

NEW ISSUES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Tax-Exempt Bonds (as defined below) 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"); (ii) interest on the Series 185 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; and (iii) interest on the Series 186 Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Agency in connection with the Tax-Exempt Bonds, and Bond Counsel has assumed compliance by the Agency with certain ongoing tax covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code. Bond Counsel is also of the opinion that, under existing statutes and court decisions, interest on the Series 187 Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Offered Bonds (as defined below) is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), and the Offered Bonds are exempt from all taxation directly imposed thereon by or under the authority of said State except for estate or gift taxes or taxes on transfers. See "Tax Matters."

\$123,840,000

STATE OF NEW YORK MORTGAGE AGENCY HOMEOWNER MORTGAGE REVENUE BONDS

\$12,000,000 Series 185 (Non-AMT)[†]

\$80,190,000 Series 186 (AMT)

\$31,650,000 Series 187 (Federally Taxable)

Dated: Date of Delivery Price: As shown on inside cover page Due: As shown on inside cover page

Each maturity of the Series 185 Bonds (the "Series 185 Bonds"), the Series 186 Bonds (the "Series 186 Bonds" and, together with the Series 185 Bonds, the "Tax-Exempt Bonds") and the Series 187 Bonds (the "Series 187 Bonds" and, together with the Tax-Exempt Bonds, the "Offered Bonds") will bear interest from their dated date to their maturity or prior redemption at the applicable rate set forth on the inside cover page, payable on October 1, 2014 and thereafter on each April 1 and October 1.

The Offered Bonds are issuable only in fully-registered form and will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal and interest will be made. Purchases may be made in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Offered Bonds will not receive physical delivery of bond certificates representing their beneficial ownership interests. The Bank of New York Mellon, New York, New York, is the Trustee under the Homeowner Mortgage Revenue Bonds General Resolution (the "General Resolution").

The Offered Bonds are subject to redemption, including redemption at par, prior to maturity as described herein.

The Offered Bonds are special obligations of the Agency payable solely from and secured by the revenues, mortgage loans, and moneys pledged and assigned under the Homeowner Mortgage Revenue Bonds General Resolution. The Offered Bonds are not secured by any fund or account that is subject to replenishment by the State of New York. The Agency has no taxing power. The Offered Bonds are not a debt of the State of New York or of any municipality, and neither the State of New York nor any municipality is liable on the Offered Bonds, nor are the Offered Bonds payable out of any funds other than those of the Agency pledged therefor.

The Offered Bonds are offered for delivery when, as, and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Agency, and to certain other conditions. D. Seaton and Associates, New York, New York, is serving as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that the Offered Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about March 27, 2014.

BofA Merrill Lynch

J.P. Morgan

Morgan Stanley

Academy Securities

Barclays

Castle Oak Securities, L.P.

George K. Baum & Company

Loop Capital Markets LLC

M&T Securities, Inc.

Ramirez & Co., Inc.

Siebert Brandford Shank & Co., L.L.C.

Wells Fargo Securities

Date: March 14, 2014

[†] Interest not included in adjusted current earnings of corporations for purposes of the alternative minimum tax. See "Tax Matters — Tax-Exempt Bonds — Federal Tax Exemption Opinion of Bond Counsel."

MATURITY SCHEDULE

Price: 100%

Tax-Exempt Bonds

\$12,000,000 Series 185 Bonds (Non-AMT)[†]

\$12,000,000 3.95% Series 185 Term Bonds due October 1, 2029 CUSIP^{††}: 649883YW9

\$80,190,000 Series 186 Bonds (AMT)

\$67,250,000 Series 186 Serial Bonds

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>CUSIP^{††}</u> |
|----------------------|-------------------------|----------------------|---------------------------|
| October 1, 2017 | \$4,250,000 | 1.20% | 649883ZN8 |
| October 1, 2018 | 4,300,000 | 1.70 | 649883ZP3 |
| April 1, 2019 | 4,250,000 | 2.00 | 649883YX7 |
| October 1, 2019 | 4,250,000 | 2.15 | 649883YY5 |
| April 1, 2020 | 4,200,000 | 2½ | 649883YZ2 |
| October, 1 2020 | 4,200,000 | 2.70 | 649883ZA6 |
| April 1, 2021 | 4,200,000 | 3.00 | 649883ZB4 |
| October, 1 2021 | 4,200,000 | 3.10 | 649883ZC2 |
| April 1, 2022 | 4,250,000 | 3.40 | 649883ZD0 |
| October, 1 2022 | 4,250,000 | 3½ | 649883ZE8 |
| April 1, 2023 | 4,300,000 | 3.625 | 649883ZF5 |
| October, 1 2023 | 4,300,000 | 3.65 | 649883ZG3 |
| April 1, 2024 | 4,250,000 | 3.80 | 649883ZH1 |
| October, 1 2024 | 4,150,000 | 3.85 | 649883ZJ7 |
| April 1, 2025 | 5,300,000 | 3.95 | 649883ZK4 |
| October, 1 2025 | 2,600,000 | 3.95 | 649883ZL2 |

\$12,940,000 4.30% Series 186 Term Bonds due October 1, 2029 CUSIP^{††}: 649883ZM0

Taxable Bonds

\$31,650,000 Series 187 Bonds (Federally Taxable)

\$31,650,000 Series 187 Serial Bonds

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>CUSIP^{††}</u> |
|----------------------|-------------------------|----------------------|---------------------------|
| October 1, 2014 | \$4,750,000 | 0.20% | 649883ZQ1 |
| April 1, 2015 | 4,750,000 | 0.28 | 649883ZR9 |
| October 1, 2015 | 4,650,000 | 0.47 | 649883ZS7 |
| April 1, 2016 | 4,550,000 | 0.78 | 649883ZT5 |
| October 1, 2016 | 4,350,000 | 0.96 | 649883ZU2 |
| April 1, 2017 | 4,300,000 | 1.14 | 649883ZV0 |
| April 1, 2018 | 4,300,000 | 1.59 | 649883ZW8 |

[†] Interest not included in adjusted current earnings of corporations for purposes of the alternative minimum tax. See "Tax Matters — Tax-Exempt Bonds — Federal Tax Exemption Opinion of Bond Counsel."

^{††} CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGrawHill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Agency and are included solely for the convenience of the registered owners of the applicable Offered Bonds. The Agency and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the Agency and the Underwriters on the Offered Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Offered Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Offered Bonds.

No dealer, broker, salesperson, or other person has been authorized by the Agency or the underwriters listed on the cover of this Official Statement (the “Underwriters”) to give any information or to make any representations other than those contained in this Official Statement (consisting of Part 1 and Part 2), which includes the appendices hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. There shall not be any offer, solicitation, or sale of the Offered Bonds to be offered through this Official Statement by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been provided by the Agency and by sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Such information is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or in the other matters described herein since the date hereof.

In connection with the offering of the Offered Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Offered Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

In making an investment decision, investors must rely on their own examination of 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.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward looking statements. A number of important factors affecting the Agency, its Program and its Mortgage Insurance Fund could cause actual results to differ materially from those stated in the forward looking statements.

Part 1 and Part 2 of this Official Statement, including their respective appendices, are to be read together, and together Part 1 and Part 2, including their respective appendices, constitute this Official Statement. The order and placement of materials in this Official Statement are not to be deemed to be a determination of relevance, materiality or importance.

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OFFICIAL STATEMENT PART 1

STATE OF NEW YORK MORTGAGE AGENCY

Homeowner Mortgage Revenue Bonds, Series 185, 186 and 187

This Official Statement Part 1 (“Part 1”) provides information as of its date (*except* where otherwise expressly stated) concerning the Agency’s Offered Bonds. It contains only a part of the information to be provided by the Agency in connection with the issuance and sale of the Offered Bonds. Additional information concerning Prior Series Bonds (defined below), certain sources of payment and security for the Offered Bonds and the Prior Series Bonds, the Agency, and the mortgage loan program financed with the proceeds of Bonds and other moneys available under the General Resolution is contained in the Official Statement Part 2 (“Part 2”) and is subject in all respects to the information contained herein.

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STATE OF NEW YORK MORTGAGE AGENCY

OFFICIAL STATEMENT PART 1

\$123,840,000 Homeowner Mortgage Revenue Bonds

\$12,000,000 Series 185 (Non-AMT)[†]

\$80,190,000 Series 186 (AMT)

\$31,650,000 Series 187 (Federally Taxable)

INTRODUCTION

This Official Statement consists of Part 1 and Part 2. The purpose of this Part 1, which includes the cover to this Part 1, the cover page and inside cover page to the Official Statement, and the appendices to this Part 1, is to set forth certain information concerning the State of New York Mortgage Agency (the “Agency”), a political subdivision and public benefit corporation of the State of New York (the “State”) created by the State of New York Mortgage Agency Act, Chapter 612 of the Laws of New York, 1970, as amended (the “Act”), its Homeowner Mortgage Revenue Bond Forward Commitment Program (the “Program”), its Homeowner Mortgage Revenue Bonds, and, more particularly, its Homeowner Mortgage Revenue Bonds, Series 185 (the “Series 185 Bonds”), its Homeowner Mortgage Revenue Bonds, Series 186 (the “Series 186 Bonds” and, together with the Series 185 Bonds, the “Tax-Exempt Bonds”) and its Homeowner Mortgage Revenue Bonds, Series 187 (the “Series 187 Bonds”). The Tax-Exempt Bonds and the Series 187 Bonds are referred to collectively as the “Offered Bonds.” The Offered Bonds bear interest at fixed rates to their maturity (or prior redemption). Part 2 sets forth additional information concerning the Agency, the Act, the Program, additional Agency programs, and the Outstanding Bonds (as both such terms are defined below). Capitalized terms used in this Part 1 and not otherwise defined shall have the respective meanings ascribed thereto in Part 2.

The Offered Bonds are being issued pursuant to the Act, the Agency’s Homeowner Mortgage Revenue Bonds General Resolution, adopted on September 10, 1987, as amended and restated on July 28, 2005, and as supplemented on December 13, 2006 and September 17, 2008 (collectively, the “General Resolution”) and the Homeowner Mortgage Revenue Bonds Series Resolution authorizing the Offered Bonds (the “Offered Bonds Series Resolution”). The General Resolution, any Series Resolution that has terms applicable to all Bonds generally, and the Offered Bonds Series Resolution are referred to collectively as the “Resolution.” Reference is made to the Resolution for a more complete description of the Offered Bonds and the covenants and agreements made for the security of the Offered Bonds. The Bank of New York Mellon is the Trustee under the Resolution.

Prior to the date of this Official Statement, the Agency has issued 184 Series of Homeowner Mortgage Revenue Bonds pursuant to the General Resolution, designated Series AA through Series ZZ and Series 27 through Series 184. When referred to individually, each Series of Homeowner Mortgage Revenue Bonds is referred to by its respective double-letter or double-digit or triple-digit designation; collectively, the Homeowner Mortgage Revenue Bonds issued prior to this date are referred to as the “Prior Series Bonds.” Proceeds of the Prior Series Bonds were used to finance mortgage loans through the Agency’s single-family programs. See Part 2 — “The Program.” The Agency issued \$179,080,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, designated Series 181, Series 182, Series 183 and Series 184, on March 13, 2014.

[†] Interest not included in adjusted current earnings of corporations for purposes of the alternative minimum tax. See “Tax Matters — Tax-Exempt Bonds — Federal Tax Exemption Opinion of Bond Counsel.”

The proceeds of the Series 185 Bonds are expected to be available on their date of issuance (i) to purchase recently originated mortgage loans financed on a temporary basis with Agency funds (which will become Mortgage Loans upon acquisition), (ii) to purchase new Mortgage Loans, (iii) to finance Second Lien DPALs (as defined below), (iv) to pay certain program costs and (v) to pay costs of issuance.

The proceeds of the Series 186 Bonds and the Series 187 Bonds (collectively, the “Refunding Bonds”) are expected to be used to (i) partially refund Outstanding Series 116 Bonds, (ii) fully refund Outstanding Series 117 Bonds and Series 120 Bonds, or (ii) certain other outstanding bonds of the Agency (including Prior Series Bonds) (collectively, the “Refunded Bonds”). Each newly-originated mortgage loan or portion of mortgage loan financed with proceeds attributable to any Series of the Offered Bonds is referred to as an “Offered Bonds Mortgage Loan.”

Certain Mortgage Loans originally financed by the Refunded Bonds will be reallocated for certain Federal income tax purposes to the Refunding Bonds and such Mortgage Loans, following such reallocation, are referred to herein as the “Reallocated Mortgage Loans.” The requirements of the Code, *however*, will not apply to those Reallocated Mortgage Loans reallocated to the Series 187 Bonds since the Series 187 Bonds are taxable Bonds.

The Tax-Exempt Bonds will be treated as a composite issue 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 Series of the Tax-Exempt Bonds in order that interest on the Tax-Exempt Bonds not be included in gross income for Federal income tax purposes. See “Tax Matters — Tax-Exempt Bonds” and Appendix A — “Certain Additional Federal Income Tax Matters” to this Part 1.

The Agency makes no representation, guaranty or assurance as to whether a purchaser of the Offered Bonds is eligible to receive credits under the Community Reinvestment Act of 1977 (the “CRA”) or as to the level of CRA credits, if any, that will be received from such purchase. Prospective purchasers considering an investment in the Offered Bonds for CRA credit are advised to consult with their CRA compliance officers and the CRA regulators from their applicable federal financial supervisory agency.

The Agency may issue additional Series of Bonds pursuant to and secured under the General Resolution (the “Additional Bonds”). See Part 2 — “Summary of Certain Provisions of the General Resolution — Issuance of Bonds.” The Offered Bonds will be secured on a parity with the Prior Series Bonds, with each other, and with any Additional Bonds, *unless* such Additional Bonds are made expressly subordinate to the Offered Bonds. The Offered Bonds, the Prior Series Bonds, and any Additional Bonds that are not subordinated are referred to collectively as the “Bonds.” The General Resolution also authorizes the Agency to enter into other arrangements (such as counterparty payments under interest rate exchange agreements and reimbursement obligations under letters of credit) where certain of the Agency’s payment obligations are secured on a parity with the Bonds (see Part 2 “Sources of Payment and Security for the Bonds — Interest Rate Swap Agreements” for information regarding the Agency’s current such arrangements). Also see Part 2 “Sources of Payment and Security for the Bonds — Pledge of the Resolution.”

The Offered Bonds are subject to redemption, including redemption at par, under certain circumstances, at the times, at the prices, and upon the conditions, all as described herein. See “The Offered Bonds — Redemption.”

The Agency may issue Bonds and apply the proceeds, among other things, to refund outstanding obligations of the Agency, to finance single family loans, qualifying rehabilitation loans, and home improvement loans, and to acquire any instrument evidencing an ownership interest in such loans. A loan financed with the proceeds of the Bonds or other moneys available under the General Resolution is to be evidenced by a mortgage note and secured by a mortgage or, with respect to a loan related to a cooperative dwelling unit, secured by a lien upon the related shares of stock in the cooperative housing corporation and the proprietary lease related to the financed premises. Mortgage Loans are not required by the General Resolution

to be secured by first lien mortgages and may include home improvement loans. The Series Resolution authorizing the issuance of a Series of Bonds establishes the eligibility criteria for the mortgage loans to be purchased with proceeds of or attributable to such Series of Bonds, including whether such mortgage loans must be secured by first liens. See Part 2 “Sources of Payment and Security for the Bonds — Mortgage Loans — Requirements of the Series Resolutions.” Under the General Resolution, a “Mortgage Loan” is defined as (i) any loan financed with amounts deposited in the Funds and Accounts (other than the Collateral Mortgage Loan Fund or other Funds and Accounts so specified in a Series Resolution) and pledged under the General Resolution by the Agency in accordance with the Act, evidenced by a mortgage note and secured by a mortgage (or, with respect to loans related to cooperative dwelling units, evidenced by a promissory note and secured by a lien upon the related shares of stock in the cooperative housing corporation and the proprietary lease related to the financed premises) and (ii) any instrument evidencing an ownership interest in such loans. The balance of mortgage loans financed in part with proceeds attributable to any Series of Bonds may be financed with proceeds attributable to any Series of the Offered Bonds, the Prior Series Bonds or Additional Bonds or other sources. Certain ownership interests in mortgage loans (“participation interests”) may bear rates of interest substantially different from those of other participation interests. Principal repayments (including principal prepayments) of each such mortgage loan will be allocated between the sources of funding of such mortgage loan on a pro rata basis. Down Payment Assistance Loans (“DPALs”) secured by a second lien and financed with the proceeds of Bonds on or after January 1, 2010 are also Mortgage Loans (“Second Lien DPALs”) under the General Resolution. See Part 2 “The Program — Second Lien Loans.” However, Closing Cost Assistance Loans (“CCALs”) provided by the Agency prior to January 1, 2010 (“Pledged CCALs”) are not Mortgage Loans. See Part 2 “Sources of Payment and Security for the Bonds — Pledged CCALs.”

For information concerning Mortgage Loans and participations interests see Part 2 Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans.”

The Bonds are secured by and payable from (a) the proceeds of the sale of the Bonds, (b) payments of principal of and interest on (i) the Mortgage Loans (which include Second Lien DPALs), and (ii) Pledged CCALs (including, in each case, prepayments and other recoveries of principal in advance of their due date or proceeds received upon the liquidation of Pledged CCALs or defaulted Mortgage Loans, Collateral Mortgage Loans or the sale of Mortgage Loans, Collateral Mortgage Loans, or Pledged CCALs by the Agency), and (c) all other moneys pledged under the Resolution. The Bonds are also secured by mortgage loans credited by the Agency to the Collateral Mortgage Loan Fund (“Collateral Mortgage Loans”). Since at present the aggregate principal amount of Collateral Mortgage Loans is only approximately \$390,000, references to the Collateral Mortgage Loans have been omitted from certain discussions in this Official Statement. The Pledged CCALs and the Second Lien DPALs are interest-free loans and the Agency will recover a declining portion of the principal amount of any Pledged CCAL or any such Second Lien DPAL only if the borrower sells the related property or refinances at a gain during the first ten years of the loan term. Absent such sale or refinancing, the principal balance of a Pledged CCAL and a Second Lien DPAL is forgiven after ten years. See “Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses — Mortgages.” Also see “Sources of Payment and Security for the Bonds” herein and in Part 2. Payments received in connection with Pledged CCALs are treated as Revenues, but not Principal Prepayments, under the Resolution.

A portion of the proceeds of the Series 182 Bonds, Series 183 Bonds and Series 184 Bonds were used to purchase certain originated mortgage loans financed by the Agency with proceeds of the Agency’s Mortgage Revenue Bonds (upon acquisition, such mortgage loans became Mortgage Loans and are referred to herein as the “MRB Originated Mortgage Loans”). See Part 2 Appendix D — “Certain Agency Financial Information and Operating Data — MRB Originated Mortgage Loans.”

The Bonds are special obligations of the Agency payable solely from and secured by the Pledged Property (as defined in Part 2 “Sources of Payment and Security for the Bonds — Pledge of the Resolution”). The Bonds are not secured by any fund or account that is subject to replenishment by the State. The Agency has no taxing power. The Bonds are not a debt of the State or of any municipality,

and neither the State nor any municipality is liable on the Bonds, nor are the Bonds payable out of any funds other than those of the Agency pledged therefor.

All references in this Part 1 to the Act, the General Resolution, or any Series Resolution are qualified in their entirety by reference to such documents, copies of which are available from the Agency, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the General Resolution, the applicable Series Resolution, this Part 1 and Part 2.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

The information set forth below relates primarily to the Offered Bonds or is financial information as of a specified date. It supplements the general discussion and information with respect to Bonds contained in Part 2 “Sources of Payment and Security for the Bonds” and “Summary of Certain Provisions of the General Resolution” and in Part 2 Appendix D — “Certain Agency Financial Information and Operating Data,” where certain information relating to the Resolution, Pledged Property, Mortgage Loans, Collateral Mortgage Loans, Additional Bonds and the Cash Flow Statements is discussed and where certain additional information regarding the Debt Reserve Fund and the Loan Loss Fund is set forth.

Debt Reserve Fund and Loan Loss Fund

The amounts on deposit in, respectively, the Debt Reserve Fund and the Loan Loss Fund will be at least equal to, as applicable, the Debt Reserve Requirement or the Loan Loss Requirement on the date of issuance of the Offered Bonds. See Part 2 “Sources of Payment and Security for the Bonds — Debt Reserve Fund” and “— Loan Loss Fund.”

Mortgage Pool Insurance

The Mortgage Loans (other than Second Lien DPALs) financed or to be financed from the proceeds of the Offered Bonds, the Prior Series Bonds and other moneys available under the General Resolution are covered or will be covered, as applicable, by mortgage pool insurance policies issued by a private qualified mortgage pool insurer or by the Agency’s Mortgage Insurance Fund (the “MIF”). For information regarding current private qualified mortgage pool insurers and the MIF and such policies, see Part 2 Appendix B — “Mortgage Insurance and New York Foreclosure Procedures — Mortgage Pool Insurance Policies” and Part 2 Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans— Mortgage Pool Insurance Coverage.” Subject to certain limitations, the Agency has the right to cancel such mortgage pool insurance policies altogether or to replace such policies with new policies or with different forms of Supplemental Mortgage Coverage (“SMC”) or insurance. For additional information, see Part 2 “Sources of Payment and Security for the Bonds — Mortgage Loans — Requirements of the Series Resolutions.” See the definition of Supplemental Mortgage Coverage in Part 2 “Summary of Certain Provisions of the General Resolution — Certain Definitions.”

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SOURCES AND USES OF FUNDS

The sources of funds and the uses thereof in connection with the Offered Bonds, exclusive of accrued interest, are expected to be approximately as set forth below:

Sources

| | |
|--|----------------------|
| Proceeds of Offered Bonds | \$123,840,000 |
| Available Amounts under the Resolution | <u>1,114,679</u> |
| Total | <u>\$124,954,679</u> |

Uses

| | |
|--|----------------------|
| Redemption of Refunded Bonds | \$111,840,000 |
| Deposit in Series Acquisition Account [†] | 12,000,000 |
| Deposit in Cost of Issuance Fund | 413,464 |
| Underwriting Compensation | <u>701,215</u> |
| Total | <u>\$124,954,679</u> |

[†] Approximately \$395,323.05 will be deposited in the DPAL Fund.

THE OFFERED BONDS

General

The Offered Bonds will be dated and interest thereon will be payable on the dates set forth on the cover page. The Offered Bonds will mature on the dates and in the amounts and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their date to their maturity (or prior redemption) at the applicable rates, all as set forth on the inside cover page. The registered owner of each Offered Bond will be the owner thereof as shown in the bond register maintained by or on behalf of the Agency on each Record Date. Unless otherwise set forth in an Agency Request, the "Record Date" with respect to the Offered Bonds shall be (i) with respect to payments of principal and interest on the Offered Bonds, the fifteenth calendar day prior to each payment of principal and interest, and (ii) with respect to any redemption of Offered Bonds, the fifteenth calendar day prior to the date of the first mailing of a notice of redemption.

Redemption

Also see "General Redemption Provisions Applicable to Offered Bonds" below.

Special Redemption. The Offered Bonds are subject to redemption, at the option (*except* as otherwise described below) of the Agency, from amounts on deposit in the Special Redemption Account, in whole or in part, at any time, in accordance with the provisions of the General Resolution described under "General Provisions as to Purchase or Redemption of Bonds" below, upon notice as provided in the Resolution. Each such redemption shall be at a Redemption Price equal to the principal amount of each such Bond or portion thereof to be redeemed, without premium, together with accrued interest to the date of redemption. Such redemptions may be made in an amount not exceeding the following:

(i) moneys on deposit in the Series 185, 186 and 187 Acquisition Account and the DPAL Fund representing unexpended amounts allocable to the Series 185 Bonds and fees, if any, paid by developers, Mortgage Lenders, or mortgagors. Amounts referred to in this clause (i) may be applied by the Agency to redeem Series 185 Bonds of any interest rate and maturity;

(ii) moneys attributable to the Refunding Bonds not utilized to refund all, or a portion of, the Refunded Bonds within 90 days of the date of issuance of the Refunding Bonds. Amounts referred to in this clause (ii) may be applied by the Agency to redeem Refunding Bonds of any Series, interest rate and maturity;

(iii) Principal Prepayments (defined below) of Mortgage Loans and Collateral Mortgage Loans, if any, *except* as described below in the third and fourth sentences under “General Redemption Provisions Applicable to Offered Bonds — Principal Prepayments.” Amounts referred to in this clause (iii) may be applied, *subject* to the provisions of each Series Resolution, by the Agency to redeem any Bond of any Series, interest rate and maturity, *except* as otherwise required for compliance with the Agency’s tax covenants; and

(iv) Revenues (other than Principal Prepayments), including investment earnings transferred from other Funds held under the Resolution derived in connection with the Prior Series Bonds, the Offered Bonds, and any Additional Bonds. Amounts referred to in this clause (iv) may be applied, *subject* to the provisions of each Series Resolution, by the Agency to redeem any Bond of any Series, interest rate and maturity, *except* as otherwise required for compliance with the Agency’s tax covenants.

No Agency single-family housing bonds, including Prior Series Bonds, have been redeemed from unexpended loan acquisition proceeds or proceeds to be applied to the redemption of bonds for more than twenty years.

Optional Redemption. The Tax-Exempt Bonds are subject to redemption at the option of the Agency on and after October 1, 2023, in whole or in part, at any time from any moneys (including the proceeds of the voluntary sale of Mortgage Loans and Collateral Mortgage Loans that may not be applied to redeem the Offered Bonds as described above under “Special Redemption”) made available for such purpose, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date. The Series 187 Bonds are not subject to redemption as described in this paragraph.

Sinking Fund Redemption. The Term Bonds of the Offered Bonds are subject to mandatory redemption in part on the respective dates and in the respective amounts as set forth in Appendix B to this Part 1. The Redemption Price for any redemption described under this subheading will be equal to the principal amount of the Offered Bonds being redeemed plus accrued interest to the date of redemption. Such redemptions will be in a principal amount equal to the applicable Sinking Fund Requirement for such date (subject to reduction as discussed under “General Redemption Provisions Applicable to Offered Bonds — Adjustments to and Credits Against Sinking Fund Requirements”).

General Redemption Provisions Applicable to Offered Bonds

Moneys Made Available to Finance Mortgage Loans and Second Lien DPALs. In addition to the amounts made available due to the issuance of the Offered Bonds and other amounts made available, or to be made available, due to the issuance of the Prior Series Bonds or Additional Bonds (see Part 2 Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — Principal Amounts and Interest Rates”), the Agency also finances mortgage loans with amounts made available through the issuance of its Mortgage Revenue Bonds. See Part 2 to this Official Statement — “Other Agency Programs — Mortgage Revenue Bond Resolution Forward Commitment Program” for information regarding such additional currently available amounts. The Agency finances such mortgage loans as part of its single family financing activities on the same basis as Mortgage Loans financed under the Program. At present, there are no lendable proceeds of Mortgage Revenue Bonds available to finance mortgage loans. However, the Agency has applied, and may continue to apply, principal prepayments and repayments of mortgage loans financed by Bonds and Mortgage Revenue Bonds, and amounts in the General Fund held under the General Resolution or the MRB Resolution, to finance new mortgage loans. The Agency in its sole discretion will choose which source of money to use to finance mortgage loans (including Mortgage Loans and Second Lien DPALs). In addition, the Agency has established two other programs under which single-family mortgage loans are financed. The Agency makes available down payment and closing cost assistance to borrowers under such

programs. A borrower selects the Agency programs in which such borrower wishes to participate. See Part 2 to this Official Statement “Other Agency Programs – FHA Plus and Fannie Mae Conventional Plus Programs.”

Certain Federal Tax Law Matters. Applicable Federal tax law requires redemption of the Tax-Exempt Bonds on or before certain dates and in certain amounts in order to maintain the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Bonds. These Federal tax law requirements also include a requirement that certain principal prepayments and scheduled principal repayments of mortgage loans must be applied to pay the principal of bonds either at maturity or by redemption (the “Ten-Year Rule”). The Ten-Year Rule applies to mortgage loan principal prepayments and scheduled principal repayments, in excess of a *de minimis* amount, received, generally, ten years after the date of issuance of the related bonds that financed the applicable mortgage loans. For refunding bonds, however, the Ten-Year Rule states that the ten-year period begins on the date of issuance of the refunded bonds or the date of issuance of the earliest bonds in a series of refundings. Since the Series 186 Bonds are treated under the Code as refunding bonds that had many different respective dates of issuance, the Ten-Year Rule applies on the date of issuance of the Tax-Exempt Bonds to a percentage of the Principal Prepayments and scheduled principal repayments of (i) the Offered Bonds Mortgage Loans financed in whole or in part with proceeds attributable to the Tax-Exempt Bonds, and (ii) the Reallocated Mortgage Loans reallocated to the Series 186 Bonds, and increases in subsequent semiannual periods. Such amounts are the “Tax-Exempt Bonds Restricted Principal.” If the Ten-Year Rule is not repealed or amended, the expected percentage for each expected applicable period is approximately as reflected in the following table:

| Period (dates inclusive) | Cumulative Percentage |
|--|----------------------------------|
| Date of issuance of Tax-Exempt Bonds to and including November 9, 2014 | 0% |
| November 10, 2014 to and including January 26, 2015 | 62 |
| January 27, 2015 to and including March 26, 2024 | 87 |
| March 27, 2024 to and including the Final Maturity of Tax-Exempt Bonds | 100 |

To the extent that the amount of Tax-Exempt Bonds Restricted Principal exceeds the principal amount of Tax-Exempt Bonds maturing or being redeemed from Sinking Fund Requirements, the Code requires the Agency to redeem Tax-Exempt Bonds. The Agency also has the right to use Principal Prepayments and scheduled principal repayments of Mortgage Loans, including Offered Bonds Mortgage Loans and Reallocated Mortgage Loans, to redeem Tax-Exempt Bonds in excess of the amounts required by the Code.

See Appendix A — “Certain Additional Federal Income Tax Matters — Other Requirements Imposed by the Code — Required Redemptions.”

Current Federal tax law requires a payment to the United States from certain mortgagors whose mortgage loans are originated after December 31, 1990. See Appendix A — “Certain Additional Federal Income Tax Matters — Other Requirements Imposed by the Code — Recapture Provision.” Such requirement remains in effect with respect to any mortgage loan subject thereto for a period ending nine years from the closing of such mortgage loan. The Agency has agreed to reimburse mortgagors for the amount of such payment for all Mortgage Loans closed after July 16, 2007. As of January 1, 2014, no mortgagor has requested such reimbursement from the Agency.

See Appendix A — “Certain Additional Federal Income Tax Matters — Other Requirements Imposed by the Code — Recapture Provision.”

Principal Prepayments. The General Resolution defines “Principal Prepayment” to mean any payment by a mortgagor or other recovery of principal on a Mortgage Loan or Collateral Mortgage Loan that is not applied to a scheduled installment of principal of and interest on a Mortgage Loan or Collateral Mortgage Loan (including any deficiency in the payment of any scheduled installments of principal and

interest then due and payable or interest paid in connection with a voluntary prepayment of a Mortgage Loan or Collateral Mortgage Loan) and the portion of any Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), Liquidation Proceeds or other payments representing such principal amounts, including from the sale of a Mortgage Loan or a Collateral Mortgage Loan. Proceeds of the voluntary sale of Mortgage Loans and Collateral Mortgage Loans that are not in default are considered Principal Prepayments. However, Principal Prepayments described in clause (iii) under “The Offered Bonds — Redemption — Special Redemption” above that can be applied by the Agency to the redemption of the Offered Bonds or that must be applied by the Agency to the redemption of the Tax-Exempt Bonds pursuant to certain tax covenants or the General Resolution requirement described in the seventh sentence of this paragraph do not include the proceeds of the voluntary sale of Mortgage Loans or Collateral Mortgage Loans, *unless* such Mortgage Loans or Collateral Mortgage Loans are (a) in default, (b) not in compliance with the Agency’s Program requirements, or (c) sold in order to meet the Agency’s tax covenants. The Offered Bonds may only be redeemed from such sale proceeds (*except* from sales of Mortgage Loans or Collateral Mortgage Loans described in clause (a), (b), or (c) of the immediately preceding sentence) as described under “The Offered Bonds — Redemption — Optional Redemption.” Proceeds of the sale of defaulted Mortgage Loans and defaulted Collateral Mortgage Loans received in connection with the liquidation of such Mortgage Loans and Collateral Mortgage Loans are considered Liquidation Proceeds, are included within the definition of Principal Prepayments, and may be applied by the Agency to the special redemption of the Offered Bonds as described in clause (iii) under “The Offered Bonds — Redemption — Special Redemption” above and to optional redemptions as described under “The Offered Bonds — Redemption — Optional Redemption” above. Each Series Resolution with respect to each Series of the Prior Series Bonds, and the Offered Bonds restricts the Agency’s ability to hold more than \$250,000 of Principal Prepayments with respect to the respective Series or Subseries on deposit under the General Resolution for more than one year unless certain investment criteria are met. Payments on Pledged CCALs are treated as Revenues, but are not Principal Prepayments, under the Resolution.

