                   |
| Deferred bond issuance costs, net           | -                                     | -                  | 187,995                        | 436,497                      |
| Interfund receivable (payable)              | 119,373                               | -                  | 410,693                        | 11,953,985                   |
| <b>Total Assets</b>                         | <u><b>\$ 9,813,647</b></u>            | <u><b>\$ -</b></u> | <u><b>\$ 472,088,196</b></u>   | <u><b>\$ 480,292,368</b></u> |
| <b>Liabilities and Fund Equity</b>          |                                       |                    |                                |                              |
| Bonds and notes payable                     | \$ 8,935,000                          | \$ -               | \$ 397,207,235                 | \$ 399,119,100               |
| Accrued interest payable on bonds and notes | 121,531                               | -                  | 3,400,772                      | 3,096,457                    |
| Accounts payable and accrued liabilities    | -                                     | -                  | 2,534,322                      | 2,581,592                    |
| Deferred fees                               | -                                     | -                  | 67,226                         | 66,750                       |
| Escrow deposits                             | -                                     | -                  | 1,715,596                      | 1,317,329                    |
| <b>Total liabilities</b>                    | <u><b>9,056,531</b></u>               | <u><b>-</b></u>    | <u><b>404,925,151</b></u>      | <u><b>406,181,228</b></u>    |
| <b>Fund Equity</b>                          |                                       |                    |                                |                              |
| Fund equity, restricted                     | <u>757,116</u>                        | <u>-</u>           | <u>67,163,045</u>              | <u>74,111,140</u>            |
| <b>Total Liabilities and Fund Equity</b>    | <u><b>\$ 9,813,647</b></u>            | <u><b>\$ -</b></u> | <u><b>\$ 472,088,196</b></u>   | <u><b>\$ 480,292,368</b></u> |

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund**  
**For the Years Ended June 30, 2011 and 2010**

|  | <u>Multi-Family Housing Bond Program</u> |                      | <u>Housing Bond Program</u> |                      |
|--|--|----------------------|-----------------------------|----------------------|
|  | 2011                                     | 2010                 | 2011                        | 2010                 |
| <b>Operating revenues:</b>                           |  |                      |                             |                      |
| Interest income on loans                             | \$ 471,380                               | \$ 528,951           | \$ 16,455,704               | \$ 17,959,755        |
| Income on investments:                               |  |                      |                             |                      |
| Interest on investments                              | 1,742,250                                | 1,734,889            | 1,134,077                   | 1,258,009            |
| Net increase (decrease) in fair value of investments | -  | -                    | (149,727)                   | 1,615,519            |
| <b>Total operating revenues</b>                      | <u>2,213,630</u>                         | <u>2,263,840</u>     | <u>17,440,054</u>           | <u>20,833,283</u>    |
| <b>Operating expenses:</b>                           |  |                      |                             |                      |
| Interest expense                                     | 254,967                                  | 428,466              | 11,039,139                  | 12,226,221           |
| Other administrative expenses                        | 3,221                                    | 3,929                | 251,225                     | 269,129              |
| Housing initiatives                                  | 9,768                                    | 9,941                | 594,443                     | 546,015              |
| Arbitrage rebate                                     | 341,433                                  | (206,678)            | (48,287)                    | 1,231,144            |
| Amortization of deferred bond issuance costs         | 6,809                                    | 10,539               | 8,761                       | 4,676                |
| Early retirement of debt                             | -  | -                    | 23,396                      | -                    |
| Depreciation and amortization of other assets        | -  | -                    | -                           | -                    |
| <b>Total operating expenses</b>                      | <u>616,198</u>                           | <u>246,197</u>       | <u>11,868,677</u>           | <u>14,277,185</u>    |
| <b>Operating income (loss)</b>                       | <u>1,597,432</u>                         | <u>2,017,643</u>     | <u>5,571,377</u>            | <u>6,556,098</u>     |
| Transfers in (out) of fund equity                    | 9,768                                    | 9,940                | (20,259,540)                | (1,400,000)          |
| <b>Total change in fund equity</b>                   | <u>1,607,200</u>                         | <u>2,027,583</u>     | <u>(14,688,163)</u>         | <u>5,156,098</u>     |
| Fund equity, beginning of year                       | 30,734,936                               | 28,707,353           | 43,160,802                  | 38,004,704           |
| Fund equity, end of year                             | <u>\$ 32,342,136</u>                     | <u>\$ 30,734,936</u> | <u>\$ 28,472,639</u>        | <u>\$ 43,160,802</u> |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund**  
**For the Years Ended June 30, 2011 and 2010**

|  | <b>Multi-Family Mortgage Revenue<br/>Bond Program</b> |                | <b>Multi-Family Funding Bond<br/>Program</b> |                |
|--|---|----------------|--|----------------|
|  | <b>2011</b>   | <b>2010</b>    | <b>2011</b>                                  | <b>2010</b>    |
| <b>Operating revenues:</b>                           |   |                |  |                |
| Interest income on loans                             | \$ 536,824  | \$ 725,390     | \$ 2,391,738                                 | \$ -           |
| Income on investments:                               |   |                |  |                |
| Interest on investments                              | -   | -              | 27,795                                       | 19,726         |
| Net increase (decrease) in fair value of investments | -   | -              | -  | -              |
| <b>Total operating revenues</b>                      | <b>536,824</b>  | <b>725,390</b> | <b>2,419,533</b>                             | <b>19,726</b>  |
| <b>Operating expenses:</b>                           |   |                |  |                |
| Interest expense                                     | 203,884   | 380,021        | 1,174,238                                    | 19,726         |
| Other administrative expenses                        | -   | -              | -  | -              |
| Housing initiatives                                  | -   | -              | 14,522                                       | -              |
| Arbitrage rebate                                     | -   | -              | -  | -              |
| Amortization of deferred bond issuance costs         | -   | -              | 4,818  | 2,299          |
| Early retirement of debt                             | -   | -              | 204,718                                      | -              |
| <b>Total operating expenses</b>                      | <b>203,884</b>  | <b>380,021</b> | <b>1,398,296</b>                             | <b>22,025</b>  |
| <b>Operating income (loss)</b>                       | <b>332,940</b>  | <b>345,369</b> | <b>1,021,237</b>                             | <b>(2,299)</b> |
| Transfers in (out) of fund equity                    | (333,437)   | (346,592)      | 4,355,012                                    | 267,369        |
| <b>Total change in fund equity</b>                   | <b>(497)</b>  | <b>(1,223)</b> | <b>5,376,249</b>                             | <b>265,070</b> |
| Fund equity, beginning of year                       | (49,668)  | (48,445)       | 265,070                                      | -              |
| Fund equity, end of year                             | \$ (50,165)   | \$ (49,668)    | \$ 5,641,319                                 | \$ 265,070     |