Prepayment Assumptions in Structuring; Uses of Principal Prepayments and Revenues. The maturities and the Sinking Fund Requirements, if any, of the Prior Series Bonds and the Offered Bonds were determined based on certain assumptions regarding the receipt of Principal Prepayments on Mortgage Loans and, with respect to Prior Series Bonds, Collateral Mortgage Loans. See “Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses — General.” The Agency expects prepayments to occur with respect to its entire portfolio of Mortgage Loans and Collateral Mortgage Loans. The Agency is required to apply certain of such Principal Prepayments to the redemption of certain Bonds. The Agency, at its option, may or may not apply those Principal Prepayments that it is not required to apply to redeem Bonds (as described in the preceding sentence) to the redemption of Bonds of any Series (with certain exceptions), and has generally done so. The Agency also has the right to finance Mortgage Loans with Revenues, including Principal Prepayments that are not required to be applied to redeem Bonds. The Agency has exercised this right on occasion, most recently in 2013. See Part 2 “Sources of Payment and Security for the Bonds — Mortgage Loans.”

Adjustments to and Credits Against Sinking Fund Requirements. Pursuant to the Resolution, if less than all of the Term Bonds Outstanding of any maturity and interest rate of a Series (or Subseries, if applicable) is purchased or called for redemption (other than in satisfaction of Sinking Fund Requirements), the principal amount of such Term Bonds that are so purchased or redeemed will be credited, to the extent practicable, except as otherwise provided in an Agency Request, against all remaining Sinking Fund Requirements for the Term Bonds of such Series (or Subseries, if applicable), interest rate, and maturity in the proportion which the then remaining balance of each such Sinking Fund Requirement bears to the total of all Bonds of such Series (or Subseries, if applicable), interest rate, and maturity then Outstanding.

General Provisions as to Purchase or Redemption of Bonds. Pursuant to the General Resolution, the Trustee may at any time purchase Bonds:

(i) that are subject to Sinking Fund Requirements on the next date such payments are scheduled, upon direction of any Authorized Representative, from moneys on deposit in the Revenue Fund prior to being transferred to the Principal Account in satisfaction of such Sinking Fund Requirements, at a price, *except* as described below, not to exceed the Redemption Price (plus accrued interest to the date of redemption, if any) that would be payable on the next redemption date; no such purchase may be made, *however*, by the Trustee after the giving of notice of redemption by the Trustee; and

(ii) from moneys on deposit in the Special Redemption Account and the Optional Redemption Account, upon direction of any Authorized Representative, at a price, *except* as described below, not to exceed the Redemption Price (plus accrued interest to the date of redemption, if any) that would be payable on the next redemption date; no such purchase may be made, *however*, after the giving of notice by the Trustee that such Bonds are subject to redemption, *except* from moneys other than moneys set aside for such redemption.

Subject to applicable law, notwithstanding the maximum purchase price set forth in (i) and (ii) above, if at any time the investment earnings on the moneys available for such purchase shall be less than the interest accruing on the Bonds to be redeemed, then the Trustee may pay a purchase price for any such Bond in excess of the Redemption Price that would be payable on the next redemption date to the Owner of such Bond under the applicable Series Resolution, if an Authorized Representative certifies to the Trustee that the amount paid in excess of said Redemption Price is less than the interest that is to accrue on said Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date.

Selection of Bonds for Redemption. The Trustee will select the Bonds or portions of Bonds to be redeemed or purchased in accordance with the General Resolution and the applicable Series Resolution. *Except* as otherwise stated in the Series Resolution authorizing a Series of Bonds with respect to all or any part of the Series of Bonds authorized thereunder, moneys will, upon direction by an Agency Request to the Trustee, be applied by the Trustee to the purchase or the redemption of Bonds selected from among the Series (and Subseries, if applicable), maturities, and interest rates on the basis specified by the Agency in such Agency Request accompanied by a Cash Flow Certificate or Cash Flow Statement. (See “The Offered Bonds — Redemption” with respect to the Offered Bonds.)

Except as otherwise provided in a Series Resolution, if less than all of the Bonds of one Series (and Subseries, if applicable) and one maturity bearing the same interest rate (and otherwise of like tenor) are called for redemption, the particular Bonds of such Series (and Subseries, if applicable) and maturity bearing the same interest rate (and otherwise of like tenor) to be redeemed will be selected not later than 20 days prior to the date fixed for redemption in such manner as directed by the Agency pursuant to an Agency Request or, if no such direction is received by the Trustee, by lot or in such manner as the Trustee in its discretion may determine; *provided, however*, that the portion of Bonds of any such maturity and Series (and Subseries, if applicable) to be redeemed will be in the minimum principal amount or an integral multiple thereof established for such Bonds in the applicable Series Resolution, and that in selecting Bonds for redemption, the Trustee will treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by said minimum principal amount. (See “The Offered Bonds — Redemption.”)

Notice of Redemption. Unless otherwise provided in the applicable Series Resolution or waived by the Bondowner, notice of any redemption will be mailed at least 15 days but no more than 90 days prior to the date set for redemption to the registered Owners of Bonds to be redeemed at their addresses as they appear in the registration books kept by the Bond Registrar. In the case of redemption that is conditioned on the occurrence of certain events, the notice of redemption will set forth, among other things, the conditions precedent to the redemption. Once a redemption notice is sent in accordance with the provisions of the Resolution, any such notice shall be effective with respect to an Offered Bond to be redeemed whether or not received by the Bondowner thereof. The Offered Bonds Series Resolution provides that so long as all of the

Offered Bonds of a Series are immobilized in the custody of DTC, notice of redemption of Bonds of such Series will be delivered by the Trustee to DTC at least 20 days prior to the date set for redemption. *DTC is responsible for notifying Direct Participants, and Direct Participants and Indirect Participants are responsible for notifying Beneficial Owners. Neither the Trustee nor the Agency is responsible for sending notices to Beneficial Owners or for the consequences of any action or inaction by the Agency as a result of the response or failure to respond by DTC or its nominee as Bondholder.* (“Participants,” “Indirect Participants,” and “Beneficial Owners” are defined in Appendix C — “Book Entry Only” to this Part 1.)

ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS, AND PROGRAM EXPENSES

General

The Agency has made, or will make, certain assumptions, including those set forth under this caption “Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses,” in preparing the Cash Flow Statement to be delivered in connection with the issuance of the Offered Bonds (the “Offered Bonds Cash Flow Statement”). The assumptions will include those prescribed or permitted by the Rating Agency at the time of the delivery of the Offered Bonds Cash Flow Statement applicable to the interest rate or rates, and the applicable period of such rates, for Bonds that are (a) Bonds that currently bear variable rate(s) of interest and are not the subject of an interest rate exchange agreement, and (b) Bonds that are the subject of interest rate exchange agreements. Such rate or rates will not necessarily be fixed interest rates.

The Offered Bonds Cash Flow Statement will include the assumptions that, in connection with the issuance of the Offered Bonds, approximately \$111,840,000 aggregate principal amount of Refunded Bonds will be redeemed.

The Agency expects payments under the Mortgage Loans and moneys and securities held under the General Resolution and the income thereon to be sufficient to pay, when due, the principal (including Sinking Fund Requirements) of and interest on all of the Outstanding Prior Series Bonds and the Offered Bonds.

In arriving at the foregoing, the Agency has not considered the issuance of Additional Bonds or the application or investment of the proceeds thereof; *however*, a condition in the General Resolution to issuing Additional Bonds is the filing of a Cash Flow Statement. Since all Bonds issued under the General Resolution (*unless* expressly subordinated) and other Parity Obligations will rank equally and ratably with the Offered Bonds with respect to the security afforded by the General Resolution, availability of money for repayment of the Offered Bonds could be significantly affected by the issuance, application, and investment of proceeds of Additional Bonds or the existence of other Parity Obligations. See Part 2 “Sources of Payment and Security for the Bonds — Cash Flow Statements” for the requirements established by the General Resolution for a Cash Flow Statement.

The Agency has structured bond maturities and Sinking Fund Requirements for its Bond series based on, among other things, assumptions regarding the receipt of Revenues, including, in some instances, the receipt of some Principal Prepayments at various PSA speeds. The Agency expects and the Offered Bonds Cash Flow Statement will show, that sufficient Revenues and Principal Prepayments will be available under the General Resolution to pay the maturities and Sinking Fund Requirements of the Offered Bonds at the prepayment speeds used in preparing the Offered Bonds Cash Flow Statement.

The Agency believes it is reasonable to make these assumptions regarding the Prior Series Bonds and the Offered Bonds, but can give no assurance that the actual receipt of money will correspond with the estimates of money available to pay the debt service on the Bonds and the expenses of the Agency and the Trustee incurred in connection with the Program.

PSA Model. Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The model represents an assumed monthly rate of prepayment of the then-outstanding principal balance of a pool of new 30-year mortgage loans, and does not purport to be either a historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Offered Bonds Mortgage Loans and the Reallocated Mortgage Loans. One hundred percent PSA assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such pool of mortgage loans in the first month of the life of such mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans in such pool, 100 percent PSA assumes a constant prepayment rate of the mortgage loans in such pool of six percent per year. Multiples will be calculated from this prepayment rate sequence; e.g., 200 percent PSA assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter.

Mortgages

In preparing the Offered Bonds Cash Flow Statement, the Agency will assume that (a) no scheduled principal payments will be received on Mortgage Loans identified by the Agency at the time the Offered Bonds Cash Flow Statement is prepared as being in the foreclosure process, (b) losses on defaulted Mortgage Loans will not exceed insurance coverage and recoveries upon disposition, including foreclosures, and (c) no principal payments will be received from the Pledged CCALs or the Second Lien DPALs. See Part 2 “Sources of Payment and Security for the Bonds — Mortgage Loans,” “— Pledged CCALs,” “— Second Lien Loans” and Part 2 Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — Delinquencies.”

The Offered Bonds Cash Flow Statement will include the following assumptions with respect to the Offered Bonds Mortgage Loans (other than Second Lien DPALs): (i) the Agency will use lendable proceeds to purchase approximately \$11.6 million aggregate principal amount of Offered Bonds Mortgage Loans by approximately August 31, 2014 with a weighted average interest rate of approximately 3.875% per annum and a weighted average term to maturity of 360 months, (ii) all of the Offered Bonds Mortgage Loans will have 30-year terms, (iii) a portion of the proceeds described in (i) above may be set aside to be combined with other lendable amounts to produce mortgage loans with blended yields, (iv) substantially all of the aggregate principal amount of the Offered Bonds Mortgage Loans, other than those described in (iii) above, will have interest rates that range from 2.0% to 5.5%, and (v) the Mortgage Loan interest rate for any Offered Bonds Mortgage Loan with respect to which the Agency has made a DPAL will be higher than the otherwise applicable interest rate.

The Agency reserves the right, at its option, to change the interest rate or rates offered for Mortgage Loans (and for any mortgage loans in which they may be participated) in its management of the Program, including to assist the Agency in complying with requirements imposed by the Code or to adjust to changing mortgage market conditions. The Agency also reserves the right to change the amounts of money it will make available for Mortgage Loans at different interest rates. Finally, the assumption in the Offered Bonds Cash Flow Statement regarding the origination period for the Offered Bonds Mortgage Loans is itself based on several assumptions, including assumptions regarding the order in which the Agency will apply available moneys to finance mortgage loans. See Part 2 “Other Agency Programs — Mortgage Revenue Bond Resolution Forward Commitment Program” and Part 2 Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans” for information regarding such additional currently available amounts.

Certain Investments

Amounts allocable to the Offered Bonds on deposit in the Bond Proceeds Fund, the Acquisition Fund, the Debt Reserve Fund, and the Loan Loss Fund are expected to be invested in Investment Obligations. See Part 2 Appendix D — “Certain Agency Financial Information and Operating Data — Investments.”

Expenses

In preparing the Offered Bonds Cash Flow Statement, the Agency will assume that the servicers of the Mortgage Loans will not be paid a servicing fee from Revenues but, pursuant to the State Tax Law, will receive a credit against their franchise taxes. The annual premiums for the existing mortgage pool insurance policies are between .01% and .17% of the outstanding principal amounts of the loans covered by such policies. The annual Trustee fee in connection with the Prior Series Bonds and the Offered Bonds will be assumed to be equal to .03% of the Outstanding Prior Series Bonds and the Offered Bonds.

The Series Resolutions with respect to the Prior Series Bonds and the Offered Bonds provide that during a Fiscal Year the Agency may withdraw as Expenses (which includes items in addition to those described in the preceding paragraph) amounts not to exceed the maximum aggregate amount permissible under the Resolution as supported by a Cash Flow Statement filed by the Agency with the Trustee. See Part 2 “Summary of Certain Provisions of the General Resolution — Certain Definitions — Expenses” and “Sources of Payment and Security for the Bonds — Cash Flow Statements.”

Cash Flow Statements

Cash Flow Statements delivered pursuant to the General Resolution include certain assumptions about the receipt of principal and interest on Mortgage Loans, the receipt of investment income as projected, and the sufficiency of insurance to cover Mortgage Loan losses. While the Agency believes the assumptions used in the Offered Bonds Cash Flow Statement are reasonable, there can be no assurance that the actual receipt of money will correspond with the estimates of money available to pay the debt service on the Bonds and the expenses of the Agency and the Trustee incurred in connection with the Program.

TAX MATTERS

Tax-Exempt Bonds

General. The requirements of applicable Federal tax law must be satisfied with respect to all of the bonds which are treated as a composite issue under the Code in order that interest on the bonds which are part of such composite issue not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Tax-Exempt Bonds are treated as a composite issue under the Code.

The Code provides that interest on obligations of a governmental unit such as the Agency issued to finance single family residences or to refund bonds issued for such purposes is excluded from gross income for Federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations, the use of the funds generated by the issuance of the obligations, the nature of the residence and the mortgage loan and the eligibility of the borrower executing the mortgage loan. See Appendix A — “Certain Additional Federal Income Tax Matters” for such requirements with respect to the Tax-Exempt Bonds.

The Agency has included provisions in its Program documents that establish procedures, including receipt of certain affidavits and warranties from Mortgage Lenders and mortgagors, in order to assure compliance with the loan eligibility requirements and other requirements that must be satisfied subsequent to the date of issuance of the Tax-Exempt Bonds. The Agency has covenanted in the Offered Bonds Series Resolution to do and perform all acts and things permitted by law and necessary or desirable to assure that

interest paid on the Tax-Exempt Bonds shall not be included in gross income for Federal income tax purposes and, for such purpose, to adopt and maintain appropriate procedures.

Federal Tax Exemption Opinion of Bond Counsel. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Tax-Exempt Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (ii) interest on the Series 185 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; and (iii) interest on the Series 186 Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Agency in connection with the Tax-Exempt Bonds, and Bond Counsel has assumed compliance by the Agency with certain ongoing tax covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal tax consequences with respect to the Tax-Exempt Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action 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 Tax-Exempt Bonds.

State Tax Exemption Opinion of Bond Counsel. In the opinion of Bond Counsel to the Agency, under existing statutes, interest on the Tax-Exempt Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), and the Tax-Exempt Bonds are exempt from all taxation directly imposed thereon by or under the authority of said State except for estate or gift taxes or taxes on transfers.

Bond Counsel expresses no opinion regarding any other state tax consequences with respect to the Tax-Exempt Bonds. Bond Counsel renders its opinion under existing statutes as of the issue date, and assume no obligation to update its opinion to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel under state and local tax law.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral Federal income tax matters with respect to the Tax-Exempt Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax-Exempt 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 Tax-Exempt Bonds.

Prospective owners of Tax-Exempt Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security 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 Tax-Exempt 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 Tax-Exempt Bonds. In general, such reporting

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 Tax-Exempt 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 Tax-Exempt Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous. 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 Tax-Exempt Bonds under Federal or state law or otherwise prevent beneficial owners of the Tax-Exempt 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 Tax-Exempt Bonds. For example, the Fiscal Year 2014 Budget proposed on April 10, 2013, by the Obama Administration recommends a 28% limitation on itemized deductions and "tax preferences," including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on preference items described above (reduced to 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

Series 187 Bonds

General. The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Series 187 Bonds by original purchasers of the Series 187 Bonds who are "U.S. Holders," as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Series 187 Bonds will be held as "capital assets"; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 187 Bonds as a position in a "hedge" or "straddle," holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Series 187 Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Series 187 Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the

Series 187 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Federal and State Tax Exemption Opinion of Bond Counsel. In the opinion of Bond Counsel to the Agency, under existing statutes and court decisions, interest on the Series 187 Bonds is included in gross income for United States Federal income tax purposes pursuant to the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Series 187 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), and the Series 187 Bonds are exempt from all taxation directly imposed thereon by or under the authority of said State except for estate or gift taxes or taxes on transfers.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 187 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update its opinion to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel under state and local tax law.

Disposition and Defeasance. Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 187 Bond, a U.S. Holder generally will recognize taxable gain or loss for United States Federal income tax purposes in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted United States Federal income tax basis in the Series 187 Bond.

The Agency may cause the defeasance of the Series 187 Bonds, resulting in the Series 187 Bonds no longer being deemed Outstanding under the General Resolution. See Part 2 — “Summary of Certain Provisions of the General Resolution — Defeasance.” For United States Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such U.S. Holder of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 187 Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding. In general, information reporting requirements will apply to non-corporate U.S. Holders of the Series 187 Bonds with respect to payments of principal, payments of interest, and the accrual of original issue discount, if any, on a Series 187 Bond and the proceeds of the sale of a Series 187 Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of Series 187 Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder, and which constitutes over-withholding, would be allowed as a refund or a credit against such U.S. Holder's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders. The term “U.S. Holder” means a beneficial owner of a Series 187 Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous. 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 Series 187 Bonds under state law or otherwise prevent beneficial owners of the Series 187 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 Series 187 Bonds.

IRS Circular 230 Disclosure. The advice under the subheading “Tax Matters — Series 187 Bonds” concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 187 Bonds, was written to support the marketing of the Series 187 Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Series 187 Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including the appendices hereto) or in writings furnished by Bond Counsel to the Agency is not intended to be used, and cannot be used by any Owner, for the purpose of avoiding penalties that may be imposed on the Owner under the Code, and (ii) the Owner should seek advice based on the Owner’s particular circumstances from an independent tax advisor.

Prospective purchasers of the Series 187 Bonds should consult their own tax advisors regarding the foregoing matters.

LITIGATION

There is no material litigation pending or to the knowledge of the Agency threatened against the Agency in any court in any way affecting the existence of the Agency or the titles of its officers or directors to their respective offices, or seeking to restrain or enjoin the issuance, sale, or delivery of the Offered Bonds, or contesting or affecting in any way the collection or application of Pledged Property, or in any way contesting or affecting the validity or enforceability of the Offered Bonds or the Resolution, or contesting in any way the completeness or accuracy of this Official Statement, or contesting the powers of the Agency or any authority with respect to the Offered Bonds, the Resolution, the Mortgage Purchase Agreements, or the Servicing Agreements, or contesting in any way any transaction described in or contemplated by this Official Statement, nor, to the best of the Agency’s knowledge, is there any basis therefor.

LEGAL MATTERS

Legal matters incident to the authorization, sale, and delivery of the Offered Bonds by the Agency are subject to the receipt of certain opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Agency, and certain other conditions. The approving opinion of Bond Counsel to the Agency will be delivered with the Offered Bonds in substantially the form attached to this Part 1 as Appendix D. D. Seaton and Associates, New York, New York, is serving as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

UNDERWRITING

The Offered Bonds are being purchased by the underwriters identified on the cover page of this Official Statement (the “Underwriters”). The Underwriters have agreed to purchase the Offered Bonds at the respective initial offering prices or yields set forth on the inside cover page (including any applicable original issue discount or premium). The Agency will pay a fee of \$701,215 to the Underwriters with respect to the Offered Bonds. The Purchase Contract with respect to the Offered Bonds provides that the Underwriters will purchase all of the Offered Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the receipt of certain legal opinions, and certain other conditions. The initial public offering prices and yields of the Offered Bonds may be changed, from time to time, by the Underwriters. The Purchase Contract for the Offered Bonds provides that the Underwriters may offer and sell the Offered Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by an Underwriter) and others at prices lower or yields higher than the public offering prices and yields of the Offered Bonds stated on the inside cover page.

Information Provided by the Underwriters

This paragraph and the next two successive paragraph have been provided by the Underwriters: Certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Agency as Underwriters) for the distribution of the Offered Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.”

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. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Agency for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, 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, which may include credit default swaps) and financial instruments (including bank loans) 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 the Agency.

MISCELLANEOUS

The references herein to the Act, the Code, the Resolution, the Series Resolutions authorizing Bonds, and the Amended and Restated Master Disclosure Agreement (as defined in Part 2; see “The Agency — Continuing Disclosure”) are brief outlines of certain provisions thereof. The references herein to the Mortgage Purchase Agreements, the Servicing Agreements, and the Program Documents are brief outlines of certain provisions that are included therein. Such outlines do not purport to be complete or definitive, and reference is made to such statutes, the Resolution, the Series Resolutions authorizing Bonds, the Amended and Restated Master Disclosure Agreement, the Mortgage Purchase Agreements, the Servicing Agreements, and the Program Documents for complete and definitive statements of such provisions. The agreements of the Agency with the Owners of the Bonds are fully set forth in the Resolution and the Series Resolutions authorizing Bonds, and this Official Statement is not to be construed as a contract with the Owners of the Bonds. To the extent that any statements are made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated as such, they are intended merely as such and not as representations of fact. The information in this Official Statement is subject to change without notice, and no inference should be derived from the sale of the Offered Bonds that there has been no change in the affairs of the Agency or in the other matters described in this Official Statement from the date hereof. Ratings included in this Official Statement reflect only the views of respective rating agencies and an explanation of the significance of such ratings may be obtained from such organizations. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The Agency undertakes no responsibility for updating the rating information included in this Official Statement. Copies of the Act, the Resolution, the Series Resolutions authorizing the Bonds, and the Amended and Restated Master Disclosure Agreement are available for inspection at the offices of the Agency.

The Agency may cause to be prepared certain computational analysis or analyses related to the Offered Bonds in response to requests it receives from potential investors (“Requested Materials”). The parties requesting Requested Materials do so for their own purposes. The Requested Materials may be available from the Agency upon request. This reference to the Requested Materials is not an incorporation of such Requested Materials into this Official Statement.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

STATE OF NEW YORK MORTGAGE AGENCY

By: /s/ Marian Zucker
President, Finance & Development

Dated: March 14, 2014

CERTAIN ADDITIONAL FEDERAL INCOME TAX MATTERS

The Code substantially restricts the use of proceeds of tax-exempt obligations used to finance mortgage loans for single family housing or to refund such obligations. Under the Code, interest on bonds the proceeds of which are used to provide mortgage loans on owner-occupied housing is not excluded from gross income for Federal income tax purposes unless the bonds are part of a “qualified mortgage issue.” An issue of bonds such as the Tax-Exempt Bonds constitutes a “qualified mortgage issue” if the requirements described below under “Loan Eligibility Requirements Imposed by the Code” and the use of funds generated by the issuance of such obligations are met.

Loan Eligibility Requirements Imposed by the Code

The Code contains the following loan eligibility requirements that are applicable to the Offered Bonds Mortgage Loans financed in whole or in part by the Tax-Exempt Bonds, the Reallocated Mortgage Loans reallocated to the Series 186 Bonds and any Mortgage Loan otherwise attributable to the Tax-Exempt Bonds for Federal income tax purposes (collectively, the “Tax-Exempt Bonds Mortgage Loans”) in order that interest on the Tax-Exempt Bonds not be included in gross income for Federal income tax purposes retroactive to the date of the issuance thereof. These requirements apply to the Tax-Exempt Bonds Mortgage Loans. Certain documents have been adopted by the Agency that establish procedures to be followed in connection with the Tax-Exempt Bonds Mortgage Loans in order to assure that interest paid on the Tax-Exempt Bonds not be included in gross income for Federal income tax purposes under the Code (the “Program Documents”).

Residence Requirement

The Code requires that each of the premises financed with proceeds of qualified mortgage bonds be a one-to-four-family residence, one unit of which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided. In the case of a two-to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the residence must have been occupied as a residence at least five years before the mortgage is executed. Each mortgagor must submit an affidavit stating his intention to occupy the premises as his principal residence within 60 days after closing of the Mortgage Loan. In the case of a two-to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the mortgagor is required by the Program Documents to certify that the residence was first occupied as a residence at least five years before the Mortgage Loan was executed.

First-Time Homebuyer Requirement

The Code requires that, subject to certain exceptions, the lendable proceeds of qualified mortgage bonds be used to provide financing to mortgagors who have not had a present ownership interest in their principal residence (other than the residence being financed) during the three-year period prior to execution of the mortgage loan.

New Mortgage Requirement

The Code requires that, with certain limited exceptions, the lendable proceeds of qualified mortgage bonds finance new mortgage loans only and that no proceeds may be used to acquire or replace an existing mortgage loan, which would include the refinancing of a pre-existing mortgage loan.

Purchase Price Limitation

The Code requires that the purchase price of the residence financed with the lendable proceeds of qualified mortgage bonds may not exceed 90% of the average area purchase price applicable to such residence or 110% of the applicable average area purchase price in the case of residences located in targeted areas.

Income Limitation

The Code requires that all mortgage loans made from the lendable proceeds of qualified mortgage bonds be made only to borrowers whose family income does not exceed 115% (for mortgage loans made to families with fewer than three members, 100%) of the applicable median family income. An exception is provided for mortgage loans financed with the lendable proceeds of qualified mortgage bonds made with respect to targeted area residences that permits two-thirds in aggregate amount of such mortgage loans to be made with respect to borrowers whose family income does not exceed 140% (for mortgage loans made to families with fewer than three members, 120%) of the applicable median family income and one-third in aggregate amount of such loans to be made without regard to any income limitation.

Applicable Federal tax law permits higher income limits for persons financing homes located in certain "high housing cost areas." A high housing cost area is a statistical area for which the ratios of the area's average purchase price for existing and new single family houses to the area's median income exceed 120% of the same ratios determined on a national basis. These ratios are determined separately with respect to new and existing single family residences. An area is a high housing cost area only if the ratios for both new and existing houses meet the 120% test. In high housing cost areas, the mortgagor income limits are increased above 115% (or 100%, as applicable) by one percent for each percentage point (1%) by which the new or existing housing price ratio, whichever is smaller, exceeds 120%. *However*, the new limit cannot exceed 140% (or 120%, as applicable) of the income limits otherwise applicable.

Family income includes income of all individuals executing both the note and mortgage and occupying the dwelling as their principal residence.

Requirements as to Assumptions

The Code provides that a mortgage loan may be assumed only if each of the then applicable residence requirement, first-time homebuyer requirement, purchase price limitation, and income limitation is met with respect to such assumption.

General

An issue of bonds is treated as meeting the loan eligibility requirements of the Code if (i) the issuer in good faith attempted to meet all the loan eligibility requirements before the mortgage loans were executed, (ii) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the proceeds of the issue used to make mortgage loans was used to finance residences that met all such requirements at the time the mortgage loans were executed.

Other Requirements Imposed by the Code

General

Failure to comply with the applicable provisions of the Code may result in interest on the applicable issue of bonds being included in gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Code provides that gross income for Federal income tax purposes does not include interest on a mortgage revenue bond if it is a qualified mortgage bond. A qualified mortgage bond is a part of an issue of a state or political subdivision all the proceeds of which (net of amounts applied to any costs of

issuance thereof and to fund a reasonably required reserve) are used to finance owner-occupied residences and that meets certain (i) general requirements, (ii) arbitrage restrictions on the use and investment of proceeds of the issue, and (iii) loan eligibility requirements set forth in the Code and as more fully described above under “Loan Eligibility Requirements Imposed by the Code.”

The first general requirement of the Code applicable to the Agency’s Program is that the aggregate amount of private activity bonds that may be issued by the Agency in any calendar year (or previous years’ carried forward amount) must not exceed the portion of the private activity bond volume limit for the State that is allocated to the Agency. The Tax-Exempt Bonds are either excluded from or within the applicable limits for the Agency. The second general requirement of the Code applicable to the Agency’s Program is that at least 20% of the lendable proceeds of an issue of bonds must be made available (and applied with reasonable diligence) for owner-financing of residences in targeted areas (as defined by the Code) for at least one year after the date on which such funds are first available for such owner-financing (the “targeted area requirement”).

The Code requires the issuer of qualified mortgage bonds to file with the Internal Revenue Service reports on the issuance of its qualified mortgage bonds following such issuance, as well as an annual qualified mortgage loan information report.

The Code requires that the effective interest rate on mortgage loans financed with the lendable proceeds of qualified mortgage bonds may not exceed the yield on the issue by more than 1.125% and that certain investment earnings on non-mortgage investments, calculated based upon the extent such investment earnings exceed the amount that would have been earned on such investments if the investments were invested at a yield equal to the yield on the Tax-Exempt Bonds, be rebated to the United States.

Recapture Provision

For certain mortgage loans made after December 31, 1990 from the proceeds of tax-exempt bonds issued after August 15, 1986, and for assumptions of such mortgage loans, the Code requires a payment to the United States from certain mortgagors upon sale or other disposition of their homes (the “Recapture Provision”). The Recapture Provision requires that an amount determined to be the subsidy provided by a qualified mortgage bond financing to a mortgagor be paid to the United States on disposition of the house (but not in excess of 50% of the gain realized by the mortgagor). The recapture amount would (i) increase over the period of ownership, with full recapture occurring if the house were sold between four and five full years after the closing of the mortgage loan and (ii) decline ratably to zero with respect to sales occurring between five and nine full years after the closing of the mortgage loan. An exception excludes from recapture part or all of the subsidy in the case of certain assisted individuals whose incomes are less than prescribed amounts at the time of the disposition. The Code requires an issuer to inform mortgagors of certain information with respect to the Recapture Provision.

The Code states that an issuer will be treated as meeting the targeted area requirement, the arbitrage restrictions on mortgage loans, and the recapture information requirements if it in good faith attempted to meet all such requirements and any failure to meet such requirements was due to inadvertent error after taking all reasonable steps to comply with such requirements.

Required Redemptions

The Code requires redemption of certain qualified mortgage bonds issued after 1988 from unexpended proceeds required to be used to make mortgage loans that have not been used within 42 months from the date of issuance (or the date of issuance of the original bonds in the case of refundings of unexpended proceeds), except for a \$250,000 de minimis amount. As a result, the Agency may be required by the Code to redeem Bonds from proceeds attributable to those Bonds not used to make Mortgage Loans. Additionally, for bonds issued after 1988, the Code permits repayments (including prepayments) of principal of mortgage loans

financed with the proceeds of an issue of bonds to be used to make additional mortgage loans for only 10 years from the date of issuance of the bonds (or the date of issuance of the original bonds in the case of refundings), after which date such amounts must be used to redeem bonds, except for a \$250,000 de minimis amount (the "10-Year Rule"). As a result, the Agency may be required by the Code to redeem the Tax-Exempt Bonds from repayments (including prepayments) of principal of Tax-Exempt Bonds Mortgage Loans.

SINKING FUND REQUIREMENTS

| Date | Series 185 Bonds maturing October 1, 2029 | Series 186 Bonds maturing October 1, 2029 |
|-----------------|--|--|
| April 1, 2026 | \$1,395,000 | \$1,500,000 |
| October 1, 2026 | 1,425,000 | 1,550,000 |
| April 1, 2027 | 1,455,000 | 1,550,000 |
| October, 1 2027 | 1,480,000 | 1,600,000 |
| April 1, 2028 | 1,515,000 | 1,650,000 |
| October, 1 2028 | 1,545,000 | 1,700,000 |
| April 1, 2029 | 1,575,000 | 1,700,000 |
| October, 1 2029 | 1,610,000† | 1,690,000† |

† Final Maturity.

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BOOK ENTRY ONLY

The Offered Bonds will be available only as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Offered Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Offered Bonds of a Series and maturity are immobilized in the custody of DTC, references to Bondowners or Owners (*except* under “Tax Matters”) mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and the Agency takes no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Offered Bonds. The Offered 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 Offered Bond certificate will be issued for the Offered Bonds of a Series and maturity in the aggregate principal amount of each such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Offered 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 Offered Bonds with DTC and their registration in the

name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption, principal, and interest payments on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Agency, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY REDEMPTION, PRINCIPAL OR INTEREST PAYMENTS ON THE OFFERED BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE RESOLUTION, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE OFFERED BONDS, OR OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

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

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

The Resolution provides for issuance of bond certificates (the “Replacement Bonds”) directly to registered owners of such Bonds other than DTC or its nominee, but only in the event that (a) DTC determines not to continue to act as securities depository for such Bonds; (b) the Agency has advised DTC of its determination that DTC is incapable of discharging its duties; or (c) the Agency has determined that it is in the best interest of the Agency not to continue the book-entry system of transfer or that interests of the Beneficial Owners of such Bonds might be adversely affected if the book-entry system of transfer is continued. Upon occurrence of the events described in (a) or (b) above, the Agency shall either establish its own book-entry system or attempt to locate another securities depository and, in connection with retaining the services of such replacement securities depository, may amend certain of the procedures described in this Appendix C to Part 1. If the Agency does not establish its own book-entry system or fails to locate another securities depository to replace DTC, the Agency shall have authenticated and delivered Replacement Bonds in certificate form. In the event the Agency makes the determination noted in (b) or (c) above (the Agency undertakes no obligations to make any investigation to determine the occurrence of any events that would permit the Agency to make any such determination) and mails an appropriate notice to DTC, the Agency shall cause to be authenticated and delivered Replacement Bonds in certificate form. Interest on the Replacement Bonds will be payable by check mailed to each registered owner of such Replacement Bond at the address of such registered owner as it appears in the bond register maintained by or on behalf of the Agency, and principal, Redemption Price, or purchase price, as applicable, of Replacement Bonds will be payable at the principal corporate trust office of the Trustee. Replacement Bonds will be transferable only by presentation and surrender to the Agency, or an agent of the Agency to be designated in the Replacement Bonds, together with an assignment duly executed by the owner of the Replacement Bond or by such owner’s representative in form satisfactory to the Agency, or any agent of the Agency, and containing information required by the Agency in order to effect such a transfer. For purposes of this Official Statement, at any time after Replacement Bonds have been issued, references to Bondowners mean the registered owners of such Replacement Bonds and references to such Bonds mean such Replacement Bonds.

For every transfer and exchange of such Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. For every exchange or transfer of a bond certificate, the Agency or the Trustee may make a charge for the expense incurred in every such exchange or registration of transfer, including a charge sufficient to reimburse either the Agency or the Trustee for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Agency and the Trustee are not required to register any change of ownership during the 15-day period immediately preceding any interest payment date or date of first mailing of notice of redemption or after any Bond shall have been selected for redemption.

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**FORM OF PROPOSED APPROVING AND FEDERAL AND STATE TAX EXEMPTION
OPINION OF BOND COUNSEL**

State of New York Mortgage Agency
New York, New York

Dear Directors:

As Bond Counsel to the State of New York Mortgage Agency (the “Agency”), a corporate governmental agency constituting a political subdivision and a public benefit corporation of the State of New York (the “State”) organized and existing under and pursuant to the State of New York Mortgage Agency Act, Chapter 612 of the 1970 Laws of the State, being Title 17 of Article 8 of the Public Authorities Law, as amended (the “Act”), we have examined a record of proceedings relating to the issuance by the Agency, of Homeowner Mortgage Revenue Bonds, Series 185 in the aggregate principal amount of \$ 12,000,000 (the “Series 185 Bonds”), Homeowner Mortgage Revenue Bonds, Homeowner Mortgage Revenue Bonds, Series 186 in the aggregate principal amount of \$ 80,190,000 (the “Series 186 Bonds”) and Homeowner Mortgage Revenue Bonds, Series 187 in the aggregate principal amount of \$ 31,650,000 (the “Series 187 Bonds” and, together with the Series 185 Bonds and the Series 186 Bonds, the “Bonds”).

The Bonds are issued under and pursuant to (i) the Act, (ii) the Homeowner Mortgage Revenue Bonds General Resolution, adopted on September 10, 1987, as amended and restated on July 28, 2005 and as supplemented on December 13, 2006 and September 17, 2008 (the “General Resolution”), (iii) the Homeowner Mortgage Revenue Bonds Series Resolution, adopted on December 12, 2013 (the “Series Resolution”), (iv) the Homeowner Mortgage Revenue Bonds Series 185 Series Certificate (the “Series 185 Series Certificate”), dated as of March 14, 2014 and delivered as of March 27, 2014, (v) the Homeowner Mortgage Revenue Bonds Series 186 Series Certificate (the “Series 186 Series Certificate”), dated as of March 14, 2014 and delivered as of March 27, 2014, and (vi) the Homeowner Mortgage Revenue Bonds Series 187 Series Certificate, dated as of March 14, 2014 and delivered as of March 27, 2014 (together with the General Resolution, the Series Resolution, the Series 185 Series Certificate and the Series 186 Series Certificate, the “Resolution”). The Bonds are dated, mature on the dates in the principal amounts, bear interest, if any, and are payable as provided in the Resolution. The Bonds are subject to redemption prior to maturity in whole or in part as set forth in the Resolution.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance of the Series 185 Bonds and the Series 186 Bonds (collectively, the “Tax-Exempt Bonds”) in order that interest on the Tax-Exempt Bonds be and remain excluded from gross income under the Code. These requirements include, but are not limited to, requirements relating to use and expenditures of gross proceeds of the Tax-Exempt Bonds, yield and other restrictions on investment 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 Tax-Exempt Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Agency has adopted documents with respect to its program (the “Program Documents”) that establish procedures under which, if followed, such requirements can be met. The Agency has covenanted in the Resolution to at all times perform all acts and things permitted by law and necessary and desirable in order to assure that interest paid on the Tax-Exempt Bonds shall not be included in gross income for Federal income tax purposes under the Code. We have relied upon such covenant and have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Resolution and the Program Documents. In rendering this opinion, we also have relied on certain representations, certification of fact, and statements of the reasonable expectations made by the Agency and others in connection with the Bonds.

We are of the opinion that:

1. The Agency is duly created and validly existing under the Act.
2. The Resolution has been duly adopted by the Agency and is valid and binding upon the Agency.
3. The Bonds are valid and legally binding special obligations of the Agency secured in the manner and to the extent set forth in the Resolution and are entitled to the benefit, protection, and security of the provisions, covenants, and agreements contained therein.
4. The Bonds do not constitute a debt of the State or of any municipality, and neither the State nor any municipality shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Agency pledged therefor.
5. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Tax-Exempt Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (ii) interest on the Series 185 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; and (iii) interest on the Series 186 Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.
6. Under existing statutes and court decisions, interest on the Series 187 Bonds is included in gross income for Federal income tax purposes pursuant to the Code.
7. Under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State and any political subdivision thereof (including The City of New York), and the Bonds are also exempt from all taxation directly imposed thereon by or under the authority of the State except for estate or gift taxes or taxes on transfers.

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update our opinion after such date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. 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 Tax-Exempt Bonds or under state and local tax law. We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Bonds and express herein no opinion relating thereto.

In rendering this opinion, we are advising you that the enforceability of the Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors' rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 185 Bond, Series 186 Bond and Series 187 Bond, and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

STATE OF NEW YORK MORTGAGE AGENCY

OFFICIAL STATEMENT PART 2 Relating to Homeowner Mortgage Revenue Bonds

This Part 2 of this Official Statement (“Official Statement”) provides certain information concerning prior Series of Bonds, certain sources of payment and security for the Bonds, the Agency, and the mortgage loan program financed with the proceeds of Bonds and other moneys available under the General Resolution. It contains only a part of the information to be provided by the Agency in connection with the issuance of Series of its Bonds. The terms of the Series of Bonds being issued or remarketed, including the designation, principal amount, authorized denominations, price, maturity, interest rate and time of payment of interest, redemption provisions, and any other terms or information relating thereto are set forth in Part 1 of this Official Statement with respect to such Series. Additional information concerning certain sources of payment and security for the Bonds, the Agency, and the mortgage loan program financed with the proceeds of Bonds and other moneys available under the General Resolution is contained in Part 1 of this Official Statement. The information contained herein may be supplemented or otherwise modified by Part 1 of this Official Statement and is subject in all respects to the information contained therein.

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STATE OF NEW YORK MORTGAGE AGENCY

OFFICIAL STATEMENT PART 2 Relating to Homeowner Mortgage Revenue Bonds

INTRODUCTION

The purpose of this Part 2 of this Official Statement, which includes the cover page and the appendices hereto, is to set forth certain information concerning the Agency, the Program, and the Bonds in connection with the issuance of certain Series of the Bonds by the Agency. Each Series of Bonds is issued pursuant to the Act, the General Resolution, and a related Series Resolution. All defined terms used in this Part 2 and not otherwise defined shall have the respective meanings ascribed thereto in Part 1 of this Official Statement.

FOR THIS PART 2, THE TERM “OFFERED BONDS” SHALL HAVE THE MEANING SET FORTH IN PART 1.

All references in this Official Statement to the Act, the General Resolution, and any Series Resolution are qualified in their entirety by reference to each such document, copies of which are available from the Agency, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the General Resolution, the applicable Series Resolutions, and this Official Statement.

BONDS AND NOTES

The Act provides that the Agency shall not issue bonds and notes, the interest on which is not included in gross income for Federal income tax purposes (“tax-exempt bonds”), in an aggregate principal amount exceeding \$10,220,000,000, excluding (i) an amount equal to any original issue discount from the principal amount of any bonds or notes issued, (ii) bonds and notes issued to refund outstanding bonds and notes, and (iii) bonds and notes not described in clause (ii) issued to refund outstanding bonds and notes in accordance with the provisions of the Internal Revenue Code of 1986, as amended, or the Tax Reform Act of 1986, where such bonds or notes are not included in the statewide Federal volume cap on private activity bonds; provided, however, that upon any refunding described in clauses (ii) or (iii), such exclusion shall apply only to the extent that the amount of the refunding bonds or notes does not exceed the sum of (a) the outstanding amount of the refunded bonds or notes and (b) to the extent permitted by applicable Federal tax law, costs of issuance of the refunding bonds or notes to be financed from the proceeds of the refunding bonds or notes.

The Act provides that the Agency shall not issue bonds, notes, or other obligations, the interest on which is included in gross income for Federal income tax purposes (“taxable bonds”), in an aggregate principal amount exceeding \$800,000,000, excluding bonds, notes, or other obligations issued to refund outstanding bonds, notes, or other obligations. The Agency’s Board of Directors is directed under the Act to establish (i) program guidelines in connection with the use of taxable bond proceeds for the purchase of mortgage loans and (ii) income limits for persons eligible to receive mortgages financed by taxable bonds.

As of October 31, 2013, the Agency had issued approximately \$15,638,323,000[†] aggregate principal amount of tax-exempt and taxable bonds, of which approximately \$2,823,115,000 were outstanding as of October 31, 2013, which includes \$2,001,245,000 Outstanding Bonds under the General Resolution. The Agency issued \$179,080,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, designated Series 181, Series 182, Series 183 and Series 184, on March 13, 2014. From November 1, 2013 to and including March 13, 2014, the Agency redeemed approximately \$64,035,000 aggregate principal amount of Bonds. In addition to paying the scheduled maturities and Sinking Fund Requirements of Bonds on April 1, 2014, the Agency (i) has directed the Trustee to redeem an additional \$2,100,000 aggregate principal amount of Bonds on April 1, 2014, and an additional \$80,510,000 aggregate principal amount of Bonds on April 14, 2014, (ii) expects to redeem additional Bonds, in an aggregate principal amount to be determined by the Agency, by mid May 2014, and (iii) expects to redeem the Refunded Bonds, in whole or in part, within 90 days of the date of issuance of the Refunding Bonds.

See “Status of Outstanding Homeowner Mortgage Revenue Bonds,” “Other Agency Programs” and the Financial Statements included in Appendix A to this Part 2 for further information concerning outstanding bonds of the Agency (including Outstanding Bonds).

THE AGENCY

The Agency was created in 1970 in order to alleviate shortages of funds available in the private banking system for residential mortgages within the State, and is a corporate governmental agency, constituting a public benefit corporation. The Agency’s powers, as authorized under the Act, include, among other things, the power to purchase and make commitments to purchase mortgage loans on single family (one-to-four-unit) housing and home improvement loans from certain lenders and to finance and refinance education loans. There is no assurance that the Act will not be amended in the future.

Directors and Certain Officers

The directors of the Agency consist of the State Comptroller or his appointee, the Director of the Budget of the State of New York, the Commissioner of the New York State Division of Housing and Community Renewal, one director appointed by the Temporary President of the State Senate, one director appointed by the Speaker of the State Assembly, and four directors appointed by the Governor with the advice and consent of the State Senate. As of the date hereof, there are two vacancies on the Agency’s board of directors since there are only two governor appointed directors currently serving.

The directors of the Agency are as follows:

WILLIAM J. MULROW, Chairman: Appointed by the Governor in March 2012 — Senior Managing Director, Blackstone.

DARRYL C. TOWNS, Director, *ex officio*: Appointed Commissioner of the New York State Division of Housing and Community Renewal in April 2011 — Mr. Towns was appointed the Agency’s Executive Director and Chief Executive Officer in April 2011.

[†] Since some of these bonds refunded other bonds of the Agency, as of October 31, 2013, only a principal amount of and premium with respect to such bonds (i) not exceeding \$8,461,860,953.40 was subject to the Agency’s \$10,220,000,000 tax-exempt bond issuance limit under the Act, and (ii) not exceeding \$551,660,730.36 was subject to the Agency’s \$800,000,000 taxable bond issuance limit under the Act. With the issuance of the Series 181 Bonds, Series 182 Bonds, Series 183 Bonds and Series 184 Bonds a principal amount of and premium with respect to such bonds not exceeding \$8,486,860,953.40 is subject to the Agency’s \$10,220,000,000 tax-exempt bond issuance limit under the Act.

ROBERT MEGNA, Director, *ex officio*: Appointed Director of the Budget in June 2009.

NAOMI BAYER, Director: Appointed by the Governor in June 2009 — Senior Vice President, Enterprise Community Partners, Inc.

MOSES KRAUSZ, Director: Appointed on February 6, 2014 and serving at the pleasure of the Speaker of the Assembly — President and Chief Executive Officer, The Berkshire Bank.

MARGE ROGATZ, Director: Appointed by the State Comptroller in January 2008 — President, Community Advocates, Inc.

ANTHONY BERGAMO, Director: Appointed in January 2012 and serving at the pleasure of the Temporary President of the State Senate — Vice Chairman, MB Real Estate and Chief Executive Officer of Niagara Falls Redevelopment, LLC.

The following lists certain officers of the Agency:

DARRYL C. TOWNS, Executive Director and Chief Executive Officer. Mr. Towns joined the Agency in April 2011.

KEVIN KELLY, Senior Vice President and Chief Operating Officer. Mr. Kelly joined the Agency in March 2014.

MARIAN ZUCKER, President, Finance & Development. Ms. Zucker joined the Agency in February 2007.

SHEILA ROBINSON, Senior Vice President and Chief Financial Officer. Ms. Robinson joined the Agency in July 2012.

GEORGE LEOCATA, Senior Vice President of Single Family Programs. Mr. Leocata joined the Agency in 1982.

MICHAEL A. FRIEDMAN, Senior Vice President for the Mortgage Insurance Fund Division. Mr. Friedman joined the Agency in 1996.

C. JASON KIM, Senior Vice President and Counsel. Mr. Kim joined the Agency in September 2013.

DESMOND GOODING, Vice President and Treasurer. Mr. Gooding joined the New York State Housing Finance Agency, one of the State public authorities integrated with the Agency as described below, in 1991.

The directors appointed by the Governor serve terms of four years and continue to serve until their successors are appointed and qualified. The Governor designates a Chairman from the four directors he is authorized to appoint, of which, as of the date of this Official Statement, he has appointed two. If a director is appointed by the State Comptroller, such director serves until a successor is appointed. The directors appointed by the Temporary President of the Senate and the Speaker of the Assembly serve at the pleasure of their respective appointing officials. Directors can resign prior to the expiration of their respective terms. A majority of the directors then in office constitutes a quorum for the transaction of any business or the exercise of any power or function of the Agency. The Agency may delegate to one or more of its directors, or its officers, agents, and employees such powers or duties as it may deem proper.

The Agency has retained CSG Advisors Inc. as its financial advisor in connection with the issuance of the Offered Bonds.

In addition to the Program and the MIF, the Agency currently issues bonds and purchases mortgage loans under its Mortgage Revenue Bond Forward Commitment Program and in the past issued bonds and purchased mortgage loans under its Low Downpayment—Conventional Rate Mortgage Program and operates the MIF. The Act also empowers the Agency to make and purchase home improvement loans and certain student loans. See “Other Agency Programs” herein.

The Agency’s offices are located at 641 Lexington Avenue, New York, New York 10022. Its telephone number is (212) 688-4000.

Organization

The State has integrated the programs and policies of the Agency, other state public authorities and the State’s Division of Housing and Community Renewal (“DHCR”). As part of that integration, the Commissioner of DHCR and, as such, an *ex officio* member of the Agency’s Board of Directors, has been selected by the directors as the Agency’s Executive Director and Chief Executive Officer. As a result of the integration, the Agency and the other integrated agencies currently share three primary program areas. The Agency’s activities are encompassed in the Office of Finance and Development. However, the Agency remains a separate legal entity despite the integration.

As of October 31, 2013, the full-time staff of the Agency consisted of 101 persons, including persons with expertise in the areas of mortgage finance, mortgage underwriting and servicing, finance, residential and commercial development, insurance, and law.

Marian Zucker, President, Finance and Development, oversees many housing production programs of the Agency and the other integrated agencies, including the Agency’s Single-Family Program Division and all aspects of the structuring, pricing and sale in connection with the issuances of bonds by the Agency and the other agencies that have been integrated. This includes the Agency’s debt issuances, including bonds (such as the Bonds) issued to finance the Program and student loans.

The Single-Family Program Division is part of the Office of Finance and Development and is supervised by the Senior Vice President of Single-Family Programs. The Single-Family Program Division’s responsibilities include overall supervision and operation of the Agency’s mortgage purchase program. The Single-Family Program Division includes an experienced staff which supervises compliance by lending institutions with the Agency’s Program requirements, including compliance with the mortgage eligibility criteria established pursuant to the applicable provisions of the Code. The Single-Family Program Division also monitors and supervises the Agency’s existing mortgage loan portfolio (including oversight of foreclosures and real estate acquired through foreclosures) and the institutions that service the Agency’s mortgage loans. The Single-Family Program Division currently consists of 33 persons.

The Accounting department and the Treasury department, along with other professional support functions for the Agency’s three main program areas, are within the Office of Professional Services, which reports directly to the Agency’s Chief Operating Officer. The Accounting department and the Treasury department work under the direction of the Senior Vice President and Chief Financial Officer. The Accounting department is responsible for the Agency’s books of account and the recording of the receipt and disbursement of its funds. The Treasury department is responsible for the day-to-day investment of funds received by the Agency.

The Senior Vice President and Counsel is responsible for legal affairs of the Agency, and includes a staff of attorneys with experience in public finance law and real estate law.

The MIF is under the supervision of, and reports directly to, the Senior Vice President for the Mortgage Insurance Fund Division. The MIF’s responsibilities include development and implementation of the Agency’s mortgage insurance program. The Act authorizes the MIF to provide mortgage pool insurance

(i) for certain mortgage loans which the Agency purchases and (ii) for certain other entities. The Act also authorizes the MIF to provide primary mortgage insurance on single family mortgage loans and multi-family mortgage loans. The MIF consists of legal, underwriting and risk evaluation, administrative, and servicing units staffed by 9 persons.

Independent Auditors

The financial statements of the Agency as of and for the years ended October 31, 2012 and 2013, included in Appendix A of this Official Statement, have been audited by Ernst & Young LLP (“Ernst & Young”), independent auditors, as stated in their report appearing therein. Ernst & Young has not audited the financial information and operating data of the Agency dated subsequent to October 31, 2013 contained herein and in Part 1 of this Official Statement.

Financial Statements

Pursuant to current State law, the Agency is required, within ninety (90) days after the end of each of its Fiscal Years, to submit to the State its financial statements for such Fiscal Year. In addition, the General Resolution sets forth requirements regarding the delivery of financial statements to the Trustee. See “Summary of Certain Provisions of the General Resolution — Annual Audit and Report.” Also, the Agency has additional requirements for delivery of its financial statements under the Amended and Restated Master Disclosure Agreement. See “Continuing Disclosure Agreement” below and Appendix E — “Summary of Certain Provisions of the Amended and Restated Master Disclosure Agreement.”

Assets pledged under the respective programs referenced in the financial statements, other than Pledged Property (as described under “Sources of Payment and Security for the Bonds”), are not pledged to and should not be considered as a source of payment for the Bonds.

The Governmental Accounting Standards Board Statement No. 45 addresses how a state or local government employer should account for and report its costs and financial obligations related to post-employment healthcare and other non-pension benefits (“OPEB”) for current and future retired employees. For the year ended October 31, 2013, the Agency’s financial statements reflected an Unfunded Actuarial Accrued Liability (“UAAL”) of approximately \$39 million as a liability of its General Operating Fund, an increase from the UAAL of \$34.7 million for the year ended October 31, 2012. The UAAL is a computation of the present value of the difference between the Agency’s total obligation for OPEB (which is not provided for by future normal costs) and the assets the Agency has set aside for funding such OPEB. The Agency has elected to pay OPEB on a “pay as you go” basis. The Agency also elected to record the entire amount of the UAAL, rather than recognize the amount over a period not greater than 30 years, as permitted by GASB 45. Moneys currently held under the Resolution may be used to pay Agency expenses, including OPEB, only if and to the extent such moneys either are (a) included within the amounts permitted to be paid to the Agency as Expenses or (b) amounts permitted to be withdrawn from the pledge and lien of the Resolution upon the satisfaction of certain conditions. See “Sources of Payment and Security for the Bonds — Cash Flow Statements,” and “Summary of Certain Provisions of the Resolution — Revenue Fund; Application of Revenues,” “— Expense Fund,” and “— General Fund.”

Proposed State Fiscal Year 2014-2015 Executive Budget Provisions

The Education, Labor and Family Assistance portion of the proposed State Fiscal Year 2014-2015 Executive Budget (the “2014-2015 Proposed Budget”) (each State fiscal year is for the twelve-month period from April 1 of a calendar year to and including March 31 in the next succeeding calendar year), submitted by the Governor to the State Legislature on January 21, 2014, would require certain transfers of moneys from the MIF’s Project Pool Insurance Account provided that, at the time of each transfer, the reserves remaining in such account are sufficient to attain and maintain the credit rating required to accomplish the purposes of the Project Pool Insurance Account (as determined by the Agency).

If enacted as currently written and assuming satisfaction of the above-referenced conditions precedent, seven transfers would be made from the Project Pool Insurance Account in an aggregate amount up to \$75.418 million as follows: six to the Housing Trust Fund Corporation (the first three of which, in an aggregate amount up to \$32.418 million, would occur no later than June 30, 2014 while the remaining three, in an aggregate amount up to \$11 million would occur no later than March 31, 2015) and one of up to \$32 million to the New York State Housing Finance Agency by March 31, 2015.

Provisions similar to the proposed transfer provisions were enacted as part of prior State Enacted Budgets resulting in transfers from the Project Pool Insurance Account in State Fiscal Year 2013-2014 to the State General Fund, the Housing Finance Agency and the Housing Trust Fund Corporation in the aggregate amount of \$135,952,200 and in transfers from the Project Pool Insurance Account in State Fiscal Years 2012-2013 and 2008-2009 to the State General Fund in the amount of \$100 million.

The 2014-2015 Proposed Budget has not been enacted into law. The Agency makes no representation as to whether any of the provisions of the 2014-2015 Proposed Budget described in this Official Statement will be, or will not be, enacted as part of the State Fiscal Year 2014-2015 Enacted Budget in its current or a revised form. State budget legislation in future years may provide for transfers from the Project Pool Insurance Account or other accounts in the MIF. The Agency makes no representation regarding whether any such transfers, or the amounts thereof, will be enacted.

The Project Pool Insurance Account does not provide primary or pool insurance for any Mortgage Loans.

Under the provisions of the Act with respect to the MIF, no amounts can be withdrawn from any account in the MIF, including the Single Family Pool Insurance Account, that would cause the amount on deposit in such account to fall below its statutorily required reserves. For additional information, see Appendix B — “Mortgage Insurance and New York Foreclosure Procedures — MIF.” The Agency is authorized to withdraw moneys from the General Resolution only as described in the third paragraph under “Sources of Payment and Security for the Bonds — Pledge of the Resolution.”

Related Matters

From time to time, legislation is introduced on the Federal and State levels that, if enacted into law, could affect the Agency and its operations. Among other matters, such legislation could increase the principal amount of indebtedness which the Agency can issue. The Agency is not able to represent whether such bills will be introduced in the future or become law. In addition, the State undertakes periodic studies of public authorities in the State (including the Agency) and their financing programs. Any of such periodic studies could result in proposed legislation that, if adopted, could affect the Agency and its operations.

Continuing Disclosure

The Agency has covenanted, in an Amended and Restated Master Continuing Disclosure Agreement by and between the Agency and the Trustee (the “Amended and Restated Master Disclosure Agreement”), for the benefit of the Holders and Beneficial Owners (each as defined in Appendix E to this Part 2) of the Offered Bonds to provide certain financial information and operating data relating to the Agency (the “Annual Financial Information”) by not later than 180 days following the end of the Agency’s then current fiscal reporting period, commencing with the reporting period ending October 31, 1996, and to provide notices of the occurrence of certain enumerated events. The Amended and Restated Master Disclosure Agreement requires that the Annual Financial Information be filed by the Agency with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access portal, EMMA. The Amended and Restated Master Disclosure Agreement requires that notices of listed events be filed by the Agency with EMMA. The specific nature of the information to be contained in the Annual Financial Information or the notices of listed events is summarized in Appendix E — “Summary of Certain Provisions of the Amended and Restated Master

Disclosure Agreement.” These covenants have been made in order to assist the underwriters of the Offered Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, as amended (the “Rule”). The Agency has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual financial information or notices of listed events.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Pledge of the Resolution

The Bonds and the other Parity Obligations are special obligations of the Agency payable solely from and secured by the Pledged Property. The Bonds are not secured by any fund or account that is subject to replenishment by the State. The Agency has no taxing power. The Bonds are not a debt of the State or of any municipality, and neither the State nor any municipality is liable on the Bonds, nor are the Bonds payable out of any funds other than those of the Agency.

“Pledged Property” is defined by the General Resolution to include (i) the proceeds of the sale of the Bonds, (ii) principal and interest payments on the Mortgage Loans and Collateral Mortgage Loans[†] received by or on behalf of the Agency including any payments by a borrower under a Mortgage Loan or Collateral Mortgage Loan (a “Mortgagor”) or other recovery of principal on a Mortgage Loan or a Collateral Mortgage Loan which is not applied to a scheduled installment of principal and interest on a Mortgage Loan or a Collateral Mortgage Loan and all prepayment premiums or penalties received with respect to the Mortgage Loans and Collateral Mortgage Loans, (iii) any payments received with respect to any Mortgage Loan or Collateral Mortgage Loan under any insurance policy or guarantee or under any fidelity bond (to the extent not applied to the repair or restoration of any mortgaged premises) and any amounts received in connection with the liquidation of a defaulted Mortgage Loan or a defaulted Collateral Mortgage Loan, (iv) proceeds of the sale of Mortgage Loans and Collateral Mortgage Loans by or on behalf of the Agency, (v) all other moneys in all Funds and Accounts established under the Resolution, including the investments, if any, thereof and the earnings, if any, thereon until applied in accordance with the Resolution, and (vi) all right, title and interest of the Agency in and to the Mortgage Loans and Collateral Mortgage Loans. Pledged Property does not include (a) any amounts paid or payable under the Mortgage Loans or Collateral Mortgage Loans as to which the Mortgagor is required to be given a credit under the Code, (b) any moneys received as to which a Mortgagor is required to be given a credit under the Code or which are required under the Code to be rebated to Mortgagors or to the United States, and (c) Mortgage Loan accrued interest not purchased by the Agency. In addition, the pledge of Funds and Accounts established in a Series Resolution may be limited in purpose and time, as set forth in such Series Resolution. Clause (v) of the definition includes receipts, if any, in connection with Pledged CCALs, although the Pledged CCALs are interest free loans and the Agency will only recover a declining portion of the principal amount of any Pledged CCAL if the borrower sells the related property at a gain during the first ten years of the loan term.

Amounts on deposit in the Funds and Accounts may be applied only as provided in the General Resolution. Amounts in the General Fund may, *however*, at the request of the Agency, be withdrawn free and clear of the pledge of the General Resolution; *provided, however*, that (i) no such withdrawal shall be made unless the Agency files a Cash Flow Certificate with the Trustee and (ii) no such withdrawal shall be made in excess of the amount which the Agency could so withdraw as shown in the last Cash Flow Statement filed with the Trustee *unless* the Agency files a new Cash Flow Statement with the Trustee that shows that, following such withdrawal, the amounts on deposit in all Funds and Accounts (other than the Costs of Issuance

[†] Since at present the aggregate principal amount of Collateral Mortgage Loans is only approximately \$390,000, references to the Collateral Mortgage Loans have been omitted from some discussions in this Official Statement.

Fund, the Expense Fund and the Interest Account and excluding the principal amount of any Security Arrangements credited to the Debt Reserve Fund or Loan Loss Fund) plus the aggregate principal balances of all Mortgage Loans and Collateral Mortgage Loans (collectively, the "Test Assets") shall at least equal 101% of the sum of the aggregate principal amount of Bonds Outstanding and the aggregate principal amount of any additional amounts attributable to Parity Principal (collectively, the "Test Liabilities") and which Cash Flow Statement projects available money sufficient to pay debt service when due in the then current and each succeeding Fiscal Year, and demonstrates the funding of the Debt Reserve Fund and the Loan Loss Fund to their respective Requirements. See "Cash Flow Statements." As of October 31, 2013, the Test Assets exceeded 101% of the Test Liabilities.

Mortgage Loans

See "The Program" for information regarding the Agency's current Program for originating Mortgage Loans.

General

The following is a description of the requirements applicable to Mortgage Loans purchased or to be purchased with the proceeds of the Series 185 Bonds, the Prior Series Bonds and other moneys available under the General Resolution. The Agency may revise the requirements imposed on Mortgage Loans to be purchased in the future by the Agency with the proceeds of any or all Series of Bonds or other moneys available under the General Resolution, subject to the provisions of the General Resolution, the applicable Series Resolution, the Act, and the Code. Substantially similar requirements applied to the MRB Originated Mortgage Loans.

Requirements of the Act

Each of the General Resolution and the MRB Resolution provides that no Mortgage Loan may be purchased by the Agency with the proceeds of Bonds or other moneys available under the General Resolution unless the Mortgage Loan complies with the provisions of the Act. There is no assurance that the Act will not be amended in the future. The Act currently requires, among other things, that the Mortgage Lender warrant with respect to each Mortgage Loan which finances the acquisition of a one-to-four-unit residence (including a condominium or cooperative unit) that (i) the Mortgage Lender has no notice of any counterclaim, offset, or defense asserted by the Mortgagor with respect to the Mortgage Loan; (ii) the Mortgage Loan is evidenced by a bond or promissory note and a mortgage document that has been properly recorded and constitutes a valid first lien on the property *subject* only to real property taxes not yet due, installments of assessments not yet due, and easements and restrictions of record that do not materially adversely affect the use or value of the property; (iii) the Mortgagor is not in default under the Mortgage Loan; and (iv) the improvements to the property financed by the Mortgage Loan are covered by a valid and subsisting insurance policy issued by a company authorized by the State Superintendent of Financial Services to issue such policies in the State and providing fire and extended coverage in an amount not less than 80% of the insurable value of the improvements to the mortgaged property (*except* that, due to changes in State law, the Agency may not be able to require that such insurance provide coverage in excess of the replacement value of the financed property). The Act permits the financing of cooperative units secured by an assignment or transfer of the benefits of cooperative ownership. The Act currently requires, among other things, that the Mortgage Lender warrant with respect to each Mortgage Loan which finances a loan to improve, rehabilitate, reconstruct, or redevelop a one-to-four-unit residence the same items set forth in (i) and (iii) of the third sentence of this paragraph, and that (i) the Mortgage Loan is evidenced and secured in the manner specified in the Mortgage Lender's undertaking to the Agency and all required loan documents have been properly recorded with any appropriate public official; (ii) the Mortgage Loan is secured by the security described to the Agency subject only to liens, security interests, and encumbrances described to the Agency; and (iii) the Mortgage Loan is insured or guaranteed by the United States or any agency thereof or by a firm that is authorized by the State Superintendent of Financial Services to issue such policies in the State.