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund**  
**For the Years Ended June 30, 2011 and 2010**

|  | Multi-Family Development |             | Multi-Family Total   |                      |
|--|--------------------------|-------------|----------------------|----------------------|
|  | Bonds                    |             |                      |                      |
|  | 2011                     | 2010        | 2011                 | 2010                 |
| <b>Operating revenues:</b>                           |                          |             |                      |                      |
| Interest income on loans                             | \$ 464,646               | \$ -        | \$ 20,320,292        | \$ 19,214,096        |
| Income on investments:                               |                          |             |                      |                      |
| Interest on investments                              | 824                      | -           | 2,904,946            | 3,012,624            |
| Net increase (decrease) in fair value of investments | -                        | -           | (149,727)            | 1,615,519            |
| <b>Total operating revenues</b>                      | <b>465,470</b>           | <b>-</b>    | <b>23,075,511</b>    | <b>23,842,239</b>    |
| <b>Operating expenses:</b>                           |                          |             |                      |                      |
| Interest expense                                     | 258,376                  | -           | 12,930,604           | 13,054,434           |
| Other administrative expenses                        | -                        | -           | 254,446              | 273,058              |
| Housing initiatives                                  | 190                      | -           | 618,923              | 555,956              |
| Arbitrage rebate                                     | -                        | -           | 293,146              | 1,024,466            |
| Amortization of deferred bond issuance costs         | -                        | -           | 20,388               | 17,514               |
| Early retirement of debt                             | -                        | -           | 228,114              | -                    |
| <b>Total operating expenses</b>                      | <b>258,566</b>           | <b>-</b>    | <b>14,345,621</b>    | <b>14,925,428</b>    |
| <b>Operating income (loss)</b>                       | <b>206,904</b>           | <b>-</b>    | <b>8,729,890</b>     | <b>8,916,811</b>     |
| Transfers in (out) of fund equity                    | 550,212                  | -           | (15,677,985)         | (1,469,283)          |
| <b>Total change in fund equity</b>                   | <b>757,116</b>           | <b>-</b>    | <b>(6,948,095)</b>   | <b>7,447,528</b>     |
| Fund equity, beginning of year                       | -                        | -           | 74,111,140           | 66,663,612           |
| Fund equity, end of year                             | <u>\$ 757,116</u>        | <u>\$ -</u> | <u>\$ 67,163,045</u> | <u>\$ 74,111,140</u> |



CERTAIN DEFINITIONS

“*Account*” means one of the special accounts created and established pursuant to the Resolution.

“*Accountant*” means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by Rhode Island Housing and may be the accountant or firm of accountants who regularly audits the books and accounts of Rhode Island Housing.

“*Act*” means Chapter 55 of Title 42 of the General Laws of Rhode Island 1956 (2006 Reenactment), as amended.

“*Aggregate Debt Service*” means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

“*Appreciation Bond*” means any Bond whose Issuance Amount is less than 97.5% of the Maturity Amount.

“*Authorized Officer*” means the Chairman, Executive Director, Deputy Director—Finance, Controller, Treasurer and Portfolio Manager of Rhode Island Housing and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of Rhode Island Housing then authorized to perform such act or discharge such duty.

“*Bond*” means one of the Bonds to be authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds to be issued pursuant to the Resolution.

“*Bond Counsel’s Opinion*” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by Rhode Island Housing and satisfactory to the Trustee.

“*Bond Proceeds Account*” means the Bond Proceeds Account established pursuant to the Resolution.

“*Bondholder*” or “*holder*” or words of similar import, when used with reference to a Bond, means any person who shall be the registered owner of any Outstanding Bond registered other than to bearer.

“*Cash Equivalent*” means a Letter of Credit, Insurance Policy, Surety, Guarantee or other Security Arrangement (as defined and provided for in a Supplemental Resolution authorizing the issuance of Bonds), or which is provided by an institution whose unsecured debt securities are assigned to a rating category which does not have an adverse impact on the rating category to which the Bonds are assigned by a nationally recognized rating agency at the time of the issuance of such Letter of Credit, Insurance Policy, Surety, Guarantee or other Security Arrangement (or the highest rating of short-term obligations if the Cash Equivalent is a short-term instrument).

“*Certificate*” means (a) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be

determined pursuant to the Resolution or (b) the report of an Accountant as to audit or other procedures called for by the Resolution.

*“Compounded Amount”* means as of any particular date of calculation with reference to any Appreciation Bond, either (a) the applicable Compounded Amount for such date established by Rhode Island Housing in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to the Resolution or (b) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issuance Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to the Resolution. Any determination of Compounded Amount shall assume straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

*“Costs of Issuance”* means all items of expense, directly or indirectly payable or reimbursable by or to Rhode Island Housing and related to the authorization, sale or issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial fees for letters of credit and any other costs, charges or fees in connection with the original issuance of Bonds.

*“Debt Service”* means, with respect to payments to be made during any particular Fiscal Year and, where appropriate, to the Bonds of any particular Series, an amount equal to the sum of (a) all interest payable on such Bonds during such Fiscal Year, plus (b) any Principal Installments of such Bonds during such Fiscal Year.

*“Debt Service Reserve Account”* means the Debt Service Reserve Account established pursuant to the Resolution.

*“Debt Service Reserve Account Requirement”* means an amount equal to the aggregate amounts for each Series established in the Supplemental Resolution authorizing such Series of Bonds. In evaluating compliance with the Debt Service Reserve Fund Requirement, there shall be taken into account any amount provided in a Supplemental Resolution to be deposited in the Debt Service Reserve Account from amounts on deposit in the Bond Proceeds Account.

*“Depository”* means any bank or trust company or national banking association selected by Rhode Island Housing or the Trustee (with the consent of Rhode Island Housing) as a depository of moneys or securities held under the provisions of this Resolution and may include the Trustee or any Paying Agent.

*“Escrow Payments”* means and includes all amounts paid directly to Rhode Island Housing or to the servicer of any Mortgage Loan representing payments to obtain or maintain mortgage insurance or any subsidy with respect to a Mortgage Loan or the mortgaged premises or payments required by any Mortgage Loan in connection with real estate taxes, assessments, water charges, sewer rents, casualty or other insurance, replacement or operating reserves or other like payments in connection therewith.

*“Event of Default”* means any of the events specified in the Resolution.

“*Fannie Mae*” means the Federal National Mortgage Association, a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et. seq.

“*FHA*” means the Federal Housing Administration within the United States Department of Housing and Urban Development.

“*Fiduciary*” means the Trustee, the Paying Agent, and any Depositary or any or all of them as may be appropriate.

“*Final Compounding Date*” means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a periodic basis.

“*Fiscal Year*” means a twelve-month period commencing on the first day of July of any year.

“*Freddie Mac*” means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States.

“*HUD*” means the United States Department of Housing and Urban Development.

“*Interest Payment Date*” means, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

“*Internal Rate of Return,*” when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to the Resolution and compounded on each Interest Payment Date therefor, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest, if any, on each Interest Payment Date therefor on such Bond which is payable on the Interest Payment Dates therefor.