Requirements of the General Resolution

There are no general requirements for the characteristics of Mortgage Loans in the General Resolution. The General Resolution provides that certain requirements and certain matters with respect to Mortgage Loans (the “Series Program Determinations”) be determined (or provisions for determining the Series Program Determinations at certain specified times in the future be set forth) with respect to each Series of Bonds (and related Revenues (including Principal Prepayments)) that will finance Mortgage Loans in the Series Resolution authorizing the issuance of such Series. The Series Program Determinations generally include the following: (i) whether each Mortgage Loan will be secured by a first lien mortgage, a second lien mortgage, or a combination thereof; (ii) whether each Mortgage Loan will have approximately equal monthly payments or will be a graduated payment mortgage loan or will have a fixed or variable rate of interest; (iii) the maximum term to maturity of each Mortgage Loan; (iv) whether each residence to which each Mortgage Loan relates will be a principal residence; (v) required primary mortgage insurance, if any, and the levels of coverage thereof; (vi) limitations, if any, applicable to purchases of Mortgage Loans relating to planned unit developments and/or cooperatives, geographic concentration, and type of principal and interest characteristics; (vii) the requirements, if any, with respect to SMC; (viii) provisions relating to Principal Prepayments, including application thereof for redemption or financing new Mortgage Loans; (ix) provisions relating to Collateral Mortgage Loans, if any; (x) maximum Expenses (as defined herein under “Summary of Certain Provisions of the General Resolution — Certain Definitions”) for such Series of Bonds; (xi) restrictions, if any, on the applications of the proceeds of the voluntary sale of Mortgage Loans and Collateral Mortgage Loans, if any; and (xii) any other provision deemed advisable by the Agency not in conflict with the General Resolution. There is no requirement in the General Resolution that Mortgage Loans be secured by first lien mortgages.

Requirements of the Series Resolutions

Each Series Resolution with respect to the Prior Series Bonds and the Offered Bonds generally sets forth the following Series Program Determinations for single family Mortgage Loans purchased or to be purchased with the proceeds of the applicable Series of Bonds (and related Revenues (including Principal Prepayments)): (a) each residence to which each Mortgage Loan relates must be a principal residence; (b) the promissory note for each Mortgage Loan must be endorsed to the Agency, each Mortgage Loan must be assigned to the Agency, and the Mortgage Loan must constitute a valid first lien mortgage, a valid second lien mortgage, or both (or, with respect to a cooperative unit, the loan must be secured by a lien upon the related shares of stock in the cooperative housing corporation and the proprietary lease related to the financed premises); (c) each Mortgage Loan must relate to a one-to-four-unit residential structure or condominium or cooperative unit; (d) each Mortgage Loan must be for a term not exceeding 40 years, bear interest at fixed rate(s) (which may include stepped coupon interest rates), and provide for approximately equal monthly payments (taking into account the interest rate(s) thereon); and (e) generally, Mortgage Loans must be (X)(i) conventional mortgage loans with primary mortgage insurance (“PMI”) from private insurers, (ii) conventional mortgage loans with PMI issued by the Agency, or (iii) insured by the Federal Housing Administration (“FHA”), or (Y) loans with a loan-to-value ratio (“LTV”) determined by the Agency with respect to which no private or governmental insurance or guarantee will be required, or (Z) mortgage loans insured or guaranteed by any other entity, if insuring or guaranteeing mortgage loans by such entity will not, in and of itself, adversely affect the then-existing rating assigned by Moody’s Investors Service, Inc. (“Moody’s”) to the Bonds. An additional Series Program Determination for all series up to and including Series 74 required that in the case of a Mortgage Loan initially required to be covered by PMI, the remainder of (i) the principal balance of such Mortgage Loan less (ii) the amount of such coverage, must be an amount that is less than or equal to 72% of the value of the mortgaged property, and such coverage must be maintained until the principal balance of the Mortgage Loan is less than or equal to 80% of the original value of the mortgaged property or when the Mortgage Loan reaches the midpoint of its amortization schedule, whichever occurs first. For all series of Bonds since Series 74, such Series Program Determination was changed to require that such coverage be maintained until the earlier of the date on which the principal balance of the Mortgage Loan is less than or equal to 80% of the value of the mortgaged property or the date on which the mortgagor exercises his or her

right to cancel PMI pursuant to the Homeowner’s Protection Act of 1998, as amended. Certain of the Series Resolutions (including the Series Resolution with respect to the Offered Bonds) provide that such Mortgage Loans may be guaranteed by the United States Department of Veterans Affairs, formerly the Veterans Administration (the “VA”). The Series Resolutions for all Series of Outstanding Bonds beginning with Series 163 authorize the use of Bond proceeds to finance second lien loans such as the Pledged DPALs. The Agency has never purchased, and does not currently intend to purchase, any home improvement loans. Series Program Determinations may be amended by the Agency at any time if, in addition to certain other requirements, (1) such amendment, in and of itself, will not adversely affect either the then-existing rating assigned to the Bonds by Moody’s, or (2) such action will not adversely affect the interests of the Owners. Series Program Determinations for Mortgage Loans to be purchased with proceeds attributable to any Additional Bonds (and related Revenues (including Principal Prepayments)) will be determined at the time that such Additional Bonds are issued.

The Series Program Determinations for the Prior Series Bonds, the Offered Bonds and other moneys available under the General Resolution contain additional requirements with respect to mortgage pool insurance and PMI. See Appendix B to this Part 2 for a more detailed discussion of mortgage pool insurance programs and PMI with respect to the applicable Mortgage Loans.

The Series Resolutions for all Series of Outstanding Bonds issued subsequent to Series BB also provide that the Agency may provide for alternative SMC if such alternative coverage will not adversely affect the then-existing rating assigned to the Bonds by Moody’s. SMC is permitted to be in the form, among others, of (a) cash or Investment Obligations or (b) Cash Equivalents (as defined under “Summary of Certain Provisions of the General Resolution—Certain Definitions”) or a qualified mortgage pool insurance policy.

Requirements of the Code

In general, the Code currently requires that new Mortgage Loans financed with or attributable to the proceeds of or related to a Series of Bonds meet the following requirements in order that interest on the applicable Series of Bonds not be included in gross income for Federal income tax purposes: (a) the mortgaged premises must be a one-to-four-family residence, one unit of which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided; (b) *except* with respect to Mortgage Loans made in targeted areas and *except* with respect to certain veterans of the United States military, the mortgagor may not have had a present ownership interest in his or her principal residence (other than the residence being financed) during the three-year period prior to execution of the mortgage loan; (c) with certain limited exceptions, no proceeds of or related to Bonds may be used to acquire or replace an existing mortgage, which would include the refinancing of a pre-existing mortgage; (d) the purchase price of the mortgaged premises may not exceed applicable dollar limits based on a percentage of the applicable average area purchase price; (e) *except* with respect to a portion of Mortgage Loans made in targeted areas, the borrower family income may not exceed applicable dollar limits based on a percentage of the applicable median family income; and (f) Mortgage Loans may be assumed only if the requirements described in (a), (b), (d), and (e) (if applicable) above are met with respect to such assumption. See Part 1 Appendix A — “Certain Additional Federal Income Tax Matters — Loan Eligibility Requirements Imposed by the Code.”

Delinquencies

In structuring the Prior Series Bonds, the Agency assumed that losses on defaulted Mortgage Loans will not exceed insurance coverage and recoveries upon disposition, including foreclosures. For certain information regarding the status of delinquencies of Mortgage Loans and MRB Originated Mortgage Loans, see Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — Delinquencies” and “— MRB Originated Mortgage Loans — Delinquencies.” See also “The Program — Mortgage Loan Servicing” and the table of principal servicers set forth in Appendix C to this Part 2.

Pledged CCALs

Pledged CCALs are Pledged Property under the Resolution and any receipts received in connection with the Pledged CCALs are Revenues, but not Principal Prepayments, under the Resolution. The Pledged CCALs are interest-free loans and principal payments on each Pledged CCAL will be received by the Agency only if the borrower sells or refinances the related property at a gain during the first ten years of the loan term and that any such receipts will be on a declining basis over such ten-year term. Pledged CCALs are not Mortgage Loans under the Resolution. See “The Program — Down Payment Assistance and Closing Cost Assistance Loans.”

Debt Reserve Fund

The General Resolution provides that as of any particular date of calculation there shall be on deposit in the Debt Reserve Fund an amount of cash or Cash Equivalents equal in the aggregate to the aggregate of all amounts required to be deposited in or credited to and maintained in such Fund by each Series Resolution authorizing a Series of Outstanding Bonds, at least equal in the aggregate to three per centum (3%) of the sum of (i) the outstanding principal balance of Mortgage Loans (*except* Mortgage Loans underlying certificates of the Government National Mortgage Association (“Ginnie Mae”) or Fannie Mae (formerly the Federal National Mortgage Association), (ii) the amount on deposit to the credit of the Acquisition Fund, and (iii) the outstanding principal balance of those Collateral Mortgage Loans pledged to secure Bonds at the time of issuance of a Series of Bonds (or Collateral Mortgage Loans substituted therefor) (the “Debt Reserve Requirement”). For information regarding the amount on deposit in the Debt Reserve Fund, see Appendix D — “Certain Agency Financial Information and Operating Data — Debt Reserve Fund and Loan Loss Fund.” The General Resolution requires that an aggregate amount equal to one per centum (1%) of the sum of clauses (i), (ii), and (iii) described in the first sentence of this paragraph and on deposit in the Debt Reserve Fund be held in cash in such Fund or be invested in Investment Obligations with a term to maturity of less than three years from the date such investment is made.

If there shall be unavailable to the Trustee sufficient funds to meet a required payment of principal or Redemption Price of, or interest on, Bonds when due, the General Resolution requires the Trustee, to the extent that amounts on deposit in all other Funds available therefor are insufficient to make such payment, to apply moneys or draw upon Cash Equivalents for transfer from the Debt Reserve Fund to the extent necessary to make the required payments to Bondowners. See “Summary of Certain Provisions of the General Resolution — Deficiencies in Debt Service Fund” and “— Debt Reserve Fund.”

If necessary to restore the amount on deposit in the Debt Reserve Fund to the Debt Reserve Requirement, as of each interest or principal payment date, and prior to any transfer from the Revenue Fund to the Loan Loss Fund, General Fund, or Expense Fund in an amount in excess of one-half of the permitted Expenses amount for the Fiscal Year, the Trustee is required to withdraw moneys (to the extent moneys are available therefor) from the Revenue Fund for deposit to the credit of the Debt Reserve Fund. There is no requirement that withdrawals from the Debt Reserve Fund be restored by the Agency from its assets not pledged under the General Resolution or that the Debt Reserve Fund be replenished by the State.

To date, the deposits to the Debt Reserve Fund set forth above have been in the form of cash and Investment Obligations (and not Cash Equivalents). Pursuant to the General Resolution, the Agency may elect, in a Series Resolution authorizing the issuance of Additional Bonds (but only with respect to the Debt Reserve Requirement established therein for such Series of Bonds) or in a Supplemental Resolution, to fund the Debt Reserve Requirement with Cash Equivalents.

Loan Loss Fund

The General Resolution provides that as of any particular date of calculation there shall be on deposit in the Loan Loss Fund an amount equal in the aggregate to the aggregate of all amounts required to be

deposited in or credited to and maintained in such Fund by each Series Resolution authorizing a Series of Outstanding Bonds, at least equal in the aggregate to one per centum (1%) of the sum of (i) the outstanding principal balance of Mortgage Loans (other than Mortgage Loans underlying obligations of the Government National Mortgage Association or Fannie Mae), (ii) the amount on deposit to the credit of the Acquisition Fund, and (iii) the outstanding principal balance of those Collateral Mortgage Loans pledged to secure Bonds at the time of issuance of a Series of Bonds (or Collateral Mortgage Loans substituted therefor) (the “Loan Loss Requirement”). For information regarding the amount on deposit in the Loan Loss Fund, see Appendix D — “Certain Agency Financial Information and Operating Data — Debt Reserve Fund and Loan Loss Fund.” The General Resolution requires that an aggregate amount equal to one per centum (1%) of the sum of clauses (i), (ii), and (iii) described in the first sentence of this paragraph and on deposit in the Loan Loss Fund shall be held in cash in such Fund or shall be invested in Investment Obligations with a term remaining to maturity of less than 13 months from the date such investment was made.

The Loan Loss Fund constitutes a reserve fund to secure payment of debt service on the Bonds in that, if there shall be unavailable to the Trustee sufficient funds to meet a required payment of principal or Redemption Price of, or interest on, Bonds when due, the General Resolution requires the Trustee, to the extent that amounts on deposit in the Interest Account, the Principal Account, the Revenue Fund, the General Fund, the Optional Redemption Account, the Principal Prepayment Fund, and the Special Redemption Account (excluding amounts deposited in the Redemption Fund, the Principal Prepayment Fund or the Principal Account that have been set aside for the payment of Bonds) are insufficient to make such payment, to apply moneys or draw upon Cash Equivalents for transfer from the Loan Loss Fund to the extent necessary to make the required payments to Bondowners. See “Summary of Certain Provisions of the General Resolution — Deficiencies in Debt Service Fund” and “— Loan Loss Fund.”

If necessary to restore the amount on deposit in the Loan Loss Fund to the Loan Loss Requirement, as of each interest or principal payment date and prior to any transfer from the Revenue Fund to the General Fund or to the Expense Fund in an amount in excess of one-half of the permitted Expenses amount for the Fiscal Year, the Trustee is required to withdraw moneys (to the extent moneys are available therefor) from the Revenue Fund for deposit to the credit of the Loan Loss Fund. There is no requirement that withdrawals from the Loan Loss Fund be restored by the Agency from its assets not pledged under the General Resolution or that the Loan Loss Fund be replenished by the State.

To date, the deposits to the Loan Loss Fund set forth above have been in the form of cash and Investment Obligations (and not Cash Equivalents). Pursuant to the General Resolution, the Agency may elect, in a Series Resolution authorizing the issuance of Additional Bonds (but only with respect to the Loan Loss Requirement established therein for such Series of Bonds) or in a Supplemental Resolution, to fund the Loan Loss Requirement with Cash Equivalents.

Additional Bonds

The General Resolution provides that the Agency may issue Additional Bonds, including refunding Bonds. See “Summary of Certain Provisions of the General Resolution—Issuance of Bonds.” In addition, the Agency may issue any obligations or agree to pay Subordinated Contract Obligations which are payable from or secured by a lien on and pledge of the Pledged Property so long as such lien and pledge shall be in all respects subordinate to the lien and pledge created by the General Resolution. Additional Bonds may have interest payment dates that differ from such dates for the Prior Series Bonds and the Offered Bonds.

Cash Flow Statements

The General Resolution provides that, while any Bonds are Outstanding, the Agency shall file with the Trustee a Cash Flow Statement (i) whenever any Series of Bonds is issued or remarketed; (ii) on any October 1, if a Cash Flow Statement has not been filed within the past 2½ years; (iii) upon purchase or redemption of Bonds in a manner other than as contemplated in the last Cash Flow Statement filed by the

Agency with the Trustee; (iv) prior to applying amounts in the General Fund for payment of certain payments pursuant to Qualified Hedges or payment to the Agency free and clear of the lien of the Indenture; and (v) to the extent required by the General Resolution in connection with certain reimbursement payments in connection with Security Arrangements.

The General Resolution provides that a Cash Flow Statement shall consist of a certificate of an Authorized Representative giving effect to the action proposed to be taken and demonstrating in the current and each succeeding Fiscal Year in which the Parity Obligation is scheduled to be Outstanding that Pledged Property then expected to be on deposit in the Funds and Accounts maintained under the General Resolution in each such Fiscal Year will be at least equal to all amounts required by the General Resolution to be on deposit in such Funds and Accounts for the payment of the Parity Obligation and for the funding of the Debt Reserve Fund and Loan Loss Fund to their respective Requirements, *except* that, to the extent specified in a Series Resolution, a Fund or Account established in such Series Resolution shall not be taken into account when preparing the Cash Flow Statement. Currently, all Funds and Accounts established in the Series Resolutions that are part of the Pledged Property are taken into account when preparing the Cash Flow Statement.

The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based and, after filing any Cash Flow Statement, the Agency shall administer the Program and perform its obligations under the General Resolution in accordance, in all material respects, with the assumptions set forth in such Cash Flow Statement that produce the most unfavorable financial results. The General Resolution requires that a Cash Flow Statement assume that all amounts held under the General Resolution with respect to which an investment arrangement is *not* in effect that guarantees a certain rate or rates are invested at a rate that does not exceed the then prevailing savings passbook rate in the State. In addition, the General Resolution provides that a Cash Flow Statement shall reflect the following three assumptions as to the receipt of Principal Prepayments of all Series: (i) no Principal Prepayments are received; (ii) Principal Prepayments are received at a rate equal to 100% of the most recently published experience for 30-year mortgage loans set forth in the “Survivorship and Decrement Tables for HUD/FHA Home Mortgage Insurance Programs”; and (iii) Principal Prepayments are received at a rate equal to 200% of the most recently published experience for 30-year mortgage loans set forth in the “Survivorship and Decrement Tables for HUD/FHA Home Mortgage Insurance Programs.” If such tables are no longer published, any then generally accepted industry standard shall be used. However, in the Cash Flow Statement to be delivered in connection with the issuance of the Offered Bonds, the Agency expects to use the provision of the General Resolution that allows it to modify the prepayment assumptions described above, in whole or in part at any time, but only if, at the time the Cash Flow Statement is delivered, such modification will not, in and of itself, impair or cause the Bonds to fail to retain the then existing rating assigned to them by Moody’s.

The General Resolution provides that except with respect to actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to a date not more than 60 days prior to the date of delivery of such Cash Flow Statement. In preparing a Cash Flow Statement, the Agency shall utilize with respect to Parity Obligation Instruments the cash flow assumptions and tests required by the Rating Agency in order to obtain a rating on the applicable Bonds, all as set forth in the applicable Series Resolution or Supplemental Resolution authorizing the Related Qualified Hedge. With respect to any Bonds which do not bear interest at a fixed interest rate and are not the subject of a Qualified Hedge, the Agency shall assign to such Bonds the applicable assumed interest rates determined pursuant to the then-current Rating Agency requirements for bonds which bear the same ratings as the then-current rating on the Bonds.

If any Cash Flow Statement shall show a deficiency in any Fiscal Year in the amount of funds expected to be available for the purposes described in the General Resolution during such Fiscal Year, the Agency shall not be in default under the General Resolution but shall take all reasonable actions to eliminate such deficiency; and the Agency shall be precluded from taking the actions described or referenced in clauses (i), (iii), (iv), and (v) in the first paragraph under this heading if such Cash Flow Statement shall show that the taking of such action shall cause a deficiency to occur or shall increase any existing deficiency.

Interest Rate Swap Agreements

The Agency has twelve existing interest rate swap agreements all as described below. These swap agreements are referred to as the “Swap Agreements,” and the counterparties to the Swap Agreements are referred to as the “Counterparties.”

The purpose of each of the Swap Agreements is to place the aggregate net obligation of the Agency with respect to the related Series of Bonds on an approximately fixed-rate basis. Payments made to a Counterparty by the Agency under a Swap Agreement will be paid from Revenues pledged under the Resolution and are on a parity with payments of interest on the Bonds, *provided* that any termination payments to be made by the Agency under any Swap Agreement will be subordinate to payments of principal of and interest on the Bonds. Payments made to the Agency by a Counterparty under a Swap Agreement will be pledged as Revenues under the Resolution and deposited in the Revenue Fund on receipt. See “Summary of Certain Provisions of the General Resolution — Revenue Fund; Application of Revenues” and “— General Fund.”

Each party to a Swap Agreement pays interest based on the then-notional amount. The per annum floating rate of interest (the “Floating Rate”) payable under each Swap Agreement (other than the Swap Agreement with respect to the Series 159 Bonds) to the Agency by the respective Counterparties is equal to the sum of (i) 63% of one month USD-LIBOR-BBA plus (ii) 25 basis points. The Floating Rate payable under the Swap Agreement with respect to the Series 159 Bonds is equal to USD-SIFMA Municipal Swap Index. The respective fixed rates payable by Agency on each Swap Agreement are set forth below.

For each of the Swap Agreements the Agency has the option of terminating such Swap Agreement at any time, although one party will be required to compensate the other by paying a fee intended to approximate the market value of terminating such Swap Agreement. For additional information concerning the Swap Agreements, see Note 10 in Appendix A — “Financial Statements of the Agency and Independent Auditors’ Report” to this Part 2.

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| <u>Applicable Bond Series</u> | <u>Counterparty</u> | <u>Current Notional Amount as of 10/31/13 (000s)</u> ⁽¹⁾ | <u>Scheduled Termination Date</u> | <u>Final Maturity Date of Applicable Bond Series</u> | <u>Fixed Rate Paid (%)</u> | <u>Counterparty Rating (S&P/Moody's)</u> ⁽²⁾ |
|---|----------------------------|---|-----------------------------------|--|----------------------------|---|
| 122 ⁽³⁾ & 125 ⁽³⁾ | RBC ⁽⁴⁾ | \$30,000 | October 1, 2016 | October 1, 2036 ⁽⁵⁾ | 3.086 | AA-/Aa3 ⁽⁴⁾ |
| 122 ⁽³⁾ & 125 ⁽³⁾ | RBC ⁽⁴⁾ | \$30,000 | October 1, 2018 | October 1, 2036 ⁽⁵⁾ | 3.176 | AA-/Aa3 ⁽⁴⁾ |
| 129 | Wells Fargo ⁽⁶⁾ | \$34,000 ⁽⁷⁾ | October 1, 2035 | same as scheduled termination date | 3.587 | AA-/Aa3 ⁽⁶⁾ |
| 132 | JPMorgan ⁽⁸⁾ | \$34,000 ⁽⁷⁾ | April 1, 2037 | same as scheduled termination date | 3.4783 | A+/Aa3 ⁽⁸⁾ |
| 135 | BNY Mellon ⁽⁹⁾ | \$34,000 | April 1, 2016 | April 1, 2037 | 3.857 | AA-/Aa2 ⁽⁹⁾ |
| 139 | Goldman ⁽¹⁰⁾ | \$34,000 | October 1, 2016 | October 1, 2037 | 2.972 | A-/Baa1 ⁽¹⁰⁾ |
| 142 | Wells Fargo ⁽⁶⁾ | \$34,000 | April 1, 2017 | October 1, 2037 | 3.565 | AA-/Aa3 ⁽⁶⁾ |
| 144 | BNY Mellon ⁽⁹⁾ | \$30,000 | April 1, 2017 | October 1, 2037 | 3.654 | AA-/Aa2 ⁽⁹⁾ |
| 147 | JPMorgan ⁽⁸⁾ | \$30,000 | October 1, 2017 | April 1, 2037 | 3.425 | A+/Aa3 ⁽⁸⁾ |
| 150 ⁽¹¹⁾ | Goldman ⁽¹⁰⁾ | \$40,000 | April 1, 2018 | October 1, 2037 | 3.217 | A-/Baa1 ⁽¹⁰⁾ |
| 153 | Merrill ⁽¹²⁾ | \$30,000 | April 1, 2018 | April 1, 2047 | 2.99 | A+/Aa3 ⁽¹²⁾ |
| 159 | RBC ⁽⁴⁾ | \$60,000 | October 1, 2018 | October 1, 2038 | 3.54 | AA-/Aa3 ⁽⁴⁾ |

(1) Except as noted in notes (7) and (11), the notional amount of each Swap Agreement is equal to, as applicable, the original principal amount of the related Series of Bonds or the related portion thereof.

(2) For information regarding the Agency's disclaimer with respect to ratings, see "Miscellaneous" in Part 1. The Agency undertakes no responsibility for updating any rating information included in this Official Statement. All ratings are as of March 13, 2014.

(3) These Swap Agreements were originally allocated to portions of the Series 154 Bonds and the Series 157 Bonds, both of which are no longer Outstanding. Upon the redemption of the Series 154 Bonds and the Series 157 Bonds, these Swap Agreements were reallocated to portions of the Series 122 Bonds and the Series 125 Bonds.

(4) Royal Bank of Canada. Standard & Poor's ("S&P") ratings outlook is stable. Moody's rating outlook is stable.

(5) The final maturity date is the later of the final maturity dates of the Series 122 Bonds and Series 125 Bonds which are, respectively, April 1, 2035 and October 1, 2036.

(6) Wells Fargo Bank, N. A. S&P's ratings outlook is stable. Moody's rating outlook is stable.

(7) The respective notional amounts of the Series 129 Swap Agreement and the Series 132 Swap Agreement decline periodically on each April 1 and October 1, commencing, respectively, April 1, 2018 and October 1, 2025.

(8) JPMorgan Chase Bank, N.A. S&P's rating outlook is stable. Moody's rating outlook is stable.

(9) The Bank of New York Mellon. S&P's rating outlook is stable. Moody's rating outlook is stable.

(10) Goldman Sachs Bank USA, which is rated A2 by Moody's (outlook stable) and A (negative outlook) by S&P. Goldman's obligations under each Swap Agreement are guaranteed by The Goldman Sachs Group, Inc., which is rated A- by S&P and Baa1/P-2 by Moody's respectively. S&P's ratings outlook is negative and Moody's long-term rating outlook is stable.

(11) The Agency also can terminate in part at market.

(12) Merrill Lynch Derivative Products AG.

STATUS OF OUTSTANDING HOMEOWNER MORTGAGE REVENUE BONDS

See Appendix A — “Financial Statements of the Agency and Independent Auditors’ Report” to this Part 2 for information concerning the financial information and operating data of the Agency as of October 31, 2013 and for additional information concerning Outstanding Bonds.

OUTSTANDING HOMEOWNER MORTGAGE REVENUE BONDS BY MATURITY
As of October 31, 2013
(000s)

| <u>Due</u> | <u>Serial Bonds</u> | <u>Term Bonds⁽¹⁾</u> | <u>Total Bonds</u> |
|--------------------------|-------------------------|---------------------------------|---|
| 2014 | \$ 80,705 | \$ 3,645 | \$ 84,350 |
| 2015 | 85,505 | 12,400 | 97,905 |
| 2016 | 82,480 | 13,130 | 95,610 |
| 2017 | 78,540 | 15,080 | 93,620 |
| 2018 | 47,875 | 27,735 | 75,610 |
| 2019 | 47,875 | 33,285 | 81,160 |
| 2020 | 50,250 | 37,340 | 87,590 |
| 2021 | 45,410 | 43,955 | 89,365 |
| 2022 | 42,980 | 53,180 | 96,160 |
| 2023 | 34,610 | 53,410 | 88,020 |
| 2024 | 1,670 | 83,765 | 85,435 |
| 2025 | | 94,325 | 94,325 |
| 2026 | | 82,900 | 82,900 |
| 2027 | | 80,200 | 80,200 |
| 2028 | | 64,465 | 64,465 |
| 2029 | | 59,115 | 59,115 |
| 2030 | | 59,325 | 59,325 |
| 2031 | | 71,370 | 71,370 |
| 2032 | | 68,460 | 68,460 |
| 2033 | | 78,860 | 78,860 |
| 2034 | | 85,420 | 85,420 |
| 2035 | | 70,885 | 70,885 |
| 2036 | | 64,320 | 64,320 |
| 2037 | | 52,735 | 52,735 |
| 2038 | | 23,790 | 23,790 |
| 2039 | | 11,765 | 11,765 |
| 2040 | | 10,995 | 10,995 |
| 2041 | | 8,315 | 8,315 |
| 2042 | | 12,835 | 12,835 |
| 2043 | | 25,405 | 25,405 |
| 2044 | | 260 | 260 |
| 2045 | | 265 | 265 |
| 2046 | | 275 | 275 |
| 2047 | | 135 | 135 |
| Unamortized bond premium | | | 617 |
| TOTAL | <u>\$597,900</u> | <u>\$1,403,345</u> | <u>\$2,001,862⁽²⁾</u> |

⁽¹⁾ Reflects Sinking Fund Requirements as principal due on Term Bonds and crediting of Sinking Fund Requirements in connection with Bond redemptions. See Part 1 “The Offered Bonds — Redemption — Sinking Fund Redemption — Credits Against Sinking Fund Requirements.”

⁽²⁾ This amount reflects an unamortized bond premium of \$617,000. The Agency issued \$179,080,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, designated Series 181, Series 182, Series 183 and Series 184, on March 13, 2014. From November 1, 2013 to and including March 13, 2014, the Agency redeemed approximately \$64,035,000 aggregate principal amount of Bonds. In addition to paying the scheduled maturities and Sinking Fund Requirements of Bonds on April 1, 2014, the Agency (i) has directed the Trustee to redeem an additional \$80,510,000 aggregate principal amount of Bonds on April 14, 2014, and (ii) expects to redeem the Refunded Bonds, in whole or in part, within 90 days of the date of issuance of the Refunding Bonds.

OUTSTANDING HOMEOWNER MORTGAGE REVENUE BONDS BY SERIES
As of October 31, 2013

| <u>Series</u> | <u>Originally Issued</u> | <u>Currently Outstanding</u> | <u>Range of Interest Rates</u> | <u>Last Remaining Maturity</u> |
|--------------------|--------------------------|------------------------------|--------------------------------|--------------------------------|
| 78A | \$ 10,505,000 | \$ 1,185,000 | 5% | 2014 |
| 87 | 77,085,000 | 50,000 | 5.15% | 2017 |
| 100 | 9,390,000 | 125,000 | 4.95% | 2015 |
| 105 ⁽⁷⁾ | 23,215,000 | 3,205,000 | 3.85%-4.25% | 2015 |
| 107 | 1,640,000 | 240,000 | 4.25% | 2014 |
| 109 | 125,000,000 | 54,060,000 | 4.9%-4.95% | 2034 |
| 110 ⁽⁷⁾ | 99,650,000 | 19,940,000 | 4.0%-4.4% | 2017 |
| 111 ⁽⁷⁾ | 114,760,000 | 58,415,000 | 4%-4.55% | 2023 |
| 112 ⁽⁷⁾ | 10,240,000 | 3,345,000 | 3.65%-4% | 2017 |
| 113 ⁽⁷⁾ | 90,000,000 | 3,010,000 | 4.7%-4.95% | 2017 |
| 115 ⁽²⁾ | 35,000,000 | 35,000,000 | Reset Weekly | 2034 |
| 116 ⁽⁸⁾ | 125,000,000 | 94,280,000 | 4.05%-4.80% | 2034 |
| 117 ⁽⁸⁾ | 44,280,000 | 23,055,000 | 4.05%-4.65% | 2025 |
| 120 ⁽⁸⁾ | 35,000,000 | 24,380,000 | 4.05%-4.75% | 2025 |
| 121 | 400,000 | 120,000 | 4.00% | 2017 |
| 122 ⁽²⁾ | 40,000,000 | 40,000,000 | Reset Weekly | 2035 |
| 123 | 28,760,000 | 22,145,000 | 4.6%-4.75% | 2029 |
| 124 | 36,240,000 | 5,370,000 | 3.85%-4% | 2015 |
| 125 ⁽³⁾ | 35,000,000 | 35,000,000 | Reset Weekly | 2036 |
| 127 | 20,605,000 | 15,675,000 | 4.7%-4.95% | 2036 |
| 128 | 45,395,000 | 4,990,000 | 4.15% - 4.25% | 2015 |
| 129 ⁽³⁾ | 34,000,000 | 34,000,000 | Reset Weekly | 2035 |
| 130 | 48,055,000 | 33,690,000 | 4.4%-4.8% | 2037 |
| 131 | 28,725,000 | 9,155,000 | 3.90%-4.05% | 2017 |
| 132 ⁽⁴⁾ | 34,000,000 | 34,000,000 | Reset Daily | 2037 |
| 133 | 73,970,000 | 8,530,000 | 4.6%-6% ⁽⁶⁾ | 2032 |
| 135 ⁽³⁾ | 34,000,000 | 34,000,000 | Reset Daily | 2037 |
| 137 | 75,205,000 | 63,815,000 | 4.55%-4.7% | 2031 |
| 138 | 15,795,000 | 9,490,000 | 3.75%-3.9% | 2017 |
| 139 ⁽⁴⁾ | 34,000,000 | 34,000,000 | Reset Daily | 2037 |
| 140 | 40,435,000 | 24,380,000 | 4.6%-4.75% | 2037 |
| 141 | 15,565,000 | 6,340,000 | 3.85%-4% | 2017 |
| 142 ⁽³⁾ | 34,000,000 | 34,000,000 | Reset Daily | 2037 |
| 143 | 60,000,000 | 43,995,000 | 4.2%-4.9% | 2037 |
| 144 ⁽⁴⁾ | 30,000,000 | 30,000,000 | Reset Daily | 2037 |
| 145 | 22,980,000 | 1,390,000 | 4.95% | 2023 |
| 146 | 37,020,000 | 15,015,000 | 3.8%-4.1% | 2017 |
| 147 ⁽⁴⁾ | 50,000,000 | 50,000,000 | Reset Weekly | 2037 |
| 148 | 53,905,000 | 9,970,000 | 4.5%-4.9% | 2022 |
| 149 | 21,095,000 | 10,870,000 | 3.7%-3.95% | 2017 |
| 150 ⁽⁴⁾ | 50,000,000 | 50,000,000 | Reset Daily | 2037 |
| 152 | 29,765,000 | 9,865,000 | 3.75%-4.125% | 2017 |
| 153 ⁽³⁾ | 50,000,000 | 50,000,000 | Reset Weekly | 2047 |
| 155 | 32,145,000 | 15,160,000 | 3.85%-4.375% | 2018 |
| 158 | 50,000,000 | 3,310,000 | 4.75%-5% | 2015 |
| 159 ⁽⁵⁾ | 60,000,000 | 60,000,000 | Reset Weekly | 2038 |
| 160 | 11,560,000 | 6,270,000 | 3.05%-4% | 2018 |

| <u>Series</u> | <u>Originally Issued</u> | <u>Currently Outstanding</u> | <u>Range of Interest Rates</u> | <u>Last Remaining Maturity</u> |
|--------------------------|-------------------------------|---|--------------------------------|--------------------------------|
| 162 ⁽⁵⁾ | \$ 25,000,000 | \$ 25,000,000 | Reset Weekly | 2039 |
| 163 | 66,825,000 | 61,005,000 | 1.85%-4.45% | 2031 |
| 164 | 84,365,000 | 68,005,000 | 1.0%-3.4% | 2022 |
| 165 | 50,000,000 | 48,625,000 | 4%-4.75% | 2042 |
| 166 | 107,585,000 | 89,570,000 | 1.514%-3.999% | 2021 |
| 167 | 10,695,000 | 10,695,000 | 3.1%-4.1% | 2022 |
| 168 | 50,065,000 | 47,755,000 | .6%-4.125% | 2040 |
| 169 | 43,060,000 | 40,225,000 | .6%-2.6% | 2021 |
| 170 | 19,940,000 | 19,940,000 | 2.4%-3.9% | 2027 |
| 171 | 12,000,000 | 12,000,000 | 3.40% | 2022 |
| 172 | 150,000,000 | 148,175,000 | .7%-4.203% | 2027 |
| 175 | 82,660,000 | 81,510,000 | .605%-4.116% | 2028 |
| 176 | 66,835,000 | 66,745,000 | 1.45%-3.75% | 2042 |
| 177 | 33,200,000 | 31,295,000 | .40%-3.05% | 2027 |
| 178 | 79,370,000 | 79,370,000 | 3.5% - 4.9% | 2043 |
| 179 | 13,090,000 | 13,090,000 | .65% - 1.65% | 2017 |
| 180 | 33,405,000 | 33,405,000 | .90%-4.10% | 2023 |
| Unamortized bond premium | | 617,000 | | |
| TOTAL | <u>\$2,961,480,000</u> | <u>\$2,001,862,000⁽¹⁾</u> | | |

- (1) This amount reflects an unamortized bond premium of \$617,000. The Agency issued \$179,080,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, designated Series 181, Series 182, Series 183 and Series 184, on March 13, 2014. Such Bonds bear interest at rates ranging from 0.185% per annum to and including 4.80% per annum and to have a final maturity of October 1, 2044. From November 1, 2013 to and including March 13, 2014, the Agency redeemed approximately \$64,035,000 aggregate principal amount of Bonds. In addition to paying the scheduled maturities and Sinking Fund Requirements of Bonds on April 1, 2014, the Agency (i) has directed the Trustee to redeem an additional \$80,510,000 aggregate principal amount of Bonds on April 14, 2014, and (ii) expects to redeem the Refunded Bonds, in whole or in part, within 90 days of the date of issuance of the Refunding Bonds.
- (2) These Bonds are subject to optional or mandatory tender and are the subject of a standby bond purchase agreement provided by Bank of America. See "Status of Outstanding Homeowner Mortgage Revenue Bonds — Liquidity Facilities for Bonds Bearing Variable Rates of Interest" in this Part 2.
- (3) These Bonds are subject to optional or mandatory tender and are the subject of a standby bond purchase agreement provided by Barclays Bank PLC. See "Status of Outstanding Homeowner Mortgage Revenue Bonds — Liquidity Facilities for Bonds Bearing Variable Rates of Interest" in this Part 2.
- (4) These Bonds are subject to optional or mandatory tender and are the subject of a standby bond purchase agreement provided by JPMorgan Chase Bank, N.A.. See "Status of Outstanding Homeowner Mortgage Revenue Bonds — Liquidity Facilities for Bonds Bearing Variable Rates of Interest" in this Part 2.
- (5) These Bonds are subject to optional or mandatory tender and are the subject of a standby bond purchase agreement provided by Wells Fargo Bank, National Association. See "Status of Outstanding Homeowner Mortgage Revenue Bonds — Liquidity Facilities for Bonds Bearing Variable Rates of Interest" in this Part 2.
- (6) Series 133 Premium PAC maturing on April 1, 2032.
- (7) Expected to be refunded in whole with a portion of the proceeds of the Series 182 Bonds and the Series 183 Bonds.
- (8) Expected to be refunded in whole or in part with the proceeds of the Refunding Bonds.

SCHEDULE OF HOMEOWNER MORTGAGE REVENUE BONDS OUTSTANDING BY COUPON
As of October 31, 2013

| <u>Bond Coupon (%)</u> | <u>Bond Principal</u> | <u>Cumulative Bond Principal</u> | <u>Bond Coupon (%)</u> | <u>Bond Principal</u> | <u>Cumulative Bond Principal</u> |
|----------------------------|---------------------------|--------------------------------------|----------------------------|---------------------------|--------------------------------------|
| 6.000† | \$ 315,000† | \$ 315,000 | 2.796 | \$ 8,570,000 | \$1,212,610,000 |
| 5.150 | 50,000 | 365,000 | 2.764 | 650,000 | 1,213,260,000 |
| 5.000 | 4,545,000 | 4,910,000 | 2.750 | 2,075,000 | 1,215,335,000 |
| 4.950 | 48,020,000 | 52,930,000 | 2.700 | 4,085,000 | 1,219,420,000 |
| 4.900 | 69,220,000 | 122,150,000 | 2.664 | 650,000 | 1,220,070,000 |
| 4.875 | 6,760,000 | 128,910,000 | 2.600 | 4,750,000 | 1,224,820,000 |
| 4.850 | 26,865,000 | 155,775,000 | 2.580 | 3,995,000 | 1,228,815,000 |
| 4.800 | 32,415,000 | 188,190,000 | 2.550 | 1,795,000 | 1,230,610,000 |
| 4.750 | 100,540,000 | 288,730,000 | 2.514 | 650,000 | 1,231,260,000 |
| 4.700 | 53,885,000 | 342,615,000 | 2.500 | 6,565,000 | 1,237,825,000 |
| 4.650 | 50,160,000 | 392,775,000 | 2.430 | 1,005,000 | 1,238,830,000 |
| 4.600 | 46,880,000 | 439,655,000 | 2.414 | 650,000 | 1,239,480,000 |
| 4.550 | 62,990,000 | 502,645,000 | 2.400 | 3,500,000 | 1,242,980,000 |
| 4.500 | 22,100,000 | 524,745,000 | 2.386 | 4,305,000 | 1,247,285,000 |
| 4.450 | 10,070,000 | 534,815,000 | 2.350 | 6,595,000 | 1,253,880,000 |
| 4.400 | 7,215,000 | 542,030,000 | 2.280 | 995,000 | 1,254,875,000 |
| 4.375 | 2,620,000 | 544,650,000 | 2.200 | 3,585,000 | 1,258,460,000 |
| 4.300 | 33,120,000 | 577,770,000 | 2.150 | 4,565,000 | 1,263,025,000 |
| 4.250 | 14,590,000 | 592,360,000 | 2.120 | 980,000 | 1,264,005,000 |
| 4.203 | 102,735,000 | 695,095,000 | 2.100 | 14,965,000 | 1,278,970,000 |
| 4.200 | 5,310,000 | 700,405,000 | 2.050 | 425,000 | 1,279,395,000 |
| 4.150 | 9,685,000 | 710,090,000 | 1.970 | 970,000 | 1,280,365,000 |
| 4.125 | 11,500,000 | 721,590,000 | 1.900 | 4,010,000 | 1,284,375,000 |
| 4.116 | 24,260,000 | 745,850,000 | 1.889 | 1,000,000 | 1,285,375,000 |
| 4.100 | 19,245,000 | 765,095,000 | 1.886 | 3,015,000 | 1,288,390,000 |
| 4.050 | 12,365,000 | 777,460,000 | 1.850 | 9,665,000 | 1,298,055,000 |
| 4.000 | 54,810,000 | 832,270,000 | 1.820 | 960,000 | 1,299,015,000 |
| 3.999 | 15,825,000 | 848,095,000 | 1.800 | 10,360,000 | 1,309,375,000 |
| 3.950 | 9,830,000 | 857,925,000 | 1.750 | 2,930,000 | 1,312,305,000 |
| 3.900 | 26,885,000 | 884,810,000 | 1.701 | 1,250,000 | 1,313,555,000 |
| 3.869 | 24,400,000 | 909,210,000 | 1.700 | 1,620,000 | 1,315,175,000 |
| 3.850 | 10,950,000 | 920,160,000 | 1.660 | 950,000 | 1,316,125,000 |
| 3.800 | 9,110,000 | 929,270,000 | 1.650 | 6,055,000 | 1,322,180,000 |
| 3.750 | 16,165,000 | 945,435,000 | 1.550 | 11,555,000 | 1,333,735,000 |
| 3.719 | 2,800,000 | 948,235,000 | 1.514 | 1,935,000 | 1,335,670,000 |
| 3.703 | 11,155,000 | 959,390,000 | 1.510 | 1,915,000 | 1,337,585,000 |
| 3.700 | 6,760,000 | 966,150,000 | 1.500 | 1,585,000 | 1,339,170,000 |
| 3.653 | 10,000,000 | 976,150,000 | 1.450 | 17,535,000 | 1,356,705,000 |
| 3.650 | 11,825,000 | 987,975,000 | 1.400 | 1,105,000 | 1,357,810,000 |
| 3.649 | 15,370,000 | 1,003,345,000 | 1.370 | 945,000 | 1,358,755,000 |
| 3.619 | 4,600,000 | 1,007,945,000 | 1.350 | 6,275,000 | 1,365,030,000 |
| 3.600 | 2,090,000 | 1,010,035,000 | 1.304 | 930,000 | 1,365,960,000 |
| 3.553 | 3,040,000 | 1,013,075,000 | 1.300 | 5,350,000 | 1,371,310,000 |
| 3.550 | 1,465,000 | 1,014,540,000 | 1.252 | 1,250,000 | 1,372,560,000 |
| 3.503 | 2,715,000 | 1,017,255,000 | 1.250 | 2,660,000 | 1,375,220,000 |
| 3.500 | 20,495,000 | 1,037,750,000 | 1.230 | 940,000 | 1,376,160,000 |
| 3.499 | 21,120,000 | 1,058,870,000 | 1.200 | 9,655,000 | 1,385,815,000 |
| 3.469 | 4,800,000 | 1,063,670,000 | 1.150 | 925,000 | 1,386,740,000 |
| 3.450 | 1,955,000 | 1,065,625,000 | 1.133 | 1,500,000 | 1,388,240,000 |
| 3.419 | 6,350,000 | 1,071,975,000 | 1.100 | 22,440,000 | 1,410,680,000 |
| 3.403 | 1,060,000 | 1,073,035,000 | 1.050 | 1,550,000 | 1,412,230,000 |
| 3.400 | 24,990,000 | 1,098,025,000 | 1.019 | 1,500,000 | 1,413,730,000 |
| 3.375 | 12,375,000 | 1,110,400,000 | 1.000 | 13,580,000 | 1,427,310,000 |
| 3.369 | 1,850,000 | 1,112,250,000 | 0.900 | 5,045,000 | 1,432,355,000 |
| 3.300 | 6,770,000 | 1,119,020,000 | 0.800 | 3,660,000 | 1,436,015,000 |

| <u>Bond Coupon (%)</u> | <u>Bond Principal</u> | <u>Cumulative Bond Principal</u> | <u>Bond Coupon (%)</u> | <u>Bond Principal</u> | <u>Cumulative Bond Principal</u> |
|----------------------------|---------------------------|--------------------------------------|-----------------------------|--------------------------------------|--------------------------------------|
| 3.250 | \$ 3,860,000 | \$1,122,880,000 | 0.780 | \$ 650,000 | \$1,436,665,000 |
| 3.219 | 700,000 | 1,123,580,000 | 0.750 | 2,330,000 | 1,438,995,000 |
| 3.200 | 8,010,000 | 1,131,590,000 | 0.700 | 920,000 | 1,439,915,000 |
| 3.150 | 670,000 | 1,132,260,000 | 0.650 | 5,515,000 | 1,445,430,000 |
| 3.146 | 19,430,000 | 1,151,690,000 | 0.605 | 650,000 | 1,446,080,000 |
| 3.119 | 700,000 | 1,152,390,000 | 0.600 | 1,930,000 | 1,448,010,000 |
| 3.100 | 2,380,000 | 1,154,770,000 | 0.550 | 3,320,000 | 1,451,330,000 |
| 3.050 | 23,450,000 | 1,178,220,000 | 0.400 | 4,915,000 | 1,456,245,000 |
| 3.000 | 15,810,000 | 1,194,030,000 | variable | 545,000,000 | 2,001,245,000 |
| 2.900 | 7,365,000 | 1,201,395,000 | Unamortized bond premium | <u>617,000</u> | 2,001,862,000 |
| 2.880 | 1,040,000 | 1,202,435,000 | <u>Grand Total</u> | <u>\$2,001,862,000</u> ^{††} | |
| 2.875 | 1,605,000 | 1,204,040,000 | | | |

[†] Series 133 Premium PAC maturing on April 1, 2032.

^{††} This amount reflects an unamortized bond premium of \$617,000. The Agency issued \$179,080,000 aggregate principal amount of Homeowner Mortgage Revenue Bonds, designated Series 181, Series 182, Series 183 and Series 184, on March 13, 2014. From November 1, 2013 to and including March 13, 2014, the Agency redeemed approximately \$64,035,000 aggregate principal amount of Bonds. In addition to paying the scheduled maturities and Sinking Fund Requirements of Bonds on April 1, 2014, the Agency (i) has directed the Trustee to redeem an additional \$80,510,000 aggregate principal amount of Bonds on April 14, 2014, and (ii) expects to redeem the Refunded Bonds, in whole or in part, within 90 days of the date of issuance of the Refunding Bonds.

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Liquidity Facilities for Bonds Bearing Variable Rates of Interest

As of January 1, 2014, fourteen Series of Bonds with an aggregate outstanding principal amount of \$545,000,000 million bear interest at variable interest rates and are subject to optional or mandatory tender. Such amount represents approximately 27.6% of the Outstanding Bonds as of January 1, 2014. Of these fourteen Series of Bonds, two are subject to standby bond purchase agreements provided by Bank of America, N.A. (“BofA”), five are subject to standby bond purchase agreements provided by Barclays Bank PLC (“Barclays”), five are subject to standby bond purchase agreements provided by JPMorgan Chase Bank, N.A. (“JPMorgan”) and two are subject to standby bond purchase agreements provided by Wells Fargo Bank, National Association (“Wells Fargo”). BofA, Barclays, JPMorgan and Wells Fargo are each referred to individually as a “Liquidity Provider” and, collectively, as the “Liquidity Providers.” Each Liquidity Facility provided by each respective Liquidity Provider is referred to individually as a “Liquidity Facility” and collectively as the “Liquidity Facilities.”

The following table sets forth the aggregate outstanding principal amount of Bonds subject to, respectively, BofA, Barclays, JPMorgan and Wells Fargo Liquidity Facilities and the rating of each Liquidity Provider. For information regarding the Agency’s disclaimer with respect to ratings, see “Miscellaneous” in Part 1.

Liquidity Provider Exposure and Respective Ratings

| | Aggregate Outstanding Principal Amount of Bonds Subject to BofA/ Barclays/ JPMorgan/ Wells Fargo Liquidity Facilities as of January 1, 2014 | Liquidity Provider Long Term & Short Term Ratings (Moody’s)⁽⁴⁾ | Liquidity Provider Long Term & Short Term Ratings (S&P)⁽⁴⁾ |
|----------------------------|--|--|--|
| BofA ⁽¹⁾ | \$ 75,000,000 | A2/P-1 ⁽⁵⁾ | A/A-1 ⁽⁶⁾ |
| Barclays ⁽²⁾ | 187,000,000 | A2/P-1 ⁽⁷⁾ | A/A-1 |
| JPMorgan ⁽³⁾ | 198,000,000 | Aa3/P-1 ⁽⁵⁾ | A+/A-1 |
| Wells Fargo ⁽⁸⁾ | 85,000,000 | Aa3/P-1 ⁽⁵⁾ | AA-/A-1+ |
| | <u>\$545,000,000</u> | | |

⁽¹⁾ Bank of America, N.A.

⁽²⁾ Barclays Bank plc.

⁽³⁾ JPMorgan Chase Bank, N.A.

⁽⁴⁾ As of March 13, 2014.

⁽⁵⁾ Moody’s long term rating outlook is stable.

⁽⁶⁾ S&P’s long term rating outlook is negative.

⁽⁷⁾ Moody’s long term rating outlook is negative.

⁽⁸⁾ Wells Fargo Bank, N. A.

The Series of Bonds bearing interest at variable interest rates are identified in the table “Status of Outstanding Mortgage Revenue Bonds by Series” in this Part 2. The following table summarizes certain information regarding the Liquidity Facilities with respect to such Bonds. Any Bond purchased by a Liquidity Provider under the terms of the applicable Liquidity Facility becomes a “bank bond” and, from the date of purchase until such Bond either is remarketed to a purchaser (other than the applicable Liquidity Provider) or retired, such bank bond will bear interest at an interest rate (a “bank bond rate”) determined pursuant to the applicable Liquidity Facility. Notwithstanding the establishment of a bank bond rate, each Liquidity Facility requires bank bonds to bear interest at the greater of the applicable bank bond rate or the interest rate borne by Bonds of such Series in the same interest rate mode that are not bank bonds. In addition, each bank bond rate may increase upon the occurrence of certain events, including a reduction in the rating of the related Series of Bonds or certain defaults (such increased bank bond rate is the “default rate”).

| Series⁽⁷⁾ | Bonds Outstanding⁽¹⁾ (\$000 omitted) | Liquidity Provider | Remarketing Agent | Current Mode | Expiration Date⁽²⁾ |
|-----------------------------|--|---------------------------|---------------------------------|---------------------|--------------------------------------|
| Series 115 ⁽³⁾ | \$35,000 | BofA | Merrill ⁽⁸⁾ | Weekly | 5/19/14 |
| Series 122 ⁽³⁾ | 40,000 | BofA | Barclays Capital ⁽⁹⁾ | Weekly | 9/15/14 |
| Series 125 ⁽⁴⁾ | 35,000 | Barclays | Barclays Capital | Weekly | 12/5/14 |
| Series 129 ⁽⁴⁾ | 34,000 | Barclays | Citi ⁽¹⁰⁾ | Weekly | 12/5/14 |
| Series 132 ⁽²⁾ | 34,000 | JPMorgan | JPM ⁽¹¹⁾ | daily | 11/28/14 |
| Series 135 ⁽⁴⁾ | 34,000 | Barclays | Goldman ⁽¹²⁾ | daily | 12/5/14 |
| Series 139 ⁽²⁾ | 34,000 | JPMorgan | JPM | daily | 11/28/14 |
| Series 142 ⁽⁴⁾ | 34,000 | Barclays | Citi | daily | 12/5/14 |
| Series 144 ⁽²⁾ | 30,000 | JPMorgan | Goldman | daily | 11/28/14 |
| Series 147 ⁽²⁾ | 50,000 | JPMorgan | JPM | Weekly | 11/28/14 |
| Series 150 ⁽²⁾ | 50,000 | JPMorgan | Loop Capital ⁽¹³⁾ | daily | 11/28/14 |
| Series 153 ⁽⁴⁾ | 50,000 | Barclays | Barclays Capital | Weekly | 12/5/14 |
| Series 159 ⁽⁶⁾ | 60,000 | Wells Fargo | Loop Capital | Weekly | 2/19/16 |
| Series 162 ⁽⁶⁾ | 25,000 | Wells Fargo | Citi | Weekly | 2/19/16 |

⁽¹⁾ As of January 1, 2014.

⁽²⁾ Each of the Liquidity Facilities expires prior to the final maturity date of the related Bonds. For information regarding the final maturity date of the Bonds of each Series, see “Status of Outstanding Homeowner Mortgage Revenue Bonds — Outstanding Homeowner Mortgage Revenue Bonds By Series.”

⁽³⁾ The bank bond rate is the base rate for the first 90 days after BofA has purchased the Bonds and, thereafter, the base rate plus 1%. The “base rate” is the highest of (a) the prime rate publically announced by BofA at its principal office in New York City, plus 1.50%, (b) the federal funds rate plus 3% per annum, and (c) 7.50% per annum. The default rate is the base rate plus 3% per annum. In no event will the bank bond rate exceed the lesser of (i) maximum interest rate permitted by law, or (ii) 25%.

⁽⁴⁾ The bank bond rate for the first 60 days after Barclays has purchased the applicable bank bonds is the highest of (i) 8% per annum, (ii) the federal funds rate plus 2.50% per annum, (iii) the prime rate established by Barclays as its prime rate plus 2.50% per annum, or (iv) 150% of the yield on actively traded 30 year U.S. Treasury Bonds (“150% Treasury,” and collectively with clauses (i)-(iii), the “Barclays Base Rate”). The bank bond rate for days 61-180, is the Barclays Base Rate plus 1% per annum and from and after day 181 is the Barclays Base Rate plus 2% per annum. However, at any time that the Barclays Base Rate is 150% Treasury, the bank bond rate for the respective periods described in the prior sentence shall be the Barclays Base Rate. The default rate is the Barclays Base Rate plus 4% per annum. In no event will the bank bond rate exceed the lesser of (i) maximum interest rate permitted by law, or (ii) 12%.

⁽⁵⁾ The bank bond rate for the first 90 days after JPMorgan has purchased the applicable bank bonds is the highest of (i) the prime rate publically announced by JPMorgan at its principal office in New York City, plus 1.50% per annum, (ii) the federal funds rate plus 2% per annum, and (iii) 7.50% per annum. After such 90 days, the bank bond rate is the amount set forth in the prior sentence (the “JPMorgan Base Rate”), plus 1%. The default rate is the JPMorgan Base Rate plus 3% per annum. In no event will the bank bond rate exceed the lesser of (i) maximum interest rate permitted by law, or (ii) 25%.

⁽⁶⁾ The bank bond rate is the base rate for the first 180 days after Wells Fargo has purchased the Bonds and, thereafter, the base rate plus 1%. The “base rate” is the highest of (a) the prime rate publically announced by Wells Fargo, plus 1%, (b) the federal funds rate plus 2% per annum, and (c) 7% per annum. The default rate is the base rate plus 3% per annum. In no event will the bank bond rate exceed the lesser of (i) maximum interest rate permitted by law, or (ii) 25%.

⁽⁷⁾ Notwithstanding the establishment of the bank bond rate, bank bond shall bear interest at the greater of the applicable bank bond rate or the interest borne by Bonds of the applicable Series that are not bank bonds.

⁽⁸⁾ Merrill Lynch, Pierce Fenner & Smith Incorporated.

⁽⁹⁾ Barclays Capital, Inc.

⁽¹⁰⁾ Citigroup Global Markets Inc.

⁽¹¹⁾ J.P. Morgan Securities LLC.

⁽¹²⁾ Goldman Sachs & Co.

⁽¹³⁾ Loop Capital Markets LLC.

Each Liquidity Facility requires the applicable Liquidity Provider to provide funds to pay the purchase price of any Bonds of the related Series that are tendered for purchase and not remarketed.

Under the General Resolution, interest on bank bonds is treated the same as interest on other Bonds. Each Liquidity Facility requires the Agency to repay the principal component of the purchase price of the applicable bank bond in, assuming the satisfaction of certain conditions, ten equal semi-annual installments, the first of which is due (a) under each Liquidity Facility provided by BofA and JPMorgan, on the 91st day that an applicable bank bond has been a bank bond, and (b) under each Liquidity Facility provided by Barclays and Wells Fargo, on the 180th day that an applicable bank bond has been a bank bond. All successive installments under each Liquidity Facility are due 180 days after the prior installment. The accelerated principal payments described in this paragraph are payable from moneys in the General Resolution’s General Fund in the order of

priority and as described in clause (v) of “Summary of Certain Provisions of the General Resolution — General Fund” in Part 2, but only if and to the extent that a Cash Flow Statement filed with the Trustee in accordance with the General Resolution demonstrates that sufficient funds are available for such purpose. See “Sources of Payment and Security for the Bonds — Cash Flow Statement.” Failure to make such principal payments to the applicable Liquidity Provider is not an Event of Default under the General Resolution.

Each of the Liquidity Facilities expires prior to the final maturity date of the related Bonds. In connection with any scheduled expiration, the Agency may extend the scheduled expiration, provide an alternate liquidity facility to replace the expiring standby bond purchase agreement, or convert the interest rates on the applicable Bonds to fixed interest rates or to an interest rate mode that does not require a liquidity facility. Applicable Bonds are subject to mandatory tender for purchase prior to the expiration of the related Liquidity Facility. There can be no assurance that the Agency will be able to extend any expiration date or to obtain an alternate liquidity facility on terms substantially similar to the terms of the expiring Liquidity Facility. Under certain circumstances, a Liquidity Provider may terminate a Liquidity Facility without affording the applicable Bondowners a right to tender their Bonds.

The Agency is evaluating various options relating to several series of its Bonds bearing variable rates of interest, including renewals of existing Liquidity Facilities, obtaining replacement Liquidity Facilities and alternate Bond structures. The Agency is currently reviewing proposals recently received from several market participants.

In 2011, the Agency experienced failed remarketings of variable rate Bonds that were subject to liquidity facilities from a provider that it has since replaced. No failed remarketings have occurred since 2011. The Agency can give no assurance that Bonds that are the subject of a Liquidity Facility will not become bank bonds subject to applicable bank bond rates and (subject to available moneys therefor under the Resolution) accelerated principal payments as described above.

THE PROGRAM

The Agency finances mortgage loans with Bond proceeds, proceeds of its Mortgage Revenue Bonds and other moneys available under the General Resolution or the MRB Resolution (collectively, “Mortgage Financing Moneys”), principally through the low interest rate program (the “Low Interest Rate Mortgage Program”) described under this heading. In addition, it allocates a portion of Mortgage Financing Moneys to originate Mortgage Loans pursuant to the Construction Incentive Program, and may allocate a portion of Mortgage Financing Moneys to finance Mortgage Loans through other programs, such as the Achieving the Dream Program, the Remodel New York Program, the Home of Your Own Program, the Homes for Veterans Program, the ENERGY STAR® Labeled Home Program and the Habitat for Humanity Mortgage Program. See “Other Mortgage Loan Programs” below. Also, see “Sources of Payment and Security for the Bonds — Mortgage Loans” for additional requirements applicable to Mortgage Loans.

At present, the Agency’s finances its single-family mortgage program principally with the proceeds of Bonds and other moneys available under the General Resolution. The MRB Originated Mortgage Loans were originated under the Agency’s then-current low interest rate mortgage program, which was substantially the same as the Low Interest Rate Mortgage Program described under this heading.

Program Documents

The Agency uses program documents in purchasing and servicing Mortgage Loans. The Mortgage Purchase Agreements stipulate the basic terms and conditions of the Mortgage Loans that the Agency expects to purchase. The terms of Mortgage Loans financed with the proceeds of or related to any Additional Bonds will be determined at the time such Additional Bonds are issued, and the program documents for such Mortgage Loans will be prepared at such respective times.

Mortgage Loan Underwriting

Set forth below is a description of the Agency's current Low Interest Rate Mortgage Program. The Low Interest Rate Mortgage Program is subject to change at the discretion of the Agency.

Methodology. Each Mortgagor must be an individual with a credit standing that satisfies the Agency's underwriting criteria and, if any mortgage insurance is provided, the underwriting criteria of the company or entity providing such insurance. The Agency allows each Mortgage Lender to underwrite pursuant to the Seller's Guide manual (and subsequent lender announcements) methodology or to utilize the automated underwriting system of either, at the Mortgage Lender's option, Fannie Mae or the Federal Home Loan Mortgage Corporation ("Freddie Mac"). While the respective automated underwriting systems are independent systems, developed separately by Fannie Mae and Freddie Mac, both Fannie Mae and Freddie Mac have described their respective system as providing statistically-based evaluations of mortgage loan applications which produce respective credit risk assessments after analyzing the mortgage loan collateral, the borrower's credit history, and the borrower's financial resources. According to the respective descriptions by both Fannie Mae and Freddie Mac, their systems weigh the various factors and can recommend approvals of mortgage loans with different levels of borrowers' ratios of monthly housing debt payments to gross monthly income and borrower's ratios of total monthly debt payments to gross monthly income.

SONYMA is finalizing the development of its SONYMA Express® automated underwriting and compliance system (the "System"). The System is expected to be implemented in March 2014 with two of SONYMA's highest producing lenders. New loan reservations taken by these lenders will follow the same process described above except that the lenders will no longer submit loans through the Fannie Mae or Freddie Mac automated underwriting systems. Loan reservations taken by these lenders prior to implementation as well as by all other lenders will continue to use the process described above. The System is designed to evaluate the credit, financial resources and payment ability of a potential mortgagor using SONYMA's existing underwriting guidelines. It will also evaluate the tax return data of the mortgagor, property data and other information to determine compliance with the Code.

Term. Each Mortgage Loan will have a term of thirty years. Borrowers who submitted a Mortgage Loan reservation between April 2007 and August 30, 2012 had the option of selecting a Mortgage Loan with a term of either 30 or 40 years. Prior to April 2007, the Agency offered Mortgage Loans with a term of 20, 25 or 30 years. Each Mortgage Loan is fully amortizing. The Agency reserves the right to offer, at any time, Mortgage Loans with terms other than those reflected under this subheading.

Income to Debt Ratios. In the Low Interest Rate Mortgage Program, the maximum ratio of a Borrower's monthly housing debt payments to gross monthly income and total monthly debt payments to gross monthly income can be, respectively, 40% and 45%, although lower ratios apply to Mortgage Loans with loan-to-value ratios above 97%.

Minimum Downpayment and LTVs. Except for the Home of Your Own Program, which does not require a contribution from the Borrowers, Borrowers are required to contribute at least 1% of the purchase price (3% for cooperatives and 3- and 4-family homes) of the home being financed by their Mortgage Loans from their own verifiable funds. The maximum LTV for all programs included in the Low Interest Rate Mortgage Program, except the Home of Your Own Program and the Habitat for Humanity Mortgage Program, is 97%. The maximum financing for the Home of Your Own Program and the Habitat for Humanity Program is 100% and 99%, respectively. See Appendix D — "Certain Agency Financial Information and Operating Data — Loan-to-Value Ratios" for additional information regarding the LTVs of the Agency's Mortgage Loans.

Interest Rates. The Agency periodically adjusts the interest rates at which it offers new Mortgage Loans. All interest rates are expected to be fixed-interest rates.

Mortgage Insurance. Each Mortgage Loan with an LTV above 80% must have PMI or insurance or guaranty from FHA or VA. PMI must be provided in an amount that reduces the Agency’s exposure to 72%. PMI is not required for Mortgage Loans with LTVs below 80%. Mortgage Loans are also the subject of SMC, if any. SMC for new Mortgage Loans is currently provided by a mortgage pool insurance policy from the MIF. See Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Pool Insurance Coverage.”

Mortgagor Education. The Agency requires Mortgagors seeking Mortgage Loans with high LTVs to complete face-to-face homebuyer counseling from a HUD-approved not-for-profit counseling service. Further, any Mortgagor whose Mortgage Loan is financed under the Achieving the Dream Program, the Remodel New York Program, the Home of Your Own Program or the Habitat for Humanity Mortgage Program, must complete a homebuyer education course.

Mortgagor Occupancy Requirement. A Mortgagor must intend to use the mortgaged property as the Mortgagor’s principal residence and have no present intention to rent the property (except for additional units in a two-to-four-family dwelling) during the term of the Mortgage Loan.

Eligible Properties, Limits on Refinancing and Required Hazard Insurance. In order to be eligible for a Mortgage Loan, the property must be a one-to-four-family residence or a residential condominium or cooperative unit, located within the State. Such Mortgage Loans will not be permitted to be used to refinance existing loans other than construction period loans, bridge loans, or similar temporary initial financing having a term of 24 months or less. Title insurance, hazard insurance, and (if applicable) flood insurance will be required with respect to each such Mortgage Loan and subject property. The obligation to make payments under any such Mortgage Loan may be made assumable subject to the consent of the Agency, and the Agency must be given the right to accelerate the due date of such Mortgage Loans upon transfer of ownership of the subject property.