“*Investment Securities*” means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of Rhode Island Housing under the Act, including the amendments thereto hereafter made, or under other applicable law:

- (1) direct obligations of or obligations guaranteed by the United States of America;
- (2) [intentionally omitted];
- (3) any bond, debenture, note, participation certificate or other similar obligation issued by a federal agency and backed by the full faith and credit of the United States of America;
- (4) Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or temporary notes, preliminary loan notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) direct and general obligations of or obligations guaranteed by the State, to the payment of the principal of and interest on which the full faith and credit of the State is pledged provided that such obligation is rated at least A1/P-1; and

(6) deposits in interest-bearing time or demand deposits, certificates of deposit, repurchase agreements or similar banking arrangements made, acquired or entered into in accordance with the section of the Resolution regarding deposits and, if longer than 90 days, rated at least A1/P-1; and

(7) any investments authorized in a Supplemental Resolution.

Provided that, it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this Resolution by a Supplemental Resolution, thus permitting investments with different characteristics from those permitted which Rhode Island Housing deems from time to time to be in the interests of Rhode Island Housing to include as Investment Securities if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then existing rating or ratings assigned to them by any nationally recognized rating agency which maintains a rating on the Bonds.

*“Issuance Amount”* means the price, exclusive of accrued interest (if any) which is payable within the next twelve months, at which a Bond was offered for sale to the public (or the price of such Bond to the initial Purchaser if not publicly sold) at the time of issuance thereof by Rhode Island Housing pursuant to the Resolution, which shall be set forth or provided for in a Supplemental Resolution, irrespective of underwriter’s compensation, commissions, placement agent’s fees, concessions, costs of issuance, or similar costs.

*“Maturity Amount”* means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on the Interest Payment Dates therefor.

*“Mortgage”* means a mortgage deed, deed of trust or other instrument securing a Mortgage Loan.

*“Mortgage Loan”* means loans for multifamily housing financed from amounts in the Bond Proceeds Account, and includes the Mortgage and the promissory note or notes securing such Mortgage, evidencing any such Mortgage Loan.

*“Outstanding,”* when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

(a) any Bond cancelled by a Fiduciary or delivered to a Fiduciary for cancellation at or prior to such date;

(b) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Account either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, when due, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such moneys to such payment or redemption on the date so specified; or

(b) Investment Securities, as described in the Resolution, in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, when due, together with accrued interest on such Bond to the payment date or Redemption Date, which payment or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such moneys to such payment or redemption on the date so specified; or

(c) any combination of (i) and (ii) above;

(c) any bond in lieu of or in substitution or exchange for which other Bonds shall have been authenticated and delivered pursuant to the Resolution; and

(d) any bond deemed to have been paid as provided in the Resolution.

“*Paying Agent*” means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

“*Permitted Encumbrances*” means (a) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to Rhode Island Housing, indemnity has been provided or similar steps to secure the interest of Rhode Island Housing have been taken, (b) ad valorem property taxes ratably accrued but not yet due and payable, (c) severed mineral estates or interests owned by others, and (d) such other liens, encumbrances, reservations, easements, rights of way and other clouds on title as Rhode Island Housing determines will not impair the habitability or value of the premises or the ability to realize the benefits of any insurance.

“*Pledged Receipts*” means (a) the scheduled or other payments required by any Mortgage Loan and paid to Rhode Island Housing from any source, including both timely and delinquent payments with late charges, (b) any extension privilege payment required in connection with delays in construction, cost certification or initial occupancy of the residential housing being financed by any Mortgage Loan, (c) all income earned or gain realized in excess of losses suffered on any investment or deposit of monies in the Accounts established and maintained pursuant to the Resolution (except the Rebate Account), (d) net income received with respect to any Acquired Development (as defined herein under the caption “**SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—The Program**”) and (e) any other amounts set forth in the Supplemental Resolution authorizing a Series of Bonds, but shall not mean or include Recoveries of Principal, any payments with respect to any Mortgage Loan received or accrued prior to the date that Revenues therefrom are pledged under the Resolution, Escrow Payments or any amount retained by the servicer of any Mortgage Loan, if there be one other than Rhode Island Housing, as financing or settlement fees payable at the time of initial disbursement of a Mortgage Loan.

“*Principal Installment*” means, as of any date of calculation, (a) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Payments payable before such future date plus (b) the unsatisfied balance, determined as provided in the Resolution, of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

“*Program*” means the program for the financing of multifamily loans for housing and related purposes permitted pursuant to the Act, as the same may be amended from time to time consistent with

the Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to the Resolution.

*“Program Expenses”* means all Rhode Island Housing’s expenses in carrying out and administering its Program under the Resolution and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishing, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the Program. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs, a reasonable reserve for losses and expenses estimated to be incurred by Rhode Island Housing and amounts appropriated to reimburse Rhode Island Housing for Program Expenses paid from other sources.

*“Rebate Account”* means the Rebate Account established pursuant to the Resolution.

*“Recoveries of Principal”* means all amounts received by Rhode Island Housing as a recovery of the principal amount disbursed by Rhode Island Housing in connection with any Mortgage Loan including any premium or penalty with respect thereto, on account of (a) the advance payment of amounts to become due pursuant to such Mortgage Loan, (b) the sale, assignment, endorsement or other disposition thereof, (c) the acceleration of payments due thereunder or other remedial proceedings taken in the event of the default thereon, (d) proceeds of mortgage insurance or the net proceeds of hazard or title insurance or (e) proceeds of condemnation.

*“Redemption Account”* means the Redemption Account established pursuant to the Resolution.

*“Redemption Date”* means the date upon which Bonds are to be called for redemption pursuant to the Resolution.

*“Redemption Price”* means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

*“Refunding Bond”* means any Bond authenticated and delivered on original issuance pursuant to the Resolution or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to the Resolution.

*“Resolution”* means the General Multi-Family Funding Program Resolution, adopted by Rhode Island Housing on November 19, 2009, and any amendments or supplements made in accordance with its terms.

*“Revenue Account”* means the Revenue Account established pursuant to the Resolution.

*“Revenues”* means the Pledged Receipts and Recoveries of Principal.

*“Rhode Island Housing”* means the Rhode Island Housing and Mortgage Finance Corporation, a public corporation and instrumentality and agency, created and existing under the laws of the State, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of Rhode Island Housing.

“*Series*” means all Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution or exchange for (but not to refund) such Bonds as provided in the Resolution.

“*Sinking Fund Payment*” means, as of any particular date of calculation, the amount required to be paid at all events by Rhode Island Housing on a single future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by Rhode Island Housing by reason of the maturity of a Bond or by call for redemption at the election or direction of Rhode Island Housing.

“*State*” means the State of Rhode Island and Providence Plantations.

“*Supplemental Resolution*” means any resolution supplemental to or amendatory of the Resolution, adopted by Rhode Island Housing and effective in accordance with the Resolution.

“*Trustee*” means the trustee designated in the Resolution and its successor or successors and any other person at any time substituted in its place pursuant to the Resolution.

[Remainder of page intentionally left blank]

[THIS PAGE INTENTIONALLY LEFT BLANK]



**FEDERAL AND STATE HOUSING ASSISTANCE PROGRAMS**

**The FHA Insurance Program – The FHA Risk-Sharing Program**

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

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

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

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

Rhode Island Housing has been designated by HUD as a “qualified HFA” under the Risk Sharing Act. Rhode Island Housing has entered into a risk-sharing agreement with HUD dated as of June 27, 1994 (the “Risk Sharing Agreement”). Rhode Island Housing has received both “Level I” and “Level II” approvals under the Regulations. A Level I approval requires Rhode Island Housing to reimburse HUD for up to 50% of any loss incurred as a result of a default under a mortgage loan but permits Rhode Island Housing to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application). A Level II approval permits Rhode Island Housing to insure less than 50% of any losses on the mortgage loan and HUD has agreed to allow Rhode Island Housing to use its own

underwriting standards and loan terms and conditions for Level II loans. For all of the Mortgage Loans financed by the Series Bonds and the prior Bonds, Rhode Island Housing is assuming 50% of the risk.