Mortgage Lender Fees. Under the current program, each Mortgage Loan applicant is required to pay a 1% fee within 14 calendar days of reservation for the Mortgage Loan in order to “lock in” a current interest rate for 100 days for existing housing and 240 days for newly constructed housing, which lock-in fee will be refunded by the Mortgage Lender to the Mortgagor at the Mortgage Loan closing. At Mortgage Loan purchase, the Mortgage Lender will receive 2% (the “Mortgage Lender Fee”) from the Agency using available Agency funds. See “Other Mortgage Loan Programs” below for information regarding Mortgage Lenders fees under the Agency’s other programs.

Down Payment Assistance and Closing Cost Assistance Loans

Since 2003, the Agency has provided assistance to Mortgagors for certain Mortgage Lender fees, down payment and closing costs. The original type of loan was the SONYMA Closing Cost Assistance Loan (or “CCAL”). Though the Agency no longer offers CCALs, it has offered (since January 1, 2010) Down Payment Assistance Loans (“DPALs”) secured by a second lien (referred to herein as Second Lien DPALs). A DPAL provides assistance for down payment in an amount not to exceed the limits established by the Agency. For Mortgage Loan reservations submitted on or after March 18, 2011, this limit was increased from \$10,000 to \$15,000. Except with respect to the Home of Your Own Program, in each case, the Borrower must contribute 1% of the Borrower’s own funds towards the home purchase. The Pledged CCALs (CCALs provided by the Agency prior to January 1, 2010) and the Second Lien DPALs are interest-free loans and the Agency will recover a declining portion of the principal amount of any Pledged CCAL or any such Second Lien DPAL only if the borrower sells the related property or refinances at a gain during the first ten years of the loan term. Absent such sale or refinancing, the principal balance of a Pledged CCALs and Second Lien DPALs is forgiven after ten years. DPALs are available on a first-come, first-served basis for Mortgage Loans originated under all Agency loan programs.

Second Lien DPALs are Mortgage Loans under the Resolution. See “The Program — Second Lien Loans” in this Part 2. However, Pledged CCALs, though part of the Pledged Property under the Resolution,

are not Mortgage Loans. The Agency has not assumed the receipt of principal and interest payments on Second Lien DPALs or Pledged CCALs when preparing Cash Flow Statements required under the Resolution, notwithstanding that any principal recoveries will be treated under the Resolution as (i) Principal Prepayments if recovered under any Second Lien DPALs, or (ii) Revenues if recovered under Pledged CCALs. The Agency, at its discretion, may eliminate DPALs, alter its program of providing DPALs, alter its current policy regarding payment of Mortgage Lender fees, and alter the source of funding for DPALs.

Although CCALs and DPALs do not bear interest, the Agency has increased the Mortgage Loan interest rate on any Mortgage Loan, except for the Homes for Veterans Program, the Habitat for Humanity Mortgage Program, the Home of Your Own Program and Mortgagors who purchase an ENERGY STAR® labeled home under the Construction Incentive Program or Achieving the Dream Program, with respect to which a CCAL has been, or a DPAL has been or will be made.

Mortgage Loan Purchase Procedures and Additional Requirements

The following is a general description of the mortgage purchase requirements and procedures of the Low Interest Rate Mortgage Program applicable to Mortgage Loans financed or to be financed with the Mortgage Financing Moneys. The Agency may revise such requirements and procedures, subject to the provisions of the General Resolution, the applicable Series Resolutions, the Act, and the Code.

The Agency enters into Mortgage Purchase Agreements with the Mortgage Lenders regarding the purchase of Mortgage Loans, whereby each Mortgage Lender agrees to sell to the Agency Mortgage Loans meeting certain specified qualifications. Upon receipt of an application from a prospective Mortgagor for a Mortgage Loan, the Mortgage Lender requests that the Agency reserve an amount of mortgage loan moneys equal to the Mortgage Loan amount and lock-in the appropriate interest rate in effect as of the date of reservation. Generally, the Agency requires the closing of the Mortgage Loan to occur (i) within 100 days of the date of such reservation for existing housing, or (ii) within 240 days of the date of such reservation for newly constructed housing; although the Agency, at its sole option, may grant extensions of any such period. Pursuant to the Act, the Agency must endeavor to purchase Mortgage Loans in each of ten designated regions of the State in proportion to the number of families residing therein, subject to the demand from each region and eligibility requirements. The Act also requires that the Agency use its best efforts to the end that not less than one-sixth of the dollar amount of all mortgage loans financed by it under all its programs be for mortgage loans for newly constructed residences.

The Agency's obligation to purchase any such Mortgage Loan is conditioned upon certain requirements, including the following: (1) such Mortgage Loan complies with all applicable laws, and the note evidencing such Mortgage Loan is a legal, valid, and binding obligation of the Mortgagor, enforceable in accordance with its terms; (2) such Mortgage Loan complies with the mortgage loss coverage requirements set forth in the applicable Series Resolution (see "Sources of Payment and Security for the Bonds—Mortgage Loans" for the mortgage security requirements applicable to such Mortgage Loans); (3) such Mortgage Loan is to an individual borrower and is in addition to the mortgage loans the Mortgage Lender otherwise would have made; (4) such Mortgage Loan constitutes a valid first lien on the subject property or, with respect to a cooperative unit, the Mortgage Loan must be secured by a lien upon the related shares of stock in the cooperative housing corporation and the proprietary lease related to the financed premises, subject only to real property taxes not yet due, installments of assessments not yet due, and easements and restrictions of record that do not, in the Agency's opinion, adversely affect, to a material degree, the use or value of the subject property or the improvements thereon or such cooperative ownership; (5) such Mortgage Loan complies with certain specified terms, conditions, and requirements, unless such terms shall have been waived by the Agency in writing; (6) no conventional Mortgage Loan shall exceed 100% of the value of the subject property (the lower of the purchase price or appraised value); (7) the firm commitment made to the Mortgagor by the Mortgage Lender was made after the date of execution of the respective Mortgage Purchase Agreement; and (8) such Mortgage Loan was made to finance an eligible property.

In the event any representation made by a Mortgage Lender proves to have been untrue as of the time when made, or in the event a Mortgage Lender defaults in the observance of its obligations under the Mortgage Purchase Agreement, or in the event of any breach of covenant or warranty, the Agency may require the Mortgage Lender to purchase the Mortgage Loan for an amount equal to the outstanding principal balance of the Mortgage Loan, accrued interest thereon, any advances and accrued interest thereon, and any fees or expenses (including origination fees) incurred by the Agency.

Mortgage Loan Servicing

The Agency enters into Servicing Agreements under which eligible Mortgage Lenders will service Mortgage Loans that they originate. In some instances, the Agency assigns the servicing of Mortgage Loans to Servicers other than the Mortgage Lender that originates such Mortgage Loan. A Servicer must be legally authorized to engage in the business of servicing loans of the general character of the Mortgage Loans, and must meet certain specified qualifications. At present, *except* with respect to Servicers who purchase the right to service Mortgage Loans, the Servicing Agreement provides for termination by the Agency without cause after 120 days. Termination without cause within five years of the date of commencement of servicing by the Servicer entitles the Servicer to a fee equal to \$100. In lieu of entering into, or upon termination of, any Servicing Agreement, the Agency retains the right to select another Servicer.

The Servicer is responsible for collecting all payments due the Agency under the Mortgage Loans, and, if applicable, CCALs and DPALs. The Servicer agrees to remit promptly to the Agency the principal and interest payments collected on the Mortgage Loans, and if applicable, CCALs and DPALs. The Servicer is responsible for accounting for and managing escrows for payment of rents, real estate taxes, mortgage and hazard insurance premiums, and other expenses. For servicing each Mortgage Loan, in lieu of a fee the Servicer is entitled to a credit against certain taxes payable by the Servicer.

The Servicer is required to comply with all requirements of the private primary mortgage insurance providers, FHA, the VA, or the Rural Development, formerly the Farmers Home Administration of the United States Department of Agriculture (the "RD"), if applicable, with respect to Mortgage Loans serviced for the Agency and to maintain in effect at all times and at the Servicer's expense a fidelity bond of an incorporated surety company authorized to do business in the State satisfactory to the Agency as to form, company, and amount.

Currently, no Mortgage Loans are guaranteed by the RD (or its predecessor).

The Servicer is responsible for assuring that the subject property is covered by such fire, hazard, and flood insurance as is customary in the locality where the subject property is located and such additional fire, hazard, and flood insurance as may be required by the Agency.

The Servicer is required to take such appropriate action with respect to delinquencies as may be required by the private primary mortgage insurance provider, FHA, the VA, or the RD, if applicable, or such action as it would take with respect to loans serviced for others or held for its own account. If a foreclosure action is commenced, the Servicer is required to comply with State law governing foreclosure actions. At a settlement conference, the Servicer may, with the consent of the Agency, grant appropriate relief in the form of repayment plans, special forbearance relief, and modifications. A repayment agreement may be entered into that gives the Mortgagor a definite period not to exceed 12 months in which to bring the Mortgage Loan current by immediately commencing payment in excess of the monthly installments. A special forbearance agreement may be entered into that reduces or suspends monthly installments for a specified period of time not to exceed 12 months. A modification agreement may be formulated that effects modifications of the Mortgage Loan's repayment provisions *provided, however*, that such modification cannot extend the term of the Mortgage Loan beyond 40 years. Servicers have broad discretion to grant such relief prior to an action to foreclosure. Approval by the Agency is required for any repayment plan, special forbearance agreement or modification agreement, regardless of whether the relief is offered at, or prior to, a mandatory settlement conference. For a discussion of State foreclosure procedures, including certain Agency practices and recent

changes thereto that are intended to expedite mortgage loan foreclosures and related loan modifications, see Appendix B — “Mortgage Insurance and New York Foreclosure Procedures — New York Foreclosure Procedures and Federal Bankruptcy Law” to this Part 2.

The Servicer is required to notify the Agency promptly upon becoming aware that any prior lien has attached or will attach to the property securing a Mortgage Loan, of the death of the Mortgagor, or of any bankruptcy proceeding or the like against the Mortgagor. By the 90th day following the due date of the earliest unpaid installment on the Mortgage Loan, the Servicer is required to recommend appropriate action to the Agency. If foreclosure is necessary, the Servicer is required to notify the Mortgagor in default prior to the commencement of a foreclosure action in accordance with the requirements of State law. The Servicer is required to make a full report to the Agency and undertake all necessary steps to accomplish such foreclosure pursuant to certain specified standards and State law.

There have been significant increases in the elapsed time between an Agency mortgage loan (including Mortgage Loans financed under the Resolution) becoming 90+ days delinquent and the commencement of a foreclosure proceeding, as well as the time elapsed between the commencement and completion of a foreclosure proceeding. With respect to such mortgage loans foreclosed between January 1, 2013 and October 31, 2013 an average of 993 days elapsed between the date of default and the date foreclosure proceedings were completed. In contrast, with respect to Agency mortgage loans (including Mortgage Loans financed under the Resolution) foreclosed in 2009, 2010, 2011 and 2012, an average of, respectively, 488 days, 655 days, 800 and 959 days elapsed between such dates. For a discussion of State foreclosure procedures, including certain Agency practices and recent changes thereto that are intended to expedite mortgage loan foreclosures and related loan modifications, see Appendix B — “Mortgage Insurance and New York Foreclosure Procedures — New York Foreclosure Procedures and Federal Bankruptcy Law” to this Part 2. See Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — Delinquencies” to this Part 2 for information regarding delinquencies and foreclosures of Mortgage Loans.

M&T Bank is the Servicer for approximately 60% of the principal amount of all Mortgage Loans. See Appendix C — “Servicers of Mortgage Loans” to this Part 2 for information about the current Servicers of Mortgage Loans.

Various Federal, State, banking and investor entities, including the Attorney General of the State, have initiated or settled enforcement actions or lawsuits against certain mortgage loan servicers alleging, among other things, irregularities in mortgage servicing and foreclosure activities. HSBC Bank, USA, N.A. (“HSBCBANK”), J.P. Morgan Chase & Co. (“Chase”) and Citigroup, Inc. have been among the targets of such actions and lawsuits and each (or its respective affiliates), as of October 31, 2013, serviced, respectively, 10%, 7.3% and 4.1% aggregate principal amount of the Mortgage Loans. These actions and lawsuits include a lawsuit filed in June 2013 by the State Attorney General against HSBCBANK and its affiliate HSBC Mortgage Corporation (USA) (collectively, “HSBC”) alleging that HSBC is delaying the court-supervised settlement conference to which mortgagors whose homes are in foreclosure are entitled under State law. Further, in October 2013 the State Attorney General settled enforcement actions against Bank of America Corp. and its affiliates (“BOA”), a former Servicer, for violating several servicing standards governing timelines for processing mortgagor applications for loan modifications. These servicing standards were mandated as part of the National Mortgage Settlement (the “Settlement”) between the Federal Department of Justice, the State, 48 other states, and the five largest mortgage loan servicers. The Agency is unable to predict what, if any, future effect any enforcement actions, lawsuits, and settlements, will have on the operations of participating Servicers and whether other Servicers will be made the subject of such or similar enforcement actions, lawsuits or settlements or if the Servicers described above will be made the subject of additional enforcement actions, lawsuits and settlements.

The Agency terminated BOA as a Servicer, effective October 1, 2013, following its failure to cure violations of the Agency’s servicing requirements and procedures. Such violations were identified by the Agency’s internal audit staff during their most recent periodic audit of BOA’s Agency mortgage loan servicing portfolio. Prior to its termination, BOA serviced approximately 3.4% of the Mortgage Loans. Mortgage loans

previously serviced by BOA (including the Mortgage Loans that are assets pledged under the Resolution) were transferred to the Agency's master Servicer, M&T Bank, as successor Servicer to BOA. Chase, a current Servicer of the Mortgage Loans, has given notice of its intention to resign as Servicer effective May 1, 2014. The Agency expects to transfer the Chase mortgage loans (including the Mortgage Loans that are assets pledged under the Resolution) to M&T Bank, as successor Servicer to Chase. Following such transfer, M&T Bank would be the Servicer for approximately 67.2% of the Mortgage Loans. For information concerning the approximate aggregate principal amount of Mortgage Loans serviced by each Servicer as of October 31, 2013, see Appendix C — "Servicers of Mortgage Loans" to this Part 2.

Income and Purchase Price Limitations

Mortgagors receiving Mortgage Loans financed or to be financed with the proceeds of or related to the Prior Series Bonds or the Offered Bonds are subject to income requirements imposed by the Code (except in the case of Mortgage Loans originally financed with proceeds of the Agency's First through Eighth Series Mortgage Revenue Bonds) or income limitations imposed by the Agency, which may be lower than those imposed by the Code. The income limitations are applicable on a county-by-county basis and may be increased or decreased by the Agency in order to comply with the Code or in the Agency's discretion so long as the income limits established by the Agency are in compliance with the Code. Mortgagors receiving Mortgage Loans financed or to be financed with the proceeds of or related to the Prior Series Bonds or the Offered Bonds are also subject to maximum purchase price limits imposed by the Code or the Agency, which may be lower than those imposed by the Code. The purchase price limits have been established on a county-by-county basis and are subject to change in order to comply with the Code or in the Agency's discretion, so long as the purchase price limits established by the Agency are in compliance with the Code.

Other Mortgage Loan Programs

In addition to the Low Interest Rate Mortgage Program described above, the Agency has established the other single family programs described under this heading "Other Mortgage Loan Programs." The moneys made available by the Agency for the elimination of Mortgage Loan fees and DPALs are also available for borrowers participating in the other single family program described under this heading "Other Mortgage Loan Programs." The description of the Low Interest Rate Mortgage Program contained under "The Program" prior to the heading "Other Mortgage Loan Programs" generally applies to each of the programs described below, except to the extent noted in the program's description. The Agency is unable to predict whether Mortgage Loans financed under these programs will have rates of prepayment that differ from other Agency Mortgage Loans.

The Agency has established its Construction Incentive Program, pursuant to which it may purchase one-or-two-family new construction loans (the "Construction Incentive Loans").

The Agency has established its Achieving the Dream Program, pursuant to which it may purchase Mortgage Loans (i) bearing interest at rates that are substantially lower than those with respect to Mortgage Loans purchased under the Low Interest Rate Mortgage Program and (ii) subject to income limits which are substantially lower than those of the Agency's Low Interest Rate Mortgage Program.

The Agency has established its Remodel New York Program which provides mortgage financing for the purchase and renovation of one or two family homes. Mortgage Lenders will be paid a Mortgage Lender fee equal to 2.5% of the principal balance for originating Remodel New York Program loans. The maximum financing permitted is equal to 97% of the lower of (i) the sales price of the home plus the costs of renovation, and (ii) the "as-renovated" appraised value of the property.

The Agency has established the Homes for Veterans Program, pursuant to which it may purchase a Mortgage Loan (i) bearing, as of June 1, 2012, the same interest rate as those purchased under the Achieving the Dream Program, although such Mortgage Loans will not bear an increased interest rate if the Mortgagor receives a DPAL, and (ii) for which the Mortgagor satisfies the requirements of Section 416 of the Tax Relief

and Health Care Act of 2006, which amends Section 143(d)(2) of the Code by providing that Mortgagors who are veterans and who have never previously received a mortgage revenue bond loan, need not meet the first-time homebuyer requirement.

The Agency has established an incentive for Mortgagors who purchase an ENERGY STAR® labeled home, pursuant to which it may purchase a Mortgage Loan bearing the same interest rate as the Construction Incentive Program or Achieving the Dream Program through which the Mortgage Loan will be made, although it will not bear an increased interest rate if the Mortgagor receives a DPAL.

The Agency has established its Home of Your Own Program, pursuant to which it may purchase loans made to individuals with a developmental disability. Mortgage Lenders will be paid a Mortgage Lender fee equal to 0.50% of the principal balance for originating the Home of Your Own Program loan.

The Agency has established the Habitat for Humanity Mortgage Program. In the Habitat for Humanity Mortgage Program, the Agency coordinates its lending activity to provide Mortgage Loan financing for properties built or renovated by local Habitat for Humanity chapters.

Second Lien Loans

At present, the Act permits the Agency to finance Mortgage Loans secured by a second lien only when such second lien loans are purchased or originated by the Agency and made at the same time as a first lien loan purchased by either the Agency or a government sponsored enterprise. Second Lien DPALs are DPALs financed by the Agency with the proceeds of Bonds on or after January 1, 2010 and are Mortgage Loans secured by second liens. The Agency may seek amendments to the Act to permit second lien loans that are independent of the origination of first lien Mortgage Loans. Pledged CCALs, however, are not Mortgage Loans. See “The Program — Down Payment Assistance and Closing Cost Assistance Loans” above. Also see Part 1 “Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses — Mortgages.”

Potential New Programs

The Agency develops new program initiatives to address the housing needs of residents of the State. The Agency may use the proceeds of Bonds to finance Mortgage Loans originated under such new program initiatives.

Recent Government Actions

Since 2008, the Federal government has undertaken a number of measures designed to address the current economic difficulties facing the United States. Additional measures and legislation may be considered by the Federal government, or the State Legislature, which measures may affect the Program, the Bonds or the Mortgage Loans. While some of these measures may benefit the Program, no assurance can be given that the Program, the Bonds or the holders of such Bonds will not be adversely affected by such measures.

OTHER AGENCY PROGRAMS

Mortgage Revenue Bond Resolution Forward Commitment Program

Beginning in 1983, the Agency has issued its Mortgage Revenue Bonds, which include both taxable and tax-exempt bonds, under its MRB Resolution, for the primary purpose of purchasing mortgage loans. As of October 31, 2013, there was approximately \$813 million aggregate principal amount of Mortgage Revenue Bonds outstanding (including accreted value of Mortgage Revenue Bonds issued at less than the maturity value thereof). The Agency has not redeemed any of its long-term, fixed-rate Mortgage Revenue Bonds from unexpended proceeds of such bonds not used to purchase mortgage loans and related amounts since 1987. As of October 31, 2013, the Agency had purchased an aggregate principal amount of mortgage loans under the MRB Resolution (the “MRB Loans”) of approximately \$3.1 billion. As of October 31, 2013, there was

approximately \$823 million aggregate outstanding principal balance of MRB Loans. In the past, the Agency has applied excess revenues (including principal prepayments) available under the MRB Resolution to finance \$58.4 million of MRB Loans. Recently, the Agency used revenues under the MRB Resolution to acquire approximately \$31.5 million aggregate principal amount of MRB Loans. In addition, the Agency can issue Mortgage Revenue Bonds and also apply other excess revenues (including Principal Prepayments) in the future for such purpose. All of the Mortgage Revenue Bonds are secured separately from the Bonds. Also, in addition to the April 1, 2014 payment of scheduled maturities and sinking fund requirements of Mortgage Revenue Bonds, the Agency (i) has directed the trustee under the MRB Resolution to redeem an additional \$30,065,000 aggregate principal amount of Mortgage Revenue Bonds by mid April, 2014, and (ii) expects to redeem an additional \$56,675,000 aggregate principal amount of Mortgage Revenue Bonds with proceeds received under the MRB Resolution in connection with the sale of the MRB Originated Mortgage Loans and certain investments and moneys by early May 2014. On March 13, 2014, the MRB Originated Mortgage Loans, which had been MRB Loans, were acquired under the Resolution and became Mortgage Loans.

Since 2009, the Agency has issued thirteen series of bonds under the MRB Resolution in an approximate aggregate principal amount of \$900.2 million, eight of which were issued in connection with the New Issue Bond Program of the United States Department of the Treasury. The Agency has utilized the proceeds of such Mortgage Revenue Bonds to purchase approximately \$673.970 million of MRB Loans from 2009 to and including October 31, 2013. Although the Agency exhausted its issuance capacity under the New Issue Bond Program in March 2011 it has the right to issue additional Mortgage Revenue Bonds, including those to finance MRB Loans.

Mortgage Insurance Fund

In addition to its other programs, the Act authorizes the Agency to operate a mortgage insurance program. The MIF was created by the State Legislature in 1978 and is described in Part 2 — “Mortgage Insurance and New York Foreclosure Procedures — MIF.” The payment of principal and interest on the Bonds is not secured by or payable from moneys held in the MIF. The MIF currently provides mortgage pool insurance coverage and/or primary mortgage insurance coverage on (i) certain mortgage loans purchased with proceeds attributable to several series of the Agency’s Mortgage Revenue Bonds (including the MRB Originated Mortgage Loans) and (ii) Mortgage Loans as described in the table in Appendix D — “Certain Supplemental Agency Financial Information and Operating Data — Mortgage Loans — Mortgage Pool Insurance Coverage” and “— PMI Coverage” to this Part 2. The Agency has entered into an agreement with the MIF under which the MIF will provide mortgage pool insurance coverage with respect to the new Mortgage Loans and mortgage loans financed pursuant to the MRB Resolution. For information regarding such insurance coverage, see Appendix B — “Mortgage Insurance and New York Foreclosure Procedures — Mortgage Pool Insurance Policies — General,” “— Mortgage Pool Insurance Policies — MIF Policies,” and “— PMI Programs — MIF PMI” to this Part 2.

FHA Plus and Fannie Mae Conventional Plus Programs

The Agency’s FHA Plus Program and Fannie Mae Conventional Plus Program both enable the Agency to finance mortgage loans without issuing bonds. Under the FHA Plus and Conventional Plus Programs, borrowers receive, depending on the program selected, a FHA-insured mortgage loan or a Fannie Mae MyCommunityMortgage® to acquire or refinance a home. The Agency provides down payment assistance to requesting borrowers. None of the mortgage loans and down payment assistance loans originated under either program are financed with moneys pledged under the Resolution or under the MRB Resolution. Consequently, such loans (and any payments of principal and interest thereon) do not serve as security for any Agency bonds (including Bonds issued under the Resolution).

Once originated, the mortgage loans and accompanying down payment assistance loans (if any) are sold to M&T Bank, the master servicer for both programs. Loans (other than those providing down payment assistance) are then pooled by M&T Bank into Ginnie Mae mortgage-backed securities (if originated under the FHA Plus Program) or Fannie Mae mortgage-backed securities (if originated under the Conventional Plus Program). The Agency retains ownership of the down payment assistance loans originated under either program. Participation in either program is not limited to first-time homebuyers and neither imposes any purchase price limits on eligible residences. The FHA Plus Program, in addition, does not require eligible

borrowers to satisfy any household income limits (the income limits under the Conventional Plus Program are the higher of those imposed under the Low Interest Rate Program or allowed by Fannie Mae).

Educational Loans

In 1972, the Agency was granted the authority to purchase and to make commitments to purchase education loans. In 2009, the existing education loan provisions of the Act were substantially revised to facilitate the implementation of the New York State Higher Education Loan Program (“NYHELPS Program”), a new program that is administered by the New York Higher Education Services Corporation, an educational corporation of the State, created in the State Education Department and within the University of the State of New York established under the Board of Regents. In connection with the NYHELPS Program, the Agency will be doing business as the State of New York Higher Education Finance Authority.

On December 15, 2009, the Agency issued its first series of bonds in connection with the NYHELPS Program, \$97,795,000 aggregate principal amount NYHELPS Education Loan Revenue Bonds, 2009 Series A, of which \$13,285,000 were outstanding as of October 31, 2013.

The Agency does not expect to finance new education loans under the NYHELPS Program unless additional funding is provided. The NYHELPS Program is being evaluated to determine how it can best serve New York State students and families.

Other Activities

The Act also empowers the Agency to purchase home improvement loans.

For additional information relative to other programs of the Agency, see the Financial Statements contained in Appendix A to this Part 2.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a summary of certain provisions of the General Resolution. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from the Trustee or the Agency.

Certain Definitions

The following are definitions in summary form of certain terms contained in the General Resolution and used herein:

“Agency Request” means a written request or direction of the Agency signed by an Authorized Representative.

“Amortized Value” means for securities purchased at (i) par, par; and (ii) a premium above or a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such securities were purchased by the number of days remaining to maturity on such securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (a) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price, and (b) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

“Appreciated Amount” means with respect to a Deferred Interest Bond, (i) as of any date of computation with respect to any Deferred Interest Bond up to the date, if any, set forth in the Series Resolution authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to

bear interest payable thereafter on applicable interest payment dates, an amount equal to the initial principal amount of such Deferred Interest Bond plus the interest accrued on such Deferred Interest Bond from the date of original issuance of such Deferred Interest Bond to the applicable interest payment date next preceding the date of computation or the date of computation if an applicable interest payment date, such increased amount to accrue at the rate per annum set forth in the Series Resolution authorizing such Deferred Interest Bonds, compounded on each applicable interest payment date, plus, if such date of computation shall not be an applicable interest payment date, a portion of the difference between the Appreciated Amount as of the immediately preceding applicable interest payment date (or the date of original issuance if the date of computation is prior to the first applicable interest payment date succeeding the date of original issuance) and the Appreciated Amount as of the immediately succeeding applicable interest payment date, calculated based upon an assumption that the Appreciated Amount accrues in equal daily amounts on the basis set forth in the Series Resolution authorizing such Deferred Interest Bonds; and (ii) as of any date of computation on and after the date, if any, set forth in the Series Resolution authorizing such Deferred Interest Bond as of the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable interest payment dates, the Appreciated Amount as of such current interest payment commencement date.

For the purposes of actions, requests, notifications, consents or directions of Bondowners under the General Resolution, the calculation of the Appreciated Amount shall be as of the applicable interest payment dates preceding such date of calculation (unless such date of calculation shall be an applicable interest payment date, in which case, as of the date of calculation).

“Cash Equivalent” means Security Arrangement.

“Cash Flow Certificate” means a certificate of the Agency signed by an Authorized Representative to the effect that the action proposed to be taken is consistent with the assumptions as set forth in the Cash Flow Statement last filed with the Trustee.

“Code” means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“Collateral Mortgage Loans” means mortgage loans credited to the Collateral Mortgage Loan Fund in a Series Resolution. At present, there are only approximately \$390,000 aggregate principal amount of Collateral Mortgage Loans.

“Costs of Issuance” means all items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale, issuance and remarketing of the Bonds, and entering into of other Parity Obligation Instruments, as certified by an Authorized Representative.

“Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys selected by the Agency; any such attorney may be a lawyer in the regular employment of the Agency.

“Debt Reserve Requirement” means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for all Series of Bonds Outstanding in the Series Resolutions authorizing the issuance of such Bonds, at least equal in the aggregate to three per centum (3%) of the sum of (i) the outstanding principal balance of Mortgage Loans (except Mortgage Loans underlying certificates of the Government National Mortgage Association or Fannie Mae), (ii) the amount on deposit to the credit of the Acquisition Fund, and (iii) the outstanding principal balance of Collateral Mortgage Loans pledged to secure Bonds at the time of issuance of a Series of Bonds (or Collateral Mortgage Loans substituted therefor). The Trustee may rely upon a certificate from an Authorized Representative of the Agency which states the Debt Reserve Requirement as of the date of said certificate. An aggregate amount equal to one per centum of the sum of clauses (i), (ii) and (iii) above and on deposit in the Debt Reserve Fund shall be held in cash in such Fund or invested in Investment Obligations with a term to maturity less than three years from the date such investment is made; an Authorized Representative of the Agency shall direct the Trustee (promptly confirmed

in an Agency Request) to invest an amount specified by the Agency (which shall equal said one per centum (1%)) in cash or Investment Obligations as aforesaid.

“Deferred Interest Bond” means any Bond designated as such by the Series Resolution authorizing the issuance of such Bond.

“Expenses” means any moneys required by the Agency to pay the expenses of the Trustee and any expenses which the Agency may lawfully pay, except as limited with respect to any Series of Bonds by the applicable Series Resolution. Expenses deposited in any Fiscal Year to the credit of the Expense Fund shall not exceed the aggregate of all the maximum Expenses designated in a Series Resolution and such annual deposit(s) shall not exceed one percent of the higher of (i) all Outstanding Bonds as of the first day of such Fiscal Year or October 1, whichever is higher or (ii) the outstanding principal balance of Mortgage Loans and Collateral Mortgage Loans as of a date not more than sixty (60) days prior to the first day of the preceding Fiscal Year or to October 1, whichever is higher.

“Fiscal Year” means the year beginning on the first day of November and ending on the last day of October in the next succeeding year.

“Government Obligations” means obligations of the United States of America (including obligations issued or held in book-entry form on the books of the U.S. Department of the Treasury) or obligations the principal of and interest on which are guaranteed by the United States of America.

“Hedge Receipt” means, if and to the extent designated as such pursuant to the Series Resolution or Supplemental Resolution authorizing the related Qualified Hedge, the net amount required to be paid to the Agency under a Qualified Hedge.

“Insurance Proceeds” means payments received with respect to the Mortgage Loans or Collateral Mortgage Loans under any insurance policy or guarantee or under any fidelity bond.

“Interest” means, with respect to Bonds, Parity Interest.

“Investment Obligations” means, to the extent authorized by law and by any applicable resolutions of the Agency for investment of moneys of the Agency at the time of such investment, (i)(A) Government Obligations or (B) obligations rated Aaa by Moody’s of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of such Government Obligations; (ii)(A) bonds, debentures or other obligations issued by Student Loan Marketing Association, Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Tennessee Valley Authority, the United States Postal Service, Federal Farm Credit System Obligations, Federal Home Loan Mortgage Corporation, Export Import Bank, World Bank, International Bank for Reconstruction and Development and Inter-American Development Bank; or (B) bonds, debentures or other obligations issued by Fannie Mae (*excluding* mortgage securities which are valued greater than par on the portion of unpaid principal or mortgage securities which represent payments of principal only or interest only with respect to the underlying mortgage loans); (iii) any obligations of an Agency controlled or supervised by or acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States; (iv) obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; (v) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, “deposits” shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured, to the extent not

insured by the Federal Deposit Insurance Corporation, by any of the obligations described in (i) above having a market value (exclusive of accrued interest) not less than the uninsured amount of such deposit or (b)(1) unsecured or (2) secured to the extent, if any, required by the Agency and made with an institution whose unsecured debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by Moody's; (vi) repurchase agreements (A) backed by or related to obligations described in (i), (ii) or (iii) above with any institution whose unsecured debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by Moody's or (B) with members of the Association of Primary Dealers which do not qualify under (A); (vii) investment agreements, (A) secured or unsecured, as required by the Agency, with any institution whose debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the investment is a short-term obligation) by Moody's or (B) fully secured by obligations described in (i) with members of the Association of Primary Dealers who do not qualify under (A); (viii) direct and general obligations of or obligations unconditionally guaranteed by the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged, and certificates of participation in obligations of the State which obligations may be subject to annual appropriations, which obligations are rated at least the then existing rating on the Bonds by Moody's; (ix) direct and general obligations of or obligations guaranteed by any state, municipality or political subdivision or Agency thereof, which obligations are rated in either of the two highest rating categories of Moody's; (x) bonds, debentures, or other obligations issued by any bank, trust company, national banking association, insurance company, corporation, government or governmental entity (foreign or domestic), *provided* that such bonds, debentures or other obligations are (a) payable in any coin or currency of the United States of America which at the time of payment will be legal tender for the payment of public and private debts, and (b) rated in either of the two highest rating categories by Moody's; (xi) commercial paper (having original maturities of not more than 365 days) rated in the highest category of Moody's; (xii) money market funds which invest in Government Obligations and which funds have been rated in either of the two highest rating categories by Moody's; (xiii) Mortgage Loans, as defined below; (xiv) any bond or other debt instrument of the New York Convention Center Development Corporation, a subsidiary of the New York State Urban Development Corporation, organized pursuant to the New York Business Corporation Law pursuant to Chapter 35 of the Laws of the State, 1979, and Chapter 3 of the Laws of the State, 2004, as amended; or (xv) any investments authorized in a Series Resolution authorizing Bonds rated by Moody's. *Provided*, that it is expressly understood that the definition of Investment Obligations shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the General Resolution by a Supplemental Resolution, thus permitting investments with different characteristics from those permitted which the Board of Directors of the Agency deems from time to time to be in the interests of the Agency to include as Investment Obligations 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 assigned to them by Moody's. For purposes of this definition, "institution" means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation thereof.