Rhode Island Housing will authorize the use of the FHA Risk-Sharing Program in connection with new Mortgage Loans financed by Bonds on a case-by-case basis.

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

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

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

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

The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. The mortgage note interest component of the initial claim amount is subject to curtailment as described below. HUD must make all claim payments in cash. The initial claim payment to Rhode Island Housing is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. **Rhode Island Housing must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms for the mortgages within 30 days of the initial claim payment.** Any excess funds resulting from such retirement or repayment shall be returned to HUD within 30 days of the retirement. Within 30 days of the initial claim payment, Rhode Island Housing must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing Rhode Island Housing's obligation to HUD under its Risk-Sharing Agreement.

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

When FHA pays a claim, the Risk-Sharing Agreement provides that Rhode Island Housing will issue a debenture (each, a "Debenture") to HUD for the full amount of the claim, which shall be supported by the full faith and credit of Rhode Island Housing. Each Debenture will have a term of five years, will bear interest at HUD's published debenture rate, and interest will be payable annually. The Risk-Sharing Act contemplates that during the five year term of each Debenture, Rhode Island Housing would work toward curing the default, foreclosure or resale of the related development. Upon the due date of each Debenture, the total loss to be shared by Rhode Island Housing and HUD shall be computed pursuant to the Risk-Sharing Agreement.

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

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

### **Section 8 Housing Assistance Payments Program**

Section 8 of the Housing Act, as amended by the Housing and Community Development Act of 1974, established a federal housing assistance program of federal assistance for multifamily housing developments of the type that Rhode Island Housing finances under its Program (each, a "Section 8 Development"). The Section 8 program involves the distribution of housing assistance payments to the owners of housing developments assisted under such program. The Section 8 program is administered on the federal level by HUD. The housing assistance payments program for each Section 8 Development currently is administered at the state level by Rhode Island Housing (in such role, the "Contract Administrator"); no assurances can be given that Rhode Island Housing will continue to administer such housing assistance payments program at the state level.

Pursuant to regulations issued by HUD under the Section 8 program during the period 1975-1984, HUD granted “set-asides” for state housing agencies (i.e., reservations of annual housing assistance payments under the Section 8 program) which an agency, with HUD approval, can allocate to developments according to its own housing program. As provided in the regulations, HUD reserved a portion of such set-asides for the State of Rhode Island to be used in connection with the new construction or substantial rehabilitation of housing.

Eligible tenants for rental units assisted under the Section 8 program, as implemented by the Contract Administrator, are families with family income not in excess of 50% of the median income for the area in which the development is located, as determined by HUD and adjusted for family size. HUD regulations define the term “family” to include elderly, disabled, handicapped or displaced single persons and, under certain limited conditions, other single persons. In the State of Rhode Island, 50% of median income ranges vary among geographic location and family size; a sample of such income ranges is below.

| <b>Location</b> | <b>Low (1 person)</b> | <b>High (Family of 8)</b> |
|-----------------|-----------------------|---------------------------|
| Providence      | \$26,100              | \$49,200                  |
| Westerly        | \$28,850              | \$54,350                  |
| Newport         | \$30,800              | \$58,100                  |

Section 8 housing assistance payments are provided, in the case of developments that are permanently financed by Rhode Island Housing and that utilize a portion of the Contract Administrator’s annual set-asides of Section 8 contract authority, through an Annual Contributions Contract (“ACC”) between HUD and the Contract Administrator and a Housing Assistance Payment Contract (“HAP Contract”) between the Contract Administrator and the owner of the assisted development. Pursuant to the ACC, the Contract Administrator will receive an annual contribution from HUD, payable monthly in advance, with respect to each assisted dwelling unit and will, in turn, disburse monthly housing assistance payments to the owner of the development under the HAP Contract. However, each year of rental assistance is subject to annual appropriation and spending authorization in the federal budget.

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

If a vacancy exists, other than as a result of action by the owner which is in violation of the lease, the owner will be entitled to housing assistance payments equal to 80% of the contract rent for a vacancy period not exceeding 60 days, so long as the owner diligently endeavors to fill the vacancy with an eligible tenant. Such payments for vacancies will be reduced to the extent the owner receives payment from the tenant for such vacancy period or the owner is otherwise entitled to payments from any other source, including a security deposit, for the vacant unit. In addition, if a unit continues to be vacant after this 60-day period, the owner may receive additional payments of up to one year for each vacancy equal to the principal and interest payments required to amortize the debt attributable to that unit, provided that (a) the unit is in decent, safe and sanitary condition during the vacancy period, (b) the owner has taken and continues to take all feasible actions to fill the vacancy, (c) the development is not providing the

owner with revenues equal to costs incurred and the amount of the payments do not exceed the deficiency and (d) the owner submits a statement with supporting evidence satisfactory to HUD (or the Contract Administrator) that the development can achieve financial soundness within a reasonable time. HUD (or the Contract Administrator) may deny any claim for additional payments if it determines that, based on the owner's statement and other evidence, there is not a reasonable prospect that the development can achieve financial soundness within a reasonable time. Housing assistance payments are not payable with respect to units that are occupied by tenants who are not eligible for Section 8 assistance. However, if the dwelling unit is subsequently reoccupied by an eligible tenant, housing assistance payments will again become available to the owner unless the HAP Contract has been modified in the interim by deleting that dwelling unit from its coverage.

The Contract Administrator is permitted, but not required, to delete from the HAP Contract any units that the owner fails, for substantial periods of time, to lease or make available for lease by eligible tenants. Rhode Island Housing mortgage loan documents prohibit the owner from leasing more than 20% of the dwelling units to ineligible tenants without prior approval from Rhode Island Housing

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

Each year, HUD publishes its determination of fair market rents ("HUD Fair Market Rents"). Such HUD Fair Market Rents constitute HUD's determination of the rents, including utilities (except telephone), ranges and refrigerators, parking and all maintenance, management and other essential housing services, which would be required to obtain, in a particular market area, privately developed and owned rental housing of modest design with suitable amenities.

The following table sets forth the range of monthly rents for the Section 8 Developments effective on October 1, 2011 based on unit size and the current range of HUD Fair Market Rents in Rhode Island:

**Range of Section 8 Development Monthly Rents and HUD Fair Market Rents  
For the Program Developments**

|                        | <b>One Bedroom</b> | <b>Two Bedrooms</b> | <b>Three Bedrooms</b> |
|------------------------|--------------------|---------------------|-----------------------|
| Section 8 Developments | \$712-1,492        | \$822-1,836         | \$1,019-1,841         |
| HUD Fair Market Rents  | \$760-909          | \$889-1,123         | \$1,062-1,525         |

In the last decade there have been several court decisions with respect to the Section 8 program and the limitations on contract rent adjustments. Generally, the courts have upheld HUD’s right to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units which are greater than the Initial Difference.

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

The maximum total annual contribution that may be contracted for in an ACC will equal the initial gross rents for all assisted units in the development. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, the excess (initially an amount equal to the portion of the gross rents payable by the tenants) is available to be set aside by HUD in an account (the “project account”) for the particular development and will be available for future years to fund increases in contract rents for the development or decreases in family incomes. If and when a project account falls below 40% of the maximum annual commitment, HUD undertakes in the ACC to provide additional funding, to the extent permitted by law, in order to increase the maximum annual contribution payable under the ACC.

Subsection (c)(6) of Section 8 provides:

The Secretary [of HUD] shall take steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.

In practice, HUD has not been replenishing the project accounts when the amounts in such project accounts have fallen below 40% of the maximum annual commitment, but has sought and received amendment authority from the Congress to enable it to discharge its obligations under the HAP Contracts and the ACCs.

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

### **Portfolio Restructuring**

In the late 1990's there were numerous pronouncements from HUD and various elected officials as to the future of HUD and the various programs operating pursuant to Section 8. These pronouncements primarily concerned those projects which have mortgages insured by the Federal Housing Administration ("FHA") with terms ranging from 30 to 40 years and which have HAP Contracts with terms of approximately 20 years. In 1998 HUD was authorized to initiate a permanent program to restructure FHA-insured mortgage loans with expiring HAP Contracts; in 2000, federal legislation was enacted to permit such mortgages financed by state housing agencies (like Rhode Island Housing) to also be restructured but only if the same is not contrary to the terms of the mortgage agreements.

At this time, Rhode Island Housing cannot predict the terms of further legislation, if any, which may be enacted which may restructure and change HUD, its administration or its programs (including the Section 8 program) and the funding of HUD and its programs. Rhode Island Housing cannot predict whether any such legislation, if enacted, would adversely affect the ability of Rhode Island Housing to make timely payments of principal and interest on the Series Bonds, with amounts pledged under the Resolution.

### **Section 236 Program**

***Interest Subsidy.*** Under the Section 236 subsidy program, HUD agrees to make direct mortgage interest reduction subsidy payments to the mortgagee on behalf of the owner of the project, in an amount equal to that portion of the debt service required under the actual 40-year mortgage loan which is in excess of that debt service which would be due on a self-amortizing 40-year mortgage loan in the same principal amount with an interest rate of 1% per annum.

Since the initiation of the Section 236 program in 1973, HUD and Rhode Island Housing have agreed to certain modifications of the administrative procedures with respect to the Section 236 subsidy agreements among HUD, Rhode Island Housing and various developers. These modifications were requested to provide greater flexibility in the event a development financed by Rhode Island Housing and subsidized under Section 236 experienced financial difficulties. The following description of the provisions of the Section 236 Agreement incorporates the provisions of such modifications of the administrative procedures.

Under Section 236, subsidy payments with respect to a project shall only be made during the period of the Section 236 subsidy agreement that such project is operated as a rental housing project.

The form of project mortgage provides that the mortgagor must maintain hazard insurance on the project with such coverage and in such amounts as are satisfactory to FHA and the mortgagee, and in the event of any damage to the project all insurance proceeds are payable to Rhode Island Housing as mortgagee. In the event any dwelling unit is destroyed or rendered uninhabitable by reason of fire or any other insured risk, Rhode Island Housing has the right to determine if the proceeds of insurance will be used for restoration or applied to the redemption of Bonds. In the event Rhode Island Housing determines that such restoration or rehabilitation is not appropriate, HUD subsidy payments may be reduced to the extent applicable to such dwelling units not restored or rehabilitated.

HUD is obligated to make subsidy payments under the Section 236 program, except under the circumstances described below. If HUD subsidy payments are terminated, HUD may reinstate them at its discretion pursuant to such additional requirements as HUD may prescribe. A Section 236 subsidy agreement may be terminated at the option of, and upon written notice from, HUD after the expiration of one year from the date of the termination of HUD subsidy payments, unless such payments have been reinstated.

Under the provisions of the Section 236 subsidy agreement, HUD may terminate subsidy payments with respect to a project upon default under the Section 236 subsidy agreement by the mortgagor or Rhode Island Housing or the institution by Rhode Island Housing of foreclosure proceedings unless Rhode Island Housing (a) gives to HUD in advance written notice of its intention to institute such foreclosure, and (b) submits to HUD in advance a plan acceptable to HUD providing for the continuity of eligibility of the project for receiving the benefits of Section 236.

HUD may terminate subsidy payments with respect to a project if the project is acquired by an owner who is not an eligible mortgagor under Section 236. Each mortgagor has covenanted not to transfer a project except to an eligible mortgagor, and has covenanted in the Section 236 mortgage not to transfer the project without the consent of Rhode Island Housing.

Under Section 236, the mortgagor is permitted to charge (a) a basic or subsidized rental charge for each subsidized dwelling unit in the project (the "basic rent"), determined on the basis of the anticipated operating costs of the project and the payment that would have been required for principal and interest if the Section 236 mortgage note called for interest at a rate of 1% per annum, and (b) a fair market rental charge for each such unit, determined on the basis of the anticipated operating costs of the project and payment of principal and interest that the mortgagor is obligated to pay under the Section 236 mortgage. The rent charged for each subsidized unit (the "tenant unit") is the greater of the basic rent or 25% of the tenant's adjusted monthly income, but in no event may the mortgagor charge an amount in excess of the market rent (not including permitted surcharges). Tenant rents may not be increased as a consequence of a mortgage being foreclosed and a substitute mortgage entered into. The mortgagor is required to remit monthly to HUD all tenant rents for subsidized units collected in excess of the basic rent, provided that in certain circumstances such excess rents may, with HUD's consent, be used for project related purposes. Among HUD's numerous potential remedies against the mortgagors who do not remit excess rents are the suspension of interest reduction payments. No assurance can be given regarding which remedies, if any, HUD will use against affected mortgagors.

The mortgagor covenants in the Section 236 subsidy agreement to limit admission to the subsidized dwelling units of the project to those families whose incomes do not exceed the applicable limits prescribed by HUD. The Section 236 subsidy agreement contains other covenants relating to the preference for occupancy for certain displaced or low-income families, the compliance with applicable



civil rights prohibiting discrimination in housing, the maintenance of information and records concerning tenants and tenant income in a form required under HUD regulations, the availability for inspection of such information and records, prohibitions against denying occupancy due to number of children in the family and number of subsidized units which may be rented to any one tenant at any one time. HUD has the authority to suspend or terminate subsidy payments at any time upon default by the mortgagor under any such covenants as well as or upon any other default by the mortgagor or Rhode Island Housing on the terms of and conditions of the Section 236 subsidy agreement.