"Liquidation Proceeds" means amounts (*except* Insurance Proceeds) received in connection with the liquidation of a defaulted Mortgage Loan or Collateral Mortgage Loan, whether through foreclosure, trustee's sale, repurchase by a Mortgage Lender, or otherwise.

"Loan Loss Requirement" means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for the Series of Bonds Outstanding in the Series Resolutions authorizing the issuance of such Bonds, at least equal in the aggregate to one per centum (1%) of the sum of (i) the outstanding principal balance of Mortgage Loans (*except* Mortgage Loans underlying obligations of the Government National Mortgage Association or Fannie Mae), (ii) the amount on deposit to the credit of the Acquisition Fund, and (iii) the outstanding principal balance of Collateral Mortgage Loans pledged to secure Bonds at the time of issuance of a Series of Bonds (or Collateral Mortgage Loans substituted therefor). The Trustee may rely upon a certificate from an Authorized Representative of the Agency which states the Loan Loss Requirement as of the date of said certificate. An aggregate amount equal to the one per centum (1%), of the sum of (i), (ii) and (iii) above on deposit in the Loan Loss Fund shall be held in cash in such Fund or shall be invested in Investment Obligations with a term remaining to maturity of less than thirteen (13) months from

the date such investment was made; an Authorized Representative of the Agency shall direct the Trustee (promptly confirmed in a written Agency Request) to invest an amount specified by the Agency (which shall equal said one per centum (1%)) in cash or Investment Obligations as aforesaid.

“Mortgage Loans” described above in the definition of Investment Obligations are Mortgage Loans (including Second Lien DPALs) but only with respect to investment of moneys on deposit in (a) the Debt Reserve Fund and Loan Loss Fund (the “Reserves”), and only if and to the extent that the aggregate principal amount on deposit in the Reserves invested in Investment Obligations with remaining terms to maturity of three years or less exceeds three percent of the sum of (1) Mortgage Loans and (2) the amount on deposit in the Acquisition Fund, and (b) the General Fund, so long as the aggregate amount on deposit in the General Fund invested at any one time in Mortgage Loans (including Second Lien DPALs) does not exceed \$150,000,000 and any such Mortgage Loan shall be an investment of General Fund moneys for no longer than 14 months. Investment agreements, time deposits, and other Investment Obligations that allow withdrawals of deposited funds at least once every three years and Investment Obligations redeemable at the option of the holder shall be treated as Investment Obligations with terms of three years or less.

“101% Parity Test” means such term as defined in Section 411(a) of the General Resolution (see “General Fund” in this “Summary of Certain Provisions of the General Resolution”).

“Outstanding Bonds” means, as of any date, all Bonds theretofore authenticated and delivered by the Trustee under the Resolution, *except*:

(i) any Bond, following its maturity date, if sufficient moneys or Government Obligations are held in trust for the owner of such Bond by the Trustee on such maturity date to pay the principal amount of and accrued interest on such Bond;

(ii) any Bond canceled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity;

(iii) any Bond deemed paid in accordance with the redemption provisions of the General Resolution;

(iv) any Bond deemed paid in accordance with the defeasance provisions of the General Resolution; and

(v) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the General Resolution, unless proof satisfactory to the Trustee is presented that any Bond for which a Bond in lieu thereof or in substitution therefor shall have been authenticated and delivered is held by a bona fide purchaser, as that term is defined in Article Eight of the Uniform Commercial Code of the State, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu thereof or in substitution therefor shall be deemed Outstanding.

“Parity Hedge Obligation” has the meaning provided in Section 213(d) of the General Resolution (see “Security Arrangements; Qualified Hedges; and Other Similar Arrangements” in this “Summary of Certain Provisions of the General Resolution”).

“Parity Interest” means interest on Bonds, those portions of Parity Reimbursement Obligations that are related to interest payments on Parity Principal, and Parity Hedge Obligations.

“Parity Obligation” means Parity Interest and Parity Principal.

“Parity Obligation Instrument” means an instrument or other contractual arrangement, including Bonds, evidencing the Agency’s obligation to pay the Parity Obligation.

“Parity Principal” means principal of Bonds and those portions of Parity Reimbursement Obligations that are related to principal.

“Parity Reimbursement Obligation” has the meaning provided in Section 213(b) of the General Resolution (see “Security Arrangements; Qualified Hedges; and Other Similar Arrangements” in this “Summary of Certain Provisions of the General Resolution”).

“Parties” or “Party” means any person(s), other than the Agency, that is a/are party(ies) to a Parity Obligation Instrument other than Bonds.

“Principal” means (a) as such term references the principal amount of a Deferred Interest Bond or Deferred Interest Bonds, the Appreciated Amount thereof, and (b) as such term references the principal amount of any other Bond or Bonds, the principal amount at maturity of such Bond or Bonds. References in the General Resolution to “principal” with respect to Bonds means Parity Principal.

“Principal Prepayment” means any payment by a Mortgagor or other recovery of principal on a Mortgage Loan or a Collateral Mortgage Loan which is not applied to a scheduled installment of principal and interest on a Mortgage Loan or a Collateral Mortgage Loan (including any deficiency in the payment of any scheduled installments of principal and interest then due and payable or interest paid in connection with a voluntary prepayment of a Mortgage Loan or a Collateral Mortgage Loan) and the portion of any Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), Liquidation Proceeds or other payments representing such principal amounts, including from the sale of a Mortgage Loan or a Collateral Mortgage Loan.

“Qualified Hedge” means, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the Agency with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into; (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to a principal amount of Bonds or Mortgage Loans as set forth in the authorizing Series Resolution or Supplemental Resolution); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto; or any similar arrangement; (iii) which is executed by the Agency for the purpose of debt management, including managing interest rate fluctuations on Bonds and/or Mortgage Loans, but not for purposes of speculation, after the Agency has analyzed applicable risks and benefits of the Qualified Hedge; and (iv) which has been designated in writing to the Trustee by an Authorized Representative as a Qualified Hedge.

“Qualified Hedge Provider” means an entity (a) whose senior long-term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, at the time of entering into the related Qualified Hedge, are rated at least AA (or an equivalent rating) by the Rating Agency, or whose payment obligations under a Qualified Hedge are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating, or claims paying ability are rated at least AA (or an equivalent rating) by the Rating Agency, or (b) whose payment obligations under the related Qualified Hedge are secured by a collateral agreement that, at the time of entering into the collateral agreement, is rated, or the entity’s (or a guarantor of the entity’s) obligations under the collateral agreement are rated, at least AA (or an equivalent rating) by the Rating Agency; *provided*, that it is expressly understood that the definition of Qualified Hedge Provider shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the General Resolution by a Supplemental Resolution, thus permitting hedge providers with different characteristics from those permitted pursuant to (a) and (b) which the Board of Directors of the Agency deems from time to time to be in the interests of the Agency to include as Qualified Hedge Providers 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 assigned to them by any Rating Agency.

“Rating Agency” means each nationally recognized securities rating agency who is maintaining the rating on the Bonds at the request of the Agency.

“Reimbursement Obligation” has the meaning provided in Section 213(b) of the Resolution (see “Security Arrangements; Qualified Hedges; and Other Similar Arrangements” in this “Summary of Certain Provisions of the General Resolution”).

“Revenues” means all moneys received by or on behalf of the Agency or Trustee representing (i) principal and interest payments on the Mortgage Loans or Collateral Mortgage Loans including all Principal Prepayments representing the same and all prepayment premiums or penalties received by or on behalf of the Agency in respect to the Mortgage Loans or Collateral Mortgage Loans, (ii) interest earnings, amortization of discount, and gain, all as received as cash on the investment of amounts in any Account or Fund, (iii) amounts transferred to the Revenue Fund in accordance with the General Resolution, (iv) amounts transferred to the Special Redemption Account from the Debt Reserve Fund or the Loan Loss Fund, (v) amounts deposited in the Revenue Fund pursuant to the General Resolution, and (vi) Hedge Receipts and Termination Receipts received pursuant to a Qualified Hedge.

“Security Arrangement” means a Letter of Credit, Insurance Policy, Surety, Guarantee or other Security Arrangement (as defined and provided for in a Series Resolution providing for the issuance of Bonds rated by Moody’s or in a Supplemental Resolution), provided by an institution which has received a rating of its claims paying ability from Moody’s at least equal to the then existing rating on the Bonds or whose unsecured debt securities are rated at least the then existing rating on the Bonds (or the highest rating of short-term obligations if the Security Arrangement is a short-term instrument) by Moody’s.

“Serial Bonds” means the Bonds which are not Term Bonds.

“Series Program Determinations” means determinations by the Agency relating to Mortgage Loans and certain other matters required in connection with a Series of Bonds under the Program to be set forth (or provisions to be determined at certain specified times in the future) in a Series Resolution and shall include the following: (i) whether each Mortgage Loan shall be secured by a first lien mortgage, a second lien mortgage or a combination; (ii) whether each Mortgage Loan shall have approximately equal monthly payments or shall be a graduated payment mortgage loan or have a fixed or variable rate of interest; (iii) the maximum term to maturity of each Mortgage Loan; (iv) whether each residence to which each Mortgage Loan relates shall be a principal residence; (v) required primary mortgage insurance, if any, and the levels of coverage thereof; (vi) limitations, if any, applicable to purchases of Mortgage Loans relating to planned unit developments, and/or cooperatives, geographic concentration, and type of principal and interest characteristics; (vii) Supplemental Mortgage Coverage; (viii) provisions, relating to Principal Prepayments, including application thereof for redemption or financing new Mortgage Loans; (ix) provisions relating to Collateral Mortgage Loans, if any; (x) maximum Expenses for such Series; (xi) restrictions, if any, on the applications of the proceeds of the voluntary sale of Mortgage Loans and Collateral Mortgage Loans, if any; and (xii) any other provision deemed advisable by the Agency not in conflict with the General Resolution.

“Sinking Fund Requirement” means, as of any particular date of calculation, with respect to the Term Bonds of any Series and maturity, the amount of money required to be applied on any applicable date to the redemption prior to maturity or the purchase of the Term Bonds, except as such Requirement shall have been previously reduced by the principal amount of any Term Bonds of such Series and maturity with respect to which such Sinking Fund Requirement is payable which are to be purchased or redeemed (except out of Sinking Fund Requirements). Sinking Fund Requirements may be established as fixed dollar amounts or as method(s) of calculation thereof.

“Subordinated Contract Obligation” means any payment obligation of the Agency (other than a payment obligation constituting a Parity Obligation) arising under (a) any Security Arrangement which has been designated as constituting a “Subordinated Contract Obligation” pursuant to the Series Resolution or Supplemental Resolution authorizing such Security Arrangement, (b) any Qualified Hedge, or portion of a

Qualified Hedge, which has been designated as constituting a “Subordinated Contract Obligation” pursuant to the Series Resolution or Supplemental Resolution authorizing such Qualified Hedge, and (c) any other contract, agreement or other obligation authorized by a Series Resolution or Supplemental Resolution and designated as constituting a “Subordinated Contract Obligation” in such authorizing Series Resolution or Supplemental Resolution. Each Subordinated Contract Obligation shall be payable from the Pledged Property subject and subordinate to the payments to be made with respect to the Parity Obligation, and shall be secured by a lien on and pledge of the Pledged Property, all as set forth in the General Resolution or in the related Series Resolution or Supplemental Resolution.

“Supplemental Mortgage Coverage” or “SMC” means the coverage, if any, of loss from Mortgage Loan defaults provided in a Series Resolution which supplements any primary mortgage insurance.

“Term Bonds” means the Bonds with respect to which Sinking Fund Requirements have been established.

“Termination Payment” means, with respect to a Qualified Hedge, an amount required to be paid by the Agency to a Qualified Hedge Provider as a result of the termination of the related Qualified Hedge or required to be paid by the Agency into a collateral account as a source of payment of any termination payments, provided that Termination Payments shall always be Subordinated Contract Obligations.

“Termination Receipt” means an amount required to be paid to the Agency under a Qualified Hedge by the Qualified Hedge Provider as a result of the termination of such a Qualified Hedge.

Payment Due or Acts to be Performed on Weekends and Holidays

If the date for making any payment of principal or premium, if any, or interest or the last date for performance of any act or the exercising of any right, as provided in the General Resolution, shall be a legal holiday or a day on which banking institutions in the city where the Trustee is located are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or not a day on which such banking institutions are authorized by law to remain closed, unless otherwise provided in a Series Resolution, with the same force and effect as if done on the nominal date provided in the General Resolution.

General Resolution to Constitute Contract

In consideration of the (i) purchase and acceptance of any and all of the Bonds issued under the General Resolution by those who shall own the same from time to time, and (ii) entering into of other Parity Obligation Instruments, the General Resolution shall be deemed to be and shall constitute a contract among the Agency and the owners of the Bonds and the Parties. The pledges made in the General Resolution and the covenants and agreements set forth in the General Resolution to be performed by the Agency shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the General Resolution or by the applicable Series Resolution. Furthermore, the pledges made in the General Resolution, and the covenants and agreements therein set forth to be performed by the Agency with respect to such pledges and security for Parity Obligation Instruments other than Bonds, shall be for the equal security of the Parties to any and all of the Parity Obligation Instruments, all of which, without regard to the time or times of their effective date, shall be of equal rank without preference, priority or distinction of any of the Parity Obligation Instruments over any other thereof, except as expressly provided in or permitted by the General Resolution or by the applicable Series Resolution.

Issuance of Bonds

The Bonds shall be executed substantially in the form and manner set forth in the General Resolution and shall be deposited with the Trustee for authentication, but before Bonds shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee the following:

- (a) a copy, duly certified by an Authorized Representative, of the General Resolution and the Series Resolution for such Series of Bonds;
- (b) a Counsel's Opinion stating in the opinion of such counsel that (i) the General Resolution and the applicable Series Resolution have been duly adopted and are valid and binding upon the Agency and (ii) said Bonds are valid and legally binding special obligations of the Agency secured in the manner and to the extent set forth in the General Resolution and the applicable Series Resolution and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained therein;
- (c) a Cash Flow Statement conforming to the requirements of the General Resolution; and
- (d) a request and authorization to the Trustee on behalf of the Agency, signed by an Authorized Representative, to authenticate and deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Agency of the purchase price therefor.

Simultaneously with the delivery of the Bonds, the Trustee shall deposit or credit the proceeds of said Bonds into the applicable Series Bond Proceeds Account of the Bond Proceeds Fund. Unless otherwise provided in the applicable Series Resolution the Trustee shall apply such proceeds, together with any other available funds, as follows:

- (i) an amount shall be transferred to and deposited to the credit of the Debt Reserve Fund such that the amount on deposit in such Fund will at least equal the Debt Reserve Requirement;
- (ii) an amount shall be transferred to and deposited to the credit of the Loan Loss Fund such that the amount on deposit in such Fund will at least equal the Loan Loss Requirement;
- (iii) the total amount of such proceeds designated by the Agency as accrued interest and capitalized interest shall be transferred to and deposited to the credit of the Revenue Fund;
- (iv) an amount equal to pay the Costs of Issuance for such Bonds shall be transferred to and deposited to the credit of the Series Account in the Costs of Issuance Fund established for such Series;
- (v) an amount to the extent set forth in the applicable Series Resolution shall be transferred to and deposited in the Expense Fund;
- (vi) an amount to be transferred to and deposited into any Fund or Account not referred to in clauses (i)-(v) above or (vii) below as provided in the applicable Series Resolution; and
- (vii) the balance of such moneys shall be transferred to and deposited to the credit of the Acquisition Account in the Acquisition Fund established for such Series.

Refunding Bonds

Refunding Bonds of the Agency may be issued under and secured by the General Resolution for the purpose of providing funds, with any other available funds, for (i) redeeming (or purchasing in lieu of redemption) prior to their maturity or maturities, or retiring at their maturity or maturities, all or any part of the Outstanding Bonds of any Series, including the payment of any redemption premium (or premium, to the extent permitted by law, included in the purchase price if purchased in lieu of redemption), (ii) making any required deposits to the Debt Reserve Fund and the Loan Loss Fund, (iii) if deemed necessary by the Agency, for paying the interest to accrue on the refunding Bonds or refunded Bonds to the date fixed for their redemption (or purchase) and (iv) any expenses in connection with such refunding. Before any Bonds shall be issued under the provisions of this paragraph, the Agency shall adopt a Series Resolution authorizing the issuance of such Series of Bonds, fixing the amount and the details thereof and describing the Bonds to be refunded. Except as may otherwise be provided in the applicable Series Resolution and *except* as to any differences in the maturities thereof or interest payment dates or the rate or rates of interest or the provisions for redemption, such refunding Bonds shall be on a parity with and shall be entitled to the same benefit and security of the General Resolution as all other Bonds issued under the General Resolution.

Prior to or simultaneously with the authentication and delivery of such refunding Bonds by the Trustee to or upon the order of the purchasers thereof there shall be filed with the Trustee the following:

(a) a copy, duly certified by an Authorized Representative, of the Resolution and the Series Resolution for such Series of refunding Bonds;

(b) a Counsel's Opinion stating in the opinion of such counsel that (i) the General Resolution and the applicable Series Resolution have been duly adopted and are valid and binding upon the Agency, and (ii) said Bonds are valid and legally binding special obligations of the Agency secured in the manner and to the extent set forth in the General Resolution and the applicable Series Resolution and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained therein;

(c) a Cash Flow Statement conforming to the requirements of the General Resolution;

(d) a certificate of an Authorized Representative stating that the proceeds (excluding accrued interest but including any premium) of such refunding Bonds, together with any moneys to be withdrawn from the Debt Service Fund by the Trustee and any other moneys which have been made available to the Trustee for such purposes, or the principal of and the interest on the investment of such proceeds or any such moneys, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption, the expenses in connection with such refunding and to make any required deposits to the Debt Reserve Fund and the Loan Loss Fund and specifying transfers, if any, from the Series Acquisition Accounts applicable to the Series of Bonds to be refunded and the refunding Bonds;

(e) if all or part of the refunded Bonds are to be redeemed prior to maturity, irrevocable instructions from an Authorized Representative of the Agency to the Trustee to redeem the applicable Bonds; and

(f) a request and authorization to the Trustee on behalf of the Agency, signed by an Authorized Representative, to authenticate and deliver Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Agency of the purchase price therefor.

Security Arrangements; Qualified Hedges; and Other Similar Arrangements

(a) The Agency may include such provisions in a Series Resolution authorizing the issuance of a Series of Bonds secured by a Security Arrangement or a Supplemental Resolution as the Agency deems appropriate, and no such provisions shall be deemed to constitute an amendment to the General Resolution, including:

(1) So long as a Security Arrangement providing security (but not liquidity) is in full force and effect, and payment on the Security Arrangement is not in default and the issuer of the Security Arrangement is qualified to do business, then, in all such events, the issuer of the Security Arrangement shall be deemed to be the sole Owner of the Outstanding Bonds the payment of which such Security Arrangement secures when the approval, consent or action of the Owners for such Bonds is required or may be exercised under the General Resolution, or, in the alternative (if so provided in the Series Resolution or Supplemental Resolution authorizing such Security Arrangement), that the approval, consent or action of the issuer of the Security Arrangement shall be required in addition to the approval, consent or action of the applicable percentage of the Owners of the Outstanding Bonds.

(2) In the event that the principal, Sinking Fund Requirements, if any, and Redemption Price, if applicable, of and interest due on any Outstanding Bonds shall be paid under the provisions of a Security Arrangement all covenants, agreements and other obligations of the Agency to the Owners of such Bonds shall continue to exist and such issuer of the Security Arrangement shall be subrogated to the rights of such Owners in accordance with the terms of such Security Arrangement and the General Resolution.

(b) The Agency may secure such Security Arrangement by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Agency pursuant to the applicable Series Resolution or Supplemental Resolution, except that no Security Arrangement can include any adjustments to maturity or redemption provisions unless (i) a Cash Flow Statement is delivered at the time of execution of such Security Arrangement which reflects such adjustments and changes in redemption provisions, (ii) such adjustments and changes in redemption provisions are conditioned upon delivery of a Cash Flow Statement at the time of each such adjustment or change which incorporates such adjustment or change, or (iii) for each payment of such adjusted maturity or redemption amount, the most recent Cash Flow Statement has shown sufficient Revenues available for such purposes. The Agency may also in an agreement with the issuer of such Security Arrangement agree to directly reimburse such issuer for amounts paid under the terms of such Security Arrangement (together with interest thereon, the "Reimbursement Obligation"); *provided, however*, that no Reimbursement Obligation shall be created, for purposes of the General Resolution, until amounts are paid under such Security Arrangement. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, the Pledged Property on a parity with the lien securing the Parity Obligation (a "Parity Reimbursement Obligation"), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration (unless either a Cash Flow Statement is delivered at the time of execution of the Security Arrangement incorporating a different principal amortization schedule with respect to such Parity Reimbursement Obligation or the payment pursuant to such different amortization schedule is conditioned on the delivery of such Cash Flow Statement), or may constitute a Subordinated Contract Obligation, as determined by the Agency in the applicable Series Resolution or Supplemental Resolution. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations (other than Parity Reimbursement Obligations) to any such issuer, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Subordinated Contract Obligations.

(c) Any such Security Arrangement shall be for the benefit of and secure such Bonds or portion thereof as specified in the applicable Series Resolution or Supplemental Resolution.

(d) The Agency may, to the extent from time to time permitted pursuant to law, enter into Qualified Hedges if and to the extent the terms of such Qualified Hedge have been reflected in a Cash Flow Statement or the Agency delivers a Cash Flow Certificate that takes into account the terms of the applicable Qualified Hedge. The Agency's obligation to pay any amount under any Qualified Hedge may be secured by a pledge of, and a lien on, the Pledged Property, subject to the last sentence of this clause (d), on a parity with the lien securing the Parity Obligation (a "Parity Hedge Obligation"), or may constitute a Subordinated Contract Obligation, as determined by the Agency in the Series Resolution authorizing the related issue of Bonds or in a Supplemental Resolution. Parity Hedge Obligations shall not include any payments of any termination (including Termination Payments) or other fees, expenses, indemnification or other obligations (other than Parity Interest) to a Party to a Qualified Hedge, which payments shall be Subordinated Contract Obligations.

Funds and Accounts

The following Funds and Accounts are created and designated as set forth below:

| | |
|-----------------------------------|--------------------------------------|
| Bond Proceeds Fund | Redemption Fund |
| Series Bond Proceeds Accounts | Special Redemption Account |
| Acquisition Fund | Optional Redemption Account |
| Series Acquisition Accounts | Expense Fund |
| Costs of Issuance Fund | Debt Reserve Fund |
| Series Costs of Issuance Accounts | Loan Loss Fund |
| Revenue Fund | General Fund |
| Debt Service Fund | Principal Prepayment Fund |
| Interest Account | Series Principal Prepayment Accounts |
| Principal Account | Collateral Mortgage Loan Fund |

Additional Funds and Accounts (including for the purpose of depositing amounts required to be rebated to mortgagors or the United States, *i.e.*, a Rebate Fund or Account) may be created and designated in Series Resolutions.

Bond Proceeds Fund—Series Bond Proceeds Accounts

Upon the issuance of a Series of Bonds, the Trustee shall establish a Series Account within the Bond Proceeds Fund applicable to such Series of Bonds and deposit amounts received in connection with the issuance of such Bonds into such Account and thereupon apply such proceeds at the times and in the amounts set forth in the Series Resolution authorizing the issuance of such Bonds.

Acquisition Fund—Series Acquisition Accounts

Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Resolution, the Trustee shall establish a Series Acquisition Account within the Acquisition Fund applicable to such Series of Bonds. Moneys in the Acquisition Fund shall be applied by the Trustee to finance the acquisition of Mortgage Loans (the characteristics of which conform to the applicable Series Program Determinations) upon Agency Request or as otherwise provided in the Series Resolution. The Trustee shall transfer from any Series Acquisition Account to the Special Redemption Account any amount specified by the Agency from time to time in an Agency Request for the purpose of redeeming or purchasing Bonds of the Series for which such Series Acquisition Account was established unless otherwise provided in the applicable Series Resolution.

The Trustee shall transfer any amount representing Principal Prepayments deposited in a Series Acquisition Account to the Principal Prepayment Fund, upon an Agency Request in the amount and at the time(s) stated in such Agency Request.

Moneys held for the credit of the Acquisition Fund shall be transferred to the Interest or Principal Account, in that order, pursuant to the General Resolution.

Costs of Issuance Fund—Series Costs of Issuance Accounts

Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Resolution, the Trustee shall establish a Series account within the Costs of Issuance Fund applicable to such Series of Bonds and shall transfer amounts from the Bond Proceeds Fund received in connection with the issuance of such Bonds into such Account in the amount set forth in the applicable Series Resolution authorizing the issuance thereof. In addition, the Agency may deposit other amounts available therefor in such Account. Moneys held in a Series account in the Costs of Issuance Fund shall be disbursed to pay the Costs of Issuance related to the applicable Series of Bonds upon a requisition, signed by an Authorized Representative of the Agency, identifying generally the nature and amount of such Costs of Issuance. Upon Agency Request any amount remaining in a Series Costs of Issuance Account shall be transferred to the Revenue Fund and treated as Revenues, to the Acquisition Fund or to the Special Redemption Account of the Redemption Fund.

Revenue Fund; Application of Revenues

All Revenues shall be deposited in the Revenue Fund as received by the Trustee.

No later than one month following the deposit of Principal Prepayments into the Revenue Fund, the Trustee shall transfer Revenues in an amount equal to and representing such Principal Prepayments received to the Principal Prepayment Fund.

At any time, upon Agency Request, the Trustee shall apply amounts in the Revenue Fund to pay for accrued interest in connection with the Trustee's purchase of Investment Obligations for deposit in any Fund or Account maintained under the Resolution and to pay accrued interest with respect to the financing of Mortgage Loans.

Upon deposit in the Revenue Fund, the Trustee shall transfer to the credit of the applicable Series Acquisition Account amounts equal to the amounts expended from such Account to pay accrued interest with respect to the financings of Mortgage Loans from amounts on deposit in such Account.

The Trustee shall transfer all Revenues in the Revenue Fund to the credit of the Funds and Accounts one business day prior to each debt service payment date in the following priority, as follows:

- (i) To any Rebate Fund or Account, the amount(s), if any, specified by the Agency;
- (ii) Principal payments, including Principal Prepayments, of Mortgage Loans in an amount equal to the amounts required by the Code to be applied to pay principal of Bonds shall be transferred to the Principal Account or the Special Redemption Account, as directed by the Agency;
- (iii) To the Interest Account, to pay interest due on such succeeding debt service payment date on the Bonds, plus any Parity Interest not already included under this clause;
- (iv) To the Principal Account, to pay principal due on such succeeding debt service payment date on the Bonds, plus the amount related to Parity Principal that is not already included in this clause;

(v) To the Interest Account, to pay any fees in connection with tender option features, letters of credit, standby bond purchase agreements and other forms of liquidity related to such Bonds as set forth in a Series Resolution or a Supplemental Resolution;

(vi) To the credit of the Expense Fund, an amount of Expenses specified in the Agency Request not to exceed one-half of the maximum amount of Expenses which may be deposited in the Expense Fund in such Fiscal Year, but in no event in any Fiscal Year can the amount deposited on any date, when aggregated with amounts already deposited during such Fiscal Year, cause the aggregate amount deposited in any Fiscal Year to exceed the maximum amount of Expenses which may be deposited in the Expense Fund in a Fiscal Year;

(vii) To the credit of the Interest Account, to pay any fees in connection with any Security Arrangements credited to either or both of the Debt Reserve Fund and the Loan Loss Fund;

(viii) To the credit of the Debt Reserve Fund, an amount sufficient to cause the amount on deposit in and credited to said Fund to equal the Debt Reserve Requirement;

(ix) To the credit of the Loan Loss Fund, an amount sufficient to cause the amount on deposit in and credited to said Fund to equal the Loan Loss Requirement;

(x) To the credit of the Expense Fund, the amount of Expenses specified in an Agency Request accompanied by a Cash Flow Certificate but only to the maximum allowable pursuant to the Series Resolution in such Fiscal Year; and

(xi) To the General Fund, the balance.

At any time, upon Agency Request, the Trustee shall transfer to the Expense Fund an amount that would otherwise be permitted to be transferred to the Expense Fund on the business day immediately preceding the next succeeding debt service payment date. Any such amount may be so transferred only to the extent the amounts on deposit in the Revenue Fund, plus amounts on deposit in the Principal Account and Interest Account, exceed the sum of (i) and (ii) where (i) equals the product of (A) a fraction, the numerator of which is the number of days since the last interest payment date to and including the date of calculation, and the denominator of which is the number of days from the last interest payment date, to and including the next interest payment date, and (B) the interest to become due on the Bonds on the next interest payment date; and (ii) equals the product of (A) a fraction, the numerator of which is the number of days since the last principal payment date to and including the date of calculation, and the denominator of which is the number of days from the last principal payment date, and (B) the principal and sinking fund requirements to become due on the next principal payment date. Any amount so transferred shall be deducted from the next transfer described in paragraph (v) above. During the period between debt service payment dates, the aggregate amounts transferred as described in this paragraph shall not exceed the amount which can be transferred as described in paragraph (v) above.

Revenues in the Revenue Fund shall be applied to the purchase of Bonds at the times, in the manner and for the purposes set forth in the General Resolution.

Debt Service Fund—Interest Account

The Trustee shall, on each interest payment date, withdraw from the Interest Account and remit by mail (or other method of transfer acceptable to the Agency) (i) to each owner of Bonds the amounts required for paying the Parity Interest on such Bonds as such Parity Interest becomes due and payable, and to each Qualified Hedge Provider the amount due which is Parity Interest, and (ii) to each issuer of a Security Arrangement, the amount due which is Parity Interest and which is not already included in clause (i) any liquidity fees related to such Bonds.

Debt Service Fund—Principal Account

The Trustee shall, on each principal payment date, set aside in the Principal Account the amounts required for paying the principal of all Bonds as such principal becomes due and payable and the amount due under such Parity Obligation Instrument which is Parity Principal and which is not already described in this paragraph.

Amounts on deposit in the Revenue Fund prior to being deposited to the credit of the Principal Account in satisfaction of Sinking Fund Requirements shall be applied as applicable to the purchase of Term Bonds of each Series then Outstanding subject to Sinking Fund Requirements on the next date such payments are scheduled as provided in this paragraph. The Trustee, upon direction of an Authorized Representative, shall endeavor to purchase the Term Bonds or portions of Term Bonds of each Series stated to mature on the next maturity date or to be redeemed pursuant to Sinking Fund Requirements for Term Bonds of such Series then Outstanding at a price not to exceed the Redemption Price (plus accrued interest to the date of redemption) which would be payable on the next redemption date to the owners of such Term Bonds under the provisions of the applicable Series Resolution if such Term Bonds or portions of Term Bonds under the provisions of the applicable Series Resolution should be called for redemption on such date. *Provided, however,* that subject to applicable law, notwithstanding the maximum purchase price set forth in the preceding sentence, if at any time the investment earnings on the moneys in the Revenue Fund equal to the Sinking Fund Requirements for the next date such payments are scheduled shall be less than the interest accruing on the Bonds to be redeemed on such date from such Sinking Fund Requirement, then the Trustee may pay a purchase price for any such Bond in excess of the Redemption Price which would be payable on the next redemption date to the owner of such Bond under the provisions of the applicable Series Resolution, if an Authorized Representative certifies to the Trustee that the amount paid in excess of said Redemption Price is expected to be less than the interest which is expected to accrue on said Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date. The Trustee shall pay the interest accrued on such Term Bonds or portions of Term Bonds to the date of settlement therefor from the Revenue Fund. Notwithstanding the foregoing, no such purchase shall be made by the Trustee after the giving of notice of redemption by the Trustee.