***FHA Insurance on Section 236 Loans.*** The Federal Housing Administration has insured Rhode Island Housing's Section 236 mortgage loans pursuant to Section 236 of the National Housing Act. Applicable FHA regulations are contained in 24 C.F.R. Part 236 which, with certain exceptions (requiring payment of insurance benefits in cash or FHA Debentures, at the option of the mortgagee), incorporates by reference the provisions of 24 C.F.R. Part 207 (covering mortgages insured under Section 207 of the National Housing Act). The following summary is qualified in its entirety by reference to those regulations and sections of the National Housing Act.

The National Housing Act defines an event of default under an FHA-insured mortgage as failure to make any payment due under the mortgage or to perform any other mortgage covenant (which includes covenants in the related financing and FHA regulatory agreement) if the mortgagee, because of such failure, has accelerated the debt. In the event of a default continuing for a period of 30 days the mortgagee (Rhode Island Housing) must give notice to FHA of the default and of its intention to file an insurance claim. Promptly thereafter, unless FHA agrees otherwise, the mortgagee will take the necessary steps to file a claim for insurance. Under FHA regulations, the mortgagee may either assign the mortgage note (and the mortgage) to FHA or acquire title to the project by foreclosure and convey it to FHA. If Rhode Island Housing were to acquire title to the project and convey it to FHA, the expenses of foreclosure proceedings would be payable out of the proceeds received on account of the insurance claim. The Bond Resolution requires Rhode Island Housing to assign a defaulted mortgage note (and mortgage) to FHA.

In connection with a claim for insurance benefits, FHA may require delivery to it of certain cash items. Cash items include the balance in certain accounts held by or on behalf of the mortgagee pursuant to FHA regulatory requirements.

In the event of a default on a mortgage note, its assignment to FHA and the filing of a claim for FHA insurance, FHA will pay FHA mortgage insurance benefits in cash (unless FHA is requested by the mortgagee to pay in FHA Debentures), in an amount equal to the sum of (a) the unpaid principal amount of the mortgage note computed as of the date of default, (b) certain eligible payments (such as taxes, insurance, special assessments and water rates) made by the mortgagee and (c) interest on the insurance proceeds from the date of default at the applicable FHA debenture rate (which interest may be limited if certain notices are not given to FHA within the prescribed time periods), less certain amounts realized by the mortgagee from the owner, including cash items.

Typically, 70% of mortgage insurance benefits are paid by FHA within 60 days, and the balance within six months, but there is no legal requirement for FHA to pay within those time periods, and there can be no assurance there would not be substantial delays in receiving payments from FHA.

### **U.S. Department of Agriculture Section 538 Guaranteed Rural Rental Housing Loan Program**

The U.S. Department of Agriculture's ("USDA") Section 538 Guaranteed Rural Rental Housing Program ("Section 538 Program") provides a loan note guarantee to the lender of the permanent loan amount for qualifying residential rental properties, serving low or moderate-income families. Generally,

properties must be located in areas with population of less than 10,000 (and in some cases up to 20,000 or 25,000).

Section 538 Program loans may have a loan and amortization term of up to 40 years. In addition to the 90% loan note guarantee, the Section 538 Program may also provide an interest credit on the first \$1,500,000 of the permanent loan (funneled through the lender) to the property owner to buy down the interest rate to the applicable federal rate.

At initial occupancy, each tenant household's income cannot exceed 115% of the area median income as adjusted for family size. On an annual basis, the monthly rent cannot exceed 30% of the area median income as adjusted for family size.

Servicing procedures are defined under Section IV. Servicing, Section V. Default and Section VI. Liquidation of the Lender's Agreement Business and Industry Guaranteed Loan Program and Section 9006 Program Form 4279-4. The lender will notify USDA of any loan 30 days past due on form FmHA 1980-44 and all actions taken will be with the written concurrence of USDA.

If the lender concludes pursuant to USDA regulations that liquidation of a guaranteed loan account is necessary the lender will pursue actions in concurrence with USDA and prepare a liquidation plan. If USDA concurs with the liquidation plan the Lender will ordinarily conduct the liquidation. The Lender will transmit to the USDA their pro rata share of any payments received from the Borrower and of liquidation and any other proceeds, using FmHA form 449-30.

#### **STATE OF RHODE ISLAND RENTAL ASSISTANCE PROGRAM**

The Rhode Island Rental Assistance Program (the "Assistance Program") is a state rental assistance program, which provides rental assistance payments to certain persons and entities which acquire, construct or substantially rehabilitate housing developments in the State of Rhode Island ("Owners"), 50% of the units of which are available to and affordable by individuals or families ("Low-income Tenants") whose total income does not exceed 60% of the median family income adjusted for family size for the area in which the development is located, as determined annually by HUD. Units for which rent charged does not exceed the maximum Fair Market Rents established by HUD for the Section 8 Existing Housing Program are considered available for occupancy by Low-income Tenants.

The Assistance Program is administered by Rhode Island Housing on behalf of the Executive Department of the State of Rhode Island (the "Department") in accordance with regulations promulgated by the Department. Under the Assistance Program, the Department enters into contracts with Owners for a term not to exceed 20 years under which the Department agrees to make rental assistance payments to the Owners for each assisted unit in the development actually occupied by Low-income Tenants, and the Owner agrees that the assisted units will remain available for occupancy by Low-income Tenants in perpetuity, or until the Department determines that the units may be otherwise utilized. The Assistance Program, which began in 1989, are subject to an annual appropriation by the Rhode Island General Assembly.

Monthly rental assistance payments made under the Assistance Program are equal to the difference between an amount equal to 30% of the tenants adjusted income and an amount equal to the sum of (a) the fair market rent for the assisted unit plus (b) a utility allowance determined by the Department.

The obligations and restrictions arising out of any contracts executed in connection with the Assistance Program are binding upon all subsequent owners of the development.

Rhode Island Housing has funded all or a portion of the State's obligations for Rental Subsidy Payments for most years since fiscal 1990. In the period between fiscal 1995 through fiscal 2011, Rhode Island Housing has made the annual payment on behalf of the State in amounts ranging from approximately \$2.4 million to \$4.2 million. Rental Subsidy Payments are determined pursuant to contracts that extend to 2012.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Agreement”), dated as of December 1, 2011, by and between Rhode Island Housing and Mortgage Finance Corporation (“Rhode Island Housing”) and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”), under its Multi-Family Funding Program Resolution, adopted on November 19, 2009 (the “General Resolution”) and the Multi-Family Funding Program Supplemental Resolution, adopted on November 19, 2009 (the “Supplemental Resolution,” together with the General Resolution, the “Resolution”), is executed and delivered in connection with the issuance of Rhode Island Housing’s Multi-Family Funding Bonds, 2011A (the “Series 2011A Bonds”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Resolution.

**Section 1. Purpose of this Agreement.** This Agreement is executed and delivered by Rhode Island Housing as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Series 2011A Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below). Rhode Island Housing represents that it will be the only obligated person (as defined in the Rule) with respect to the Series 2011A Bonds at the time the Series 2011A Bonds are delivered to the purchasers thereof and that no other person is expected to become an obligated person at any time after the issuance of the Series 2011A Bonds.

**Section 2. Definitions.** The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited consolidated financial statements of Rhode Island Housing, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by Rhode Island Housing and which has filed with Rhode Island Housing a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Listed Event*” means the occurrence of any of the events with respect to the Series 2011A Bonds set forth in Exhibit II.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series 2011A Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Rhode Island and Providence Plantations.

“*Undertaking*” means the obligations of Rhode Island Housing pursuant to Sections 4 and 5.

**Section 3. CUSIP Numbers/Final Official Statement.** The CUSIP Numbers of the Series 2011A Bonds are as listed in Exhibit III hereof. The final Official Statement relating to the Series 2011A Bonds is dated November 16, 2010 (the “Final Official Statement”).

**Section 4. Annual Financial Information Disclosure.** Subject to Section 9 of this Agreement, Rhode Island Housing hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by one of the following methods: (i) Rhode Island Housing may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 180 days of the completion of Rhode Island Housing’s fiscal year or (ii) delivery of an Official Statement of Rhode Island Housing to the MSRB within 180 days of the completion of Rhode Island Housing’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

Rhode Island Housing is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, Rhode Island Housing will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

**Section 5. Listed Events Disclosure.** Subject to Section 9 of this Agreement, Rhode Island Housing hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2011A Bonds

or defeasance of any Series 2011A Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series 2011A Bonds pursuant to the Resolution.

**Section 6. Duty To Update EMMA/MSRB.** Rhode Island Housing shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

**Section 7. Consequences of Failure of Rhode Island Housing to Provide Information.** Rhode Island Housing shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of Rhode Island Housing to comply with any provision of this Agreement, the Bondholder of any Series 2011A Bond may seek specific performance by court order to cause Rhode Island Housing to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Agreement in the event of any failure of Rhode Island Housing to comply with this Agreement shall be an action to compel performance.

**Section 8. Amendments; Waiver.** Notwithstanding any other provision of this Agreement, Rhode Island Housing may amend this Agreement, and any provision of this Agreement may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of Rhode Island Housing or type of business conducted;

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series 2011A Bonds, as determined either by parties unaffiliated with Rhode Island Housing (such as the Trustee) or by an approving vote of the Bondholders of the Series 2011A Bonds holding a majority of the aggregate principal amount of the Series 2011A Bonds (excluding Series 2011A Bonds held by or on behalf of Rhode Island Housing or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

**Section 9. Termination of Undertaking.** The Undertaking of Rhode Island Housing shall be terminated hereunder when Rhode Island Housing shall no longer have any legal liability for any obligation on or relating to the repayment of the Series 2011A Bonds. Rhode Island Housing shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

**Section 10. Dissemination Agent.** Rhode Island Housing may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**Section 11. Additional Information.** Nothing in this Agreement shall be deemed to prevent Rhode Island Housing from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If Rhode Island Housing chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, Rhode Island Housing shall not have any obligation under this Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

**Section 12. Beneficiaries.** This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of Rhode Island Housing, the Dissemination Agent, if any, the Trustee and the Bondholders of the Series 2011A Bonds, and shall create no rights in any other person or entity.

**Section 13. Recordkeeping.** Rhode Island Housing shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

**Section 14. Past Compliance.** Rhode Island Housing represents that it has complied with the requirements of each continuing disclosure undertaking entered into by it pursuant to the Rule in connection with previous financings to which the Rule was applicable.

**Section 15. Assignment.** Rhode Island Housing shall not transfer its obligations under the Financing Agreement unless the transferee agrees to assume all obligations of Rhode Island Housing under this Agreement or to execute a continuing disclosure undertaking under the Rule.

**Section 16. Governing Law.** This Agreement shall be governed by the laws of the State.

**Section 17. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

RHODE ISLAND HOUSING AND MORTGAGE  
FINANCE CORPORATION

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: December 8, 2011



## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements as set forth below:

The Series 2011A Bonds

- *Outstanding Principal Amount*
- *Fund Balances*

The Mortgage Loans

- *Information of the type provided in Appendix A of the Final Official Statement*

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. Rhode Island Housing shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 180 days after the last day of Rhode Island Housing’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to Rhode Island Housing.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, including for this purpose a change made to the fiscal year-end of Rhode Island Housing, Rhode Island Housing will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE SERIES 2011A BONDS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of Rhode Island Housing\*
13. The consummation of a merger, consolidation or acquisition involving Rhode Island Housing or the sale of all or substantially all of the assets of Rhode Island Housing, 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
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

---

\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for Rhode Island Housing in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of Rhode Island Housing, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of Rhode Island Housing.

**PROPOSED FORM OF BOND COUNSEL OPINIONS**

December 8, 2011

Rhode Island Housing and Mortgage  
Finance Corporation  
44 Washington Street  
Providence, Rhode Island 02903

Dear Commissioners:

We have examined the Constitution and the laws of the State of Rhode Island and Providence Plantations (the "State") and a record of proceedings relating to the issuance of \$5,040,000 aggregate principal amount of Multi-Family Funding Bonds, Series 2011A (the "Series 2011A Bonds") of the Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing"), a public corporation and instrumentality and agency of the State created by and pursuant to Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended (the "Act"), and organized and existing under the Act and the laws of the State.

The Series 2011A Bonds are issued pursuant to the Act and a resolution adopted by Rhode Island Housing on November 19, 2009, entitled "Multi-Family Funding Program General Bond Resolution" (the "General Resolution"), as supplemented by a supplemental resolution thereunder adopted by Rhode Island Housing on November 19, 2009 and a Certificate of Determination dated December 8, 2011 delivered pursuant thereto and incorporated therein (the General Resolution, as so supplemented, is herein called the "Resolution"). The Series 2011A Bonds, the bonds currently outstanding under the General Resolution and any additional bonds which may be issued under the General Resolution are herein called the "Bonds."

The Series 2011A Bonds are dated, will mature on the dates and in the principal amounts, bear interest at the rates per annum, are subject to redemption prior to maturity and are otherwise as described in the Resolution.

The Series 2011A Bonds are issued for the principal purpose of providing funds to carry out the Program as described in the Resolution by financing Mortgage Loans (as defined in the Resolution). Rhode Island Housing is authorized to issue Bonds, in addition to the Series 2011A Bonds, upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the Series 2011A Bonds and with all other Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution. Any capitalized terms used and not otherwise defined herein are used as defined in the Resolution.

Upon the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State, Rhode Island Housing has been duly created and validly exists, and Rhode Island Housing has good, right and lawful authority, among other things, to carry out its Program, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the Series 2011A Bonds, and to perform its obligations under the terms and conditions of the Resolution.

2. The Resolution has been duly adopted by Rhode Island Housing, is in full force and effect, and is valid and binding upon Rhode Island Housing and enforceable in accordance with its terms.

3. The Series 2011A Bonds are valid and legally binding special revenue obligations of Rhode Island Housing payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Series 2011A Bonds are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates a valid pledge of and lien on the Mortgage Loans, the Revenues and all amounts held in any Account established by the Resolution (except the Rebate Account and the Series 2009A Escrow Account), including investments thereof, as such terms are used in the Resolution, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the application, disposition or exercise thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

5. The State is not liable on the Series 2011A Bonds, and the Series 2011A Bonds are not a debt of the State. Neither the faith, credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2011A Bonds.

6. Under existing statutes and court decisions, (i) interest on the Series 2011A Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to the exclusion from gross income on any Series 2011A Bond for any period during which such Series 2011A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of facilities refinanced with the proceeds of the Series 2011A Bonds or a "related person" and (ii) interest on the Series 2011A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by Rhode Island Housing, the developers of the projects financed with the proceeds of the Series 2011A Bonds and others in connection with the Series 2011A Bonds, and we have assumed compliance by Rhode Island Housing and the developers of the projects financed with the proceeds of the Series 2011A Bonds with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2011A Bonds from gross income under Section 103 of the Code.

7. Pursuant to the provisions of the Act, income on the Series 2011A Bonds (including any profit on the sale thereof) is free from State personal income taxes.

The opinions expressed in paragraphs 2, 3 and 4 above are subject to applicable bankruptcy, moratorium, reorganization insolvency or other laws heretofore or hereafter enacted affecting creditors' rights or remedies and are subject to application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law. We have examined an executed Series 2011A Bond, and, in our opinion, the form of such Series 2011A Bond and its execution are regular and proper.

Except as stated in paragraphs 6 and 7 above, we express no opinion regarding any other federal or state tax consequences with respect to the Series 2011A Bonds. We are rendering our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that hereafter come to our attention, or changes in law or interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2011A Bonds, or under state and local tax law.

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2011A Bonds.

This opinion is issued as of the date hereof, as we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

December 8, 2011

Rhode Island Housing and Mortgage  
Finance Corporation  
44 Washington Street  
Providence, Rhode Island 02903

Dear Commissioners:

We have examined the Constitution and the laws of the State of Rhode Island and Providence Plantations (the "State") and a record of proceedings relating to the re-issuance of a portion of \$65,100,000 aggregate principal amount of Multi-Family Funding Bonds, Series 2009A (the "Series 2009A Bonds") of the Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing"), a public corporation and instrumentality and agency of the State created by and pursuant to Chapter 55 of Title 42 of the General Laws of Rhode Island, 1956 (2006 Reenactment), as amended (the "Act"), and organized and existing under the Act and the laws of the State.

The Series 2009A Bonds were issued pursuant to the Act and a resolution adopted by Rhode Island Housing on November 19, 2009, entitled "Multi-Family Funding Program General Bond Resolution" (the "General Resolution"), as supplemented by a supplemental resolution thereunder adopted by Rhode Island Housing on November 19, 2009 (the "Supplemental Resolution") and a Certificate of Determination dated December 21, 2009, as amended (the "2009A Certificate") delivered pursuant thereto and incorporated therein.

Proceeds of the Series 2009A Bonds have been deposited in the Series 2009A Escrow Proceeds Account created by the Supplemental Resolution and the 2009A Certificate and are subject to release therefrom upon satisfaction of the conditions for such release set forth in the Supplemental Resolution and the 2009A Certificate. Pursuant to the General Resolution, the 2009 Supplemental Resolution, the 2009A Certificate, and a Certificate of Determination dated the date hereof (the "2009A-2 Certificate" and, together with the General Resolution, the 2009 Supplemental Resolution and the 2009A Certificate, the "Resolution") Rhode Island Housing has elected to release \$14,100,000 of the proceeds of the Series 2009A Bonds from the Series 2009A Escrow Proceeds Account. Upon such release and in accordance with the Resolution, a corresponding amount of the Series 2009A Bonds will be re-designated as the Multi-Family Funding Bonds, Series 2009, Subseries 2009A-2 (the "Subseries 2009A-2 Bonds"). The Subseries 2009A-2 Bonds, the bonds currently outstanding under the General Resolution and any additional bonds being issued or which may be issued under the General Resolution are herein called the "Bonds."

The Subseries 2009A-2 Bonds are dated, will mature on the dates and in the principal amounts, bear interest at the rates per annum, are subject to redemption prior to maturity and are otherwise as described in the Resolution.

The Subseries 2009A-2 Bonds are being converted, redesignated and re-issued and the proceeds thereof being released for the principal purpose of providing funds to carry out the Program as described

in the Resolution by financing Mortgage Loans (as defined in the Resolution). Rhode Island Housing is authorized to issue Bonds, in addition to the Subseries 2009A-2 Bonds, upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the Subseries 2009A-2 Bonds and with all other Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution, except as otherwise provided in the Resolution. Any capitalized terms used and not otherwise defined herein are used as defined in the Resolution.

Upon the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State, Rhode Island Housing has been duly created and validly exists, and Rhode Island Housing has good, right and lawful authority, among other things, to carry out its Program, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the Subseries 2009A-2 Bonds, and to perform its obligations under the terms and conditions of the Resolution.

2. The Resolution has been duly adopted by Rhode Island Housing, is in full force and effect, and is valid and binding upon Rhode Island Housing and enforceable in accordance with its terms.

3. The Subseries 2009A-2 Bonds are valid and legally binding special revenue obligations of Rhode Island Housing payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Subseries 2009A-2 Bonds are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates a valid pledge of and lien on the Mortgage Loans, the Revenues and all amounts held in any Account established by the Resolution (except the Rebate Account and the Series 2009 Escrow Account), including investments thereof, as such terms are used in the Resolution, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the application, disposition or exercise thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

5. The State is not liable on the Subseries 2009A-2 Bonds, and the Subseries 2009A-2 Bonds are not a debt of the State. Neither the faith, credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Subseries 2009A-2 Bonds.

6. Under existing statutes and court decisions, (i) interest on the Subseries 2009A 1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to the exclusion from gross income on any Subseries 2009A-2 Bond for any period during which such Subseries 2009A-2 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of facilities refinanced with the proceeds of the Subseries 2009A-2 Bonds or a "related person" and (ii) interest on the Subseries 2009A-2 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by Rhode Island Housing, the developers of the projects financed with the proceeds of the Subseries 2009A-2 Bonds and others in connection with the Subseries 2009A-2 Bonds, and we have assumed compliance by Rhode Island Housing and the developers of the projects financed

with the proceeds of the Subseries 2009A-2 Bonds with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2009A-2 Bonds from gross income under Section 103 of the Code.

7. Pursuant to the provisions of the Act, income on the Subseries 2009A-2 Bonds (including any profit on the sale thereof) is free from State personal income taxes.

The opinions expressed in paragraphs 2, 3 and 4 above are subject to applicable bankruptcy, moratorium, reorganization insolvency or other laws heretofore or hereafter enacted affecting creditors' rights or remedies and are subject to application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law. We have examined an executed Subseries 2009A-2 Bond, and, in our opinion, the form of such Subseries 2009A-2 Bond and its execution are regular and proper.

Except as stated in paragraphs 6 and 7 above, we express no opinion regarding any other federal or state tax consequences with respect to the Subseries 2009A-2 Bonds. We are rendering our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that hereafter come to our attention, or changes in law or interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Subseries 2009A-2 Bonds, or under state and local tax law.

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Subseries 2009A-2 Bonds.

This opinion is issued as of the date hereof, as we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Very truly yours,



[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]





Printed by: ImageMaster  
[www.ImageMaster.com](http://www.ImageMaster.com)