Any purchase or redemption of Bonds shall be made pursuant to the provisions of Article III of the General Resolution. Upon the retirement of any Term Bonds by purchase or redemption pursuant to the provisions of the General Resolution, the Trustee shall file with the Agency a statement identifying such Bonds and setting forth the date of their purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses in connection with the purchase or redemption of any such Bonds shall be paid by the Trustee from the Expense Fund or from any other moneys available therefor.

Moneys held for the credit of the Principal Account shall be transferred to the Interest Account pursuant to the General Resolution.

Redemption Fund

The Trustee shall apply all moneys deposited to the credit of the Special Redemption Account and the Optional Redemption Account to the purchase or redemption of Bonds issued pursuant to the General Resolution as follows:

- (a) The Trustee, upon the direction of the Agency, shall endeavor to purchase Bonds or portions of Bonds then Outstanding, whether or not such Bonds or portions of such Bonds shall then be subject to redemption, at a price not to exceed the Redemption Price (plus accrued interest, if any, to the date of redemption) which would be payable on the next redemption date. Such maximum purchase price may be exceeded in accordance with the terms of the General Resolution. The Trustee shall pay the interest accrued on such Bonds to the date of settlement therefor from the Interest Account or the Revenue Fund (except with respect to accrued interest in connection with redemptions

due to Principal Prepayments, which shall be payable from the Special Redemption Account) and the balance of the purchase price from the Special Redemption Account or Optional Redemption Account, as applicable, but no such purchase shall be contracted for by the Trustee after the giving of notice by the Trustee that such Bonds have been called for redemption except from moneys other than moneys set aside in the Special Redemption Account or Optional Redemption Account, as applicable, for the redemption of such Bonds.

(b) The Trustee, having endeavored to purchase Bonds pursuant to paragraph (a) above, shall call for redemption on the earliest practicable date on which Bonds are subject to redemption from moneys in the Special Redemption Account or Optional Redemption Account, as applicable, and, with respect to accrued interest on such Bonds payable upon redemption, the Interest Account or Revenue Fund, such amount (computed on the basis of Redemption Prices) of Bonds as will exhaust the moneys held for the credit of the Special Redemption Account or Optional Redemption Account, as applicable, as nearly as may be practicable.

Moneys held for the credit of the Redemption Fund shall be transferred to the Interest or Principal Account, in that order, pursuant to the General Resolution.

Any amounts deposited in the Redemption Fund for the redemption of Bonds which remain on deposit after the payment in full of the Redemption Price of the applicable Bonds shall be transferred to the Revenue Fund at the time and in the amounts set forth in an Agency Request and shall continue to be treated as Revenues.

Expense Fund

Moneys held for the credit of the Expense Fund shall be applied by the Trustee for the following purposes in any order of priority:

- (a) the payment of the fees and expenses of the Trustee, and the providers of credit enhancement on Bonds, Funds and Mortgage Loans; and
- (b) for transfer to the Interest or Principal Accounts, pursuant to the Resolution; and
- (c) upon requisition by Agency Request, the payment or reimbursement of any Expenses; and
- (d) for payment or provision for payment of any rebate required to be paid to mortgagors or the United States pursuant to the Code; and
- (e) to any Rebate Fund or Account, to cause the amount on deposit therein to equal the amount required pursuant to the Code to be rebated to Mortgagors or the United States; and
- (f) upon Agency Request, for transfer to the Revenue Fund and thereafter to be treated as Revenues.

Debt Reserve Fund

Moneys and Cash Equivalents held for the credit of the Debt Reserve Fund shall be transferred or drawn upon for transfer, as applicable, by the Trustee to the Interest or Principal Account, in that order, to the extent that amounts on deposit (excluding amounts on deposit in the Special Redemption Account, the Optional Redemption Account or the Principal Prepayment Fund to the extent that such amounts have been set aside for the payment of Bonds which have been identified for purchase or called for redemption and amounts on deposit in any Series Acquisition Account to the extent that the Agency is contractually obligated to finance or originate identified Mortgage Loans acceptable for financing with amounts on deposit in such Series

Acquisition Account) in such Accounts, the Revenue Fund, the General Fund, the Optional Redemption Account, the Principal Prepayment Fund, the Special Redemption Account, the Loan Loss Fund, the Expense Fund, the Acquisition Fund (subject to receipt of a Counsel's Opinion), the Bond Proceeds Fund (subject to receipt of a Counsel's Opinion), and the Costs of Issuance Fund are insufficient to pay the interest or the principal or Redemption Price payable on the Bonds.

Moneys held for the credit of the Debt Reserve Fund as of any date in excess of the Debt Reserve Requirement upon Agency Request shall be transferred to the Revenue Fund or the Special Redemption Account.

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

Loan Loss Fund

Moneys and Cash Equivalents held for the credit of the Loan Loss Fund shall be transferred or drawn upon for transfer, as applicable, by the Trustee to the Interest or Principal Account, in that order, to the extent that amounts on deposit (excluding amounts on deposit in the Special Redemption Account, the Optional Redemption Account, or the Principal Prepayment Fund to the extent that such amounts have been set aside for the payment of Bonds which have been identified for purchase or called for redemption) in such Accounts, the Revenue Fund, the General Fund, the Optional Redemption Account, the Principal Prepayment Fund, and the Special Redemption Account are insufficient to pay the interest or the principal or Redemption Price payable on the Bonds.

Moneys held for the credit of the Loan Loss Fund as of any date in excess of the Loan Loss Requirement upon Agency Request shall be transferred to the Revenue Fund or the Special Redemption Account.

A Series Resolution may provide that the Loan Loss Requirement with respect to the applicable Series of Bonds may be funded through Cash Equivalents. In connection with any discussion in the General Resolution of "moneys" on deposit in or held for the credit of the Loan Loss Fund, "moneys" shall be deemed to include said Cash Equivalents.

General Fund

Except as otherwise provided in a Series Resolution, moneys held for the credit of the General Fund shall be transferred by the Trustee in the following order of priority listed in subsections (i) through (vi) and thereafter at any time upon Agency Request to the following Funds and Accounts:

- (i) To the credit of the Interest Account, an amount sufficient to cause the amount on deposit in said Account to equal any Parity Interest previously due and unpaid on Parity Obligations;
- (ii) To the credit of the Principal Account, an amount sufficient to make the amount then on deposit in said Account equal to any regularly scheduled principal of the Bonds previously due and unpaid;
- (iii) To the credit of the Debt Reserve Fund, an amount sufficient to cause the amount on deposit in said Fund to equal the Debt Reserve Requirement;
- (iv) To the credit of the Loan Loss Fund, an amount sufficient to cause the amount on deposit in said Fund to equal the Loan Loss Requirement;

(v) Subject to Section 413, and unless a lower priority of payment is provided in the Series Resolution or Supplemental Resolution authorizing such Security Arrangement, pursuant to the terms of any Security Arrangement, to pay to issuers of Security Arrangements the amount of Reimbursement Obligations then due and not included in subsection (ii) that are reimbursement of advances under such Security Arrangement or that are pursuant to term-loan or other principal amortization requirements in reimbursement of any advance under such Security Arrangement that are more accelerated than the amortization requirements of the related Bonds, but if available amounts shall be insufficient for such purposes, the amounts payable pursuant to each Security Arrangement will be pro rata based upon the respective amounts due thereunder; *provided, however*, that such amounts shall be payable only if and to the extent that the Cash Flow Statement filed with the Trustee in accordance with Section 607 demonstrates that sufficient funds are available for such purpose;

(vi) Subject to Section 413, and unless a lower priority of payment is provided in the Series Resolution or Supplemental Resolution authorizing such Qualified Hedge, pursuant to the terms of any Qualified Hedge, to pay to Qualified Hedge Providers the amount of Subordinated Contract Obligations then due, but if available amounts shall be insufficient for such purposes, the amounts payable pursuant to each Qualified Hedge will be pro rata based upon the respective amounts due thereunder; *provided, however*, that such amounts shall be payable only if and to the extent that a Cash Flow Statement filed with the Trustee in accordance with Section 607 hereof shows that, following each transfer pursuant to this subsection (vi), the aggregate of the amounts on deposit in all Funds and Accounts hereunder, other than the Cost of Issuance Fund, Expense Fund and Interest Account and excluding the principal amount of any Security Arrangements credited to the Debt Reserve Fund or Loan Loss Fund, plus the aggregate principal balances of all Mortgage Loans, shall at least equal one hundred one per centum (101%) of the sum of the aggregate principal amount of the Bonds Outstanding and the aggregate amount of any additional amounts attributable to Parity Principal (“101% Parity Test”);

(vii) To the credit of the Expense Fund;

(viii) To the credit of the Optional Redemption Account for the redemption or purchase of Bonds;

(ix) To the credit of the Special Redemption Account for redemption or purchase of Bonds;

(x) To any specified Series Acquisition Account in the Acquisition Fund;

(xi) To the credit of any Series Account in the Costs of Issuance Fund; or

(xii) To the Agency, for any other purpose authorized or required under the Act free and clear of the pledge and lien of the General Resolution; *provided, however*, that no such payment shall be made under this clause unless a Cash Flow Statement shall have been filed with the Trustee pursuant to the General Resolution and such Cash Flow Statement satisfied the 101% Parity Test.

Principal Prepayment Fund—Series Principal Prepayment Accounts

Upon the issuance of a Series of Bonds the Trustee shall establish a Series Principal Prepayment Account within the Principal Prepayment Fund applicable to such Series of Bonds. Unless limited in a Series Resolution, the Trustee shall transfer amounts in the Principal Prepayment Fund at any time upon Agency Request to the Special Redemption Account, the Optional Redemption Account or the applicable Acquisition

Account(s) of the Acquisition Fund. Moneys held for the credit of the Principal Prepayment Fund shall be transferred by the Trustee to the Interest Account or Principal Account in that order, pursuant to the Resolution. If the Trustee does not receive an Agency Request with respect to a mandatory redemption from Principal Prepayments set forth in a Series Resolution, the Trustee shall transfer Principal Prepayments in an amount sufficient to accomplish such mandatory redemption from the applicable Series Principal Prepayment Account of the Principal Prepayment Fund to the Special Redemption Account and shall call Bonds for redemption (subject to any other priority set forth in the applicable Series Resolution) on a pro rata basis, as nearly as practicable, from among each maturity of the Series (and subseries, if applicable) of Bonds that financed the Mortgage Loan that was prepaid.

Deficiencies in Debt Service Fund

In the event that amounts in the Debt Service Fund shall be insufficient on any Parity Obligation payment date to pay the principal of and interest on the Bonds due and unpaid on such date, or to pay amounts due under Qualified Hedges or Security Arrangements that are Parity Interest or Parity Principal, the Trustee shall withdraw amounts from the following Funds and Accounts in the following order of priority to the extent necessary to eliminate such deficiency; *provided, however*, that no amounts on deposit in the Special Redemption Account, the Optional Redemption Account, the Principal Prepayment Fund or the Principal Account shall be used for such purpose to the extent that such amounts have been set aside for the payment of Bonds which have been identified for purchase or called for redemption, and no amounts on deposit in any Series Acquisition Account shall be used for such purpose to the extent that the Agency is contractually obligated to finance or originate identified Mortgage Loans acceptable for financing with amounts on deposit in such Series Acquisition Account:

- (a) Revenue Fund;
- (b) General Fund;
- (c) Optional Redemption Account;
- (d) Principal Prepayment Fund;
- (e) Special Redemption Account;
- (f) Loan Loss Fund;
- (g) Expense Fund;
- (h) Acquisition Fund (but only if the Agency has received a Counsel's Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for Federal income tax purposes);
- (i) Bond Proceeds Fund (but only if the Agency has received a Counsel's Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for Federal income tax purposes);
- (j) Costs of Issuance Fund;
- (k) Debt Reserve Fund;
- (l) Principal Account;
- (m) Acquisition Fund (if the Counsel's Opinion referred to in (h) above has not been received); and

(n) Bond Proceeds Fund (if the Counsel's Opinion referred to in (i) above has not been received).

Collateral Mortgage Loan Fund

The Agency may establish Series Collateral Mortgage Loan Accounts within the Collateral Mortgage Loan Fund and credit Collateral Mortgage Loans to any such Accounts pursuant to Series Resolutions. Collateral Mortgage Loans, and moneys received in connection therewith, shall be available for the purposes provided in the applicable Series Resolution or Supplemental Resolution.

Moneys Sufficient to Redeem Bonds

Whenever moneys and securities held for the credit of the Revenue Fund, the Debt Service Fund, the Debt Reserve Fund, Loan Loss Fund and General Fund are sufficient to pay, purchase or redeem the Bonds in whole and to pay all Parity Interest and Parity Principal under Qualified Hedges or Security Arrangements in whole on the next succeeding interest payment date, the Trustee shall apply such moneys, upon receipt of an Agency Request requesting such application, to the payment, purchase or redemption of the Bonds and payment of such Parity Interest and Parity Principal under the Qualified Hedges and Security Arrangements.

Security for Deposits; Investment of Moneys

All amounts held by the Trustee under the General Resolution, except as otherwise expressly provided in the General Resolution, shall be held in trust.

Moneys deposited for the credit of the Funds and Accounts under the General Resolution shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee upon the direction of an Authorized Representative (promptly confirmed by delivery of an Agency Request) in Investment Obligations which shall be in such amounts and bear interest at such rates with the objective that sufficient money will be available to pay Parity Interest when due and shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, with the objective that sufficient moneys will be available for the purposes intended.

Any Investment Obligations purchased as investment of moneys in any such Fund or Account shall be deemed at all times to be part of such Fund or Account. Any interest paid as cash, amortization of discount received as cash, or gain received as cash on the investment in any Fund or Account (except the Rebate Fund) shall be credited to the Revenue Fund when received and thereafter treated as Revenues. Any interest paid on the investment of the Rebate Fund shall be credited to the Rebate Fund. In computing the amount on deposit to the credit of any Account or Fund, obligations in which money in such Account or Fund shall have been invested shall be valued at Amortized Value plus the amount of interest on such obligations purchased with moneys in such Account or Fund.

Tax Covenants

The Agency shall at all times perform the applicable tax covenants contained in any applicable Series Resolution. If applicable and unless otherwise provided in the applicable Series Resolution, the Agency shall pay moneys in any Account in the Rebate Fund to Mortgagors as required by the Code.

The Agency covenants and agrees that it will not make or permit any use of the proceeds of the Parity Obligation Instruments which, if such use had been reasonably expected on the day of the issuance of the Tax-Exempt Bonds, would have caused the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of the Code and further covenants that it will observe and not violate the arbitrage provisions of the Code.

Books and Records

The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and applications of all moneys received by the Trustee under the General Resolution, and such books shall be available for inspection by the Agency, any Bondowner and any Party during business hours, upon reasonable notice and under reasonable conditions.

On or before the tenth business day of each month the Trustee shall furnish to the Agency a statement of the Agency's revenues and expenditures and of the changes in its fund balances during the previous month.

The Agency shall keep proper books of record and account for all its transactions, other than those recorded in the books maintained by the Trustee described above, and such books shall be available for inspection by the Trustee and any Bondowner during business hours and upon reasonable notice.

Annual Audit and Report

Within 120 days of each October 31 (the period from the immediately preceding November 1 to and including October 31, the "reporting period"), the Agency shall furnish to the Trustee (i) a statement of its revenues and expenses and of the changes in its fund balances during the previous reporting period, certified to by an Accountant, (ii) a report of its activities during the previous reporting period, and (iii) a certificate from an Authorized Representative stating that there is no current Event of Default and that no Event of Default occurred during the preceding reporting period (or if there has been an Event of Default, providing the details thereof and describing the steps the Agency took, or is taking, to cure such Event of Default).

Program Covenants

The Agency warrants and covenants (a) that no Mortgage Loan shall be financed by the Agency under the Program unless the Mortgage Loan complies in all respects with the Act in effect on the date of financing and, to the extent applicable, the Agency shall have received the representations and warranties of the Mortgage Lender required by the Act and (b) to comply with any additional program covenants contained in any Series Resolution.

Events of Default

Each of the following events constitutes an Event of Default under the General Resolution:

- (a) payment of the principal or Redemption Price of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) payment of any installment of interest on any Bonds shall not be made when the same shall become due and payable; or
- (c) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Agency in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Agency or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for the period of 60 consecutive days; or
- (d) the commencement by the Agency of a voluntary case under the Federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable Federal or State bankruptcy,

insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Agency or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the taking of action by the Agency in furtherance of any of the foregoing; or

(e) failure by the Agency to pay, when due or within any applicable grace period, any amount owing on account of indebtedness for money borrowed or for deferred purchases of property, or the failure by the Agency to observe or perform any covenant or undertaking on its part to be observed or performed in any agreement evidencing, securing or relating to such indebtedness, resulting, in any such case, in an event of default or acceleration by the holder of such indebtedness of the date on which such indebtedness would otherwise be due and payable; or

(f) the Agency defaults in the due and punctual performance of any other covenants or agreements contained in the Bonds or in the General Resolution and such default continues for 90 days after written notice requiring same to be remedied shall have been given to the Agency by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding; provided, however, that so long as following such notice the Agency is diligently taking actions to remedy such default, such default shall not be an Event of Default.

Under no circumstances shall the Agency's failure to pay (i) Parity Obligation with respect to any Parity Obligation Instruments other than Bonds, (ii) Termination Payments or (iii) Subordinated Contract Obligations constitute an Event of Default under the General Resolution.

Acceleration of Maturity

Upon the happening and continuance of any Event of Default, then and in every such case (*except* as may be limited in a Series Resolution with respect to covenants set forth in such Series Resolution), the Trustee may and, subject to the Trustee's right to indemnification, upon the written direction of the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing to the Agency, declare the Parity Principal then Outstanding (if not then due and payable) to be due and payable immediately; and upon such declaration the same shall become immediately due and payable, anything contained in the Bonds, in other Parity Obligation Instruments, or in the General Resolution to the contrary notwithstanding. The Trustee may, and upon the written request of the owners of not less than 51% in aggregate principal amount of the Bonds not then due and payable and then Outstanding shall, by written notice to the Agency, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Enforcement of Remedies

Upon the happening and continuance of any Event of Default under the General Resolution, then and in every such case the Trustee may, and upon the written direction of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, proceed, subject to the right of the Trustee to indemnification, to protect and enforce its rights and the rights of the Bondowners under applicable laws and under the General Resolution for the specific performance of any covenant or agreement contained in the General Resolution or in aid or execution of any power granted in the General Resolution or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the General Resolution, the Trustee shall be entitled to sue for, enforce payment of and recover judgment for any and all amounts then or after any default becoming, and at any time remaining, due from the Agency for Principal of the Bonds, premium, if any, on the Bonds, interest on the Bonds or otherwise and unpaid, with, to the extent permitted by the applicable law, interest on overdue

payments of principal on the Bonds and of interest on the Bonds at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses.

Regardless of the happening of an Event of Default, the Trustee may, and, subject to the right of indemnification, if requested in writing by the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, shall, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the Pledged Property by any acts which may be unlawful or in violation of the General Resolution or of any resolution authorizing the Bonds or Series Resolution, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the General Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the owners of the Bonds not making such request.

If a covenant is set forth in a Series Resolution, limitations on the remedies available upon an Event of Default related to such covenant may be set forth in said Series Resolution.

Pro Rata Application of Funds

Anything in the General Resolution to the contrary notwithstanding, any time the money in the Funds and Accounts maintained under the General Resolution shall not be sufficient to pay the principal of or interest on the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the General Resolution) such money, together with any money then available, or thereafter becoming available for such purpose, shall be applied, following the satisfaction of any payments due to the Trustee, as follows:

(a) If the principal on the Bonds shall not have become or shall not have been declared due and payable, all such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest on Bonds other than subordinated Bonds (*except* interest on overdue principal) then accrued and unpaid in the chronological order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto as owners of Bonds other than subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds other than subordinated Bonds;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds other than subordinated Bonds which shall have become due and payable (*except* Bonds other than subordinated Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Resolution) in the order of their stated payment dates, with interest on the principal amount of such Bonds other than subordinated Bonds at the respective rates specified therein from the respective dates upon which such Bonds other than subordinated Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Bonds other than subordinated Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, with such payment being made to owners of Bonds other than subordinated Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto as owners of Bonds other than subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds other than subordinated Bonds;

THIRD: to the payment of the interest on and the principal of the Bonds other than subordinated Bonds, to the purchase and retirement of Bonds other than subordinated Bonds and to the redemption of Bonds other than subordinated Bonds;

FOURTH: to the payment to the persons entitled thereto of all installments of any unpaid Parity Interest (other than interest on overdue principal) then due and payable in the order in which such installments become due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Parity Obligation Instruments;

FIFTH: to the extent not paid pursuant to clauses first through fourth, to the payment to the persons entitled thereto of the unpaid Parity Principal which shall have become due and payable in the order of its stated payment dates, with interest on the principal amount of such Parity Obligation at the respective rates specified therein from the respective dates upon which such Parity Obligation became due and payable, and, if the amount available shall not be sufficient to pay in full the Parity Principal by its stated terms due and payable on any particular date, together with Parity Interest, then to the payment first of Parity Interest, ratably, according to the amount of such Parity Interest due on such date, and then to the payment of such Parity Principal, ratably, according to the amount of such Parity Principal due on such date, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Parity Obligation Instruments;

SIXTH: to the payment of any Reimbursement Obligations and Subordinated Contract Obligation payable pursuant to the General Resolution with respect to the Bonds other than subordinated Bonds;

SEVENTH: to the payment to the persons entitled thereto of interest on subordinated Bonds (except interest on overdue principal) then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available shall not be sufficient to pay in full any particular daily installment, then to the payment, ratably, according to the amounts due on such daily installment, to the persons entitled thereto as owners of subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the subordinated Bonds;

EIGHTH: to the payment to the persons entitled thereto of the unpaid principal of any of the subordinated Bonds which shall have become due and payable (except subordinated Bonds called for redemption for the payment of which, money is held pursuant to the provisions of the General Resolution) in the order of their stated payment dates, with interest on the principal amount of such subordinated Bonds at the respective rates specified therein from the respective dates upon which such subordinated Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the subordinated Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, with such payment being made to owners of subordinated Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto as owners of subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the subordinated Bonds;

NINTH: to the payment of the interest on and the principal of the subordinated Bonds, to the purchase and retirement of subordinated Bonds and to the redemption of subordinated Bonds; and

TENTH: to the payment of any Reimbursement Obligations and Subordinated Contract Obligation payable pursuant to the General Resolution with respect to subordinated Bonds.

(b) If the principal of all the Bonds shall have become or shall have been declared due and payable, all such money shall be applied:

FIRST: to the payment of the principal and premium, if any, and interest then due and unpaid upon the Bonds which are not subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Bond which is not a subordinated Bond over any other Bond which is not a subordinated 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 the respective rates of interest specified in the Bonds which are not subordinated Bonds;

SECOND: to the payment of the all remaining Parity Interest and Parity Principal, without preference or priority of such Parity Principal over such Parity Interest or of such Parity Interest over such Parity Principal, or of any installment of such Parity Interest over any other installment of such Parity Interest, or of any Parity Obligation Instrument over any other Parity Obligation Instruments, ratably, according to the amounts due respectively for Parity Principal and Parity Interest, to the persons entitled thereto without any discrimination or preference except as to the respective rates of interest specified in the Parity Obligation Instrument;

THIRD: to the payment of any Reimbursement Obligations and Subordinated Contract Obligations payable pursuant to the General Resolution with respect to the Bonds other than subordinated Bonds, ratably, according to the amounts due respectively for Reimbursement Obligations and Subordinated Contract Obligations, to the persons entitled thereto without any discrimination or preference;

FOURTH: to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any subordinated Bond over any other subordinated 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 the respective rates of interest specified in the subordinated Bonds; and

FIFTH: to the payment of any Reimbursement Obligations and Subordinated Contract Obligations payable pursuant to the General Resolution with respect to the subordinated Bonds, ratably, according to the amounts due respectively for Reimbursement Obligations and Subordinated Contract Obligations, to the persons entitled thereto without any discrimination or preference.

(c) If all Parity Principal shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then, subject to (b) above in the event that the Parity Principal shall later become or be declared due and payable, the money remaining in and thereafter accruing to the Debt Service Fund and the Debt Reserve Fund, together with any other

money held by the Trustee under the General Resolution, shall be applied in accordance with the provisions of (a) above.

Restrictions Upon Actions by Individual Bondowner

No owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Resolution or for the enforcement of any remedy under the General Resolution unless such owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the owners of not less than fifteen per centum (15%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the General Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the General Resolution or to any other remedy under the General Resolution; *provided, however*, that notwithstanding the foregoing and without complying therewith, the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all owners of Bonds.

Trustee Entitled to Indemnity

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the General Resolution, or to enter any appearance or in any way defend in any suit in which it may be named a defendant, or to take any steps in the execution of the trusts created by the General Resolution or in the enforcement of any rights and powers under the General Resolution, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Agency shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith.

Compensation and Indemnification of Trustee

Subject to the provisions of any contract between the Agency and the Trustee relating to the compensation of the Trustee, the Agency shall pay, from the Pledged Property, to the Trustee reasonable compensation for all services performed by it under the General Resolution and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts created by the General Resolution and the performance of its powers and duties under the General Resolution, and, from such source only, shall indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the General Resolution.

Resignation and Removal of Trustee

The Trustee may resign by notice in writing to be given to the Agency and mailed, first-class postage prepaid, to all registered owners of Bonds at their addresses as they appear on the registration books kept by the Bond Registrar(s), not less than 60 days before such resignation is to take effect, and such resignation shall take effect immediately upon the appointment of a new Trustee.

The Trustee may be removed at any time by an instrument in writing executed by the owners of not less than a majority in principal amount of the Bonds then Outstanding. The Trustee may also be removed at any time for reasonable cause by any court of competent jurisdiction upon the application of the Agency pursuant to resolution or of the owners of not less than 10% in principal amount of Bonds then Outstanding.

No resignation or removal of the Trustee or appointment of a successor Trustee shall become effective until the acceptance of appointment under the General Resolution by the successor Trustee.

Appointment of Successor Trustee

If the Trustee shall resign, be removed, be dissolved, or otherwise become incapable of acting under the General Resolution or if the position of Trustee becomes vacant for any other reason, then the Agency shall appoint a Trustee to fill such vacancy and shall cause notice of such appointment to be mailed, first-class postage prepaid, to all registered owners of Bonds at their addresses as they appear on the registration books kept by the Bond Registrar(s). At any time within one year after any such vacancy shall have occurred the owners of a majority in principal amount of the Bonds Outstanding may appoint a successor Trustee by an instrument in writing filed with the Agency, which Trustee shall supersede any Trustee theretofore appointed by the Agency. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 10 days after the vacancy shall have occurred, the owner of any Bond Outstanding under the General Resolution or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribed, appoint a successor Trustee. Any successor Trustee must be a bank or trust company having its principal corporate trust office in the State, duly authorized to exercise corporate trust powers and subject to examination by Federal or State authority, of good standing, and having at the time of its appointment a combined capital and surplus of not less than \$50,000,000 as shown on its most recently published report of its financial condition.

Supplemental Resolutions

The Agency, without obtaining the consent of the owners of the Bonds, from time to time and at any time, may adopt such resolutions supplemental to the provisions of the General Resolution:

- (a) to cure any ambiguity or defect or omission in the General Resolution or in any supplemental resolutions; or
- (b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondowners or the Trustee; or
- (c) to include as pledged revenues or money under, and subject to the provisions of, the General Resolution any additional revenues or money legally available therefor; or
- (d) to cure any ambiguity, to correct or supplement any provision of the General Resolution which may be inconsistent with any other provision thereof, or to make any other provisions with respect to matters or questions arising under the General Resolution which shall not be inconsistent with the provisions thereof, provided such action shall not adversely affect the interests of the Bondowners; or
- (e) to add to the covenants and agreements of the Agency in the General Resolution other covenants and agreements thereafter to be observed by the Agency or to surrender any right or power in the General Resolution reserved to or conferred upon the Agency; or
- (f) to add provisions relating to coupon Bonds or Bonds issued with full book-entry delivery; or

(g) to modify any of the provisions of the General Resolution in any respect whatever; *provided, however*, that either (i) such modification shall apply only to Series of Bonds issued after the effective date of the Supplemental Resolution and shall not materially adversely affect the interests of the owners of Bonds of any Series Outstanding on the effective date of the Supplemental Resolution or (ii)(a) such modification shall be effective only after all Bonds then Outstanding shall cease to be Outstanding, and (b) such Supplemental Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; or

(h) to modify, amend or supplement the General Resolution or any Supplemental Resolution in such manner as to permit, if presented, the qualification thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law; or

(i) to surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the General Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the General Resolution; or

(j) to add to the definition of Investment Obligations, Parity Hedge Provider, or Security Arrangement pursuant to the respective last proviso of the definition thereof; or

(k) to modify, amend or supplement the General Resolution or any Supplemental Resolution in such manner as to permit a trustee (other than the Trustee) with respect to any subordinated Bonds issued under the General Resolution; or

(l) to authorize Qualified Hedges and Security Arrangements and establish their terms; or

(m) to make any other change which, in the judgment of the Trustee, does not materially adversely affect the interests of the Bondowners.

Anything contained in the General Resolution to the contrary *notwithstanding*,

(i) the Owners of not less than fifty-one per centum (51%) in aggregate principal amount of the Bonds then Outstanding,

(ii) if less than all of the Bonds then Outstanding are affected, the Owners of greater than fifty per centum (50%) in principal amount of Bonds so affected then Outstanding, and

(iii) in case the terms of any Sinking Fund Requirements are changed, the Owners of greater than fifty per centum (50%) in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Requirements and then Outstanding shall have the right, from time to time, to consent to and approve the adoption by the Agency and the Trustee of such Supplemental Resolution or Resolutions as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to, repealing or rescinding, in any particular, any of the terms or provisions contained in the General Resolution or in any Supplemental Resolution; *provided, however*, no Supplemental Resolution shall permit, or be construed as permitting, any of the following without the consent of all of the adversely affected Bondowners: (a) a change in the terms of redemption or of the maturity of the principal of or the interest on any Bonds, or (b) a reduction in the principal amount or Redemption Price of any Bond or the rate of interest on any Bond, or (c) the creation of a lien upon or pledge of Revenues, or any part thereof, other than the lien and pledge created by the General Resolution, or (d) a preference or priority of any Parity Obligation Instrument over any Bond, except as may be permitted by the applicable Series Resolution(s), or (e) a reduction

in the aggregate principal amount or classes of the Bonds required for consent to such Supplemental Resolution. A Series shall be deemed to be affected by a modification or amendment of the General Resolution or a Supplemental Resolution if the same adversely affects or diminishes the rights of the Owner of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series and maturity would be affected by any modification or amendment of the General Resolution or a Supplemental Resolution and any such determination shall be binding and conclusive on the Agency and all Owners of Bonds.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section, the General Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the General Resolution of the Agency, the Trustee and all Bondowners and the Parties shall thereafter be determined, exercised and enforced in all respects under the provisions of the General Resolution as so modified and amended.

Notice of any proposed Supplemental Resolution to be effective with consent of Bondowners will be mailed to all Bondowners.

Defeasance

If, when Parity Obligation Instruments secured by the General Resolution shall have become due and payable in accordance with their terms or otherwise as provided in the General Resolution, or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Agency to the Trustee, and the whole amount of the principal of, Redemption Price, and the interest on all of the Parity Obligation Instruments then Outstanding shall be paid or the Trustee shall hold money or Government Obligations or shall hold money and Government Obligations sufficient to pay the principal of, Redemption Price, and interest on all Parity Obligation Instruments or which when due will provide sufficient moneys to pay the principal of, Redemption Price, and the interest on the Parity Obligation Instruments, and provisions shall also be made for paying all other sums (including amounts due under Qualified Hedges and Security Arrangements) payable under the General Resolution by the Agency, then and in that case, the right, title and interest of the Trustee under the General Resolution shall thereupon cease, terminate and become void, and the Trustee in such case, on demand of the Agency, shall release the General Resolution and shall release the security and shall execute such documents to evidence such release as may be reasonably required by the Agency, and shall turn over to the Agency or to such officer, board or body as may then be entitled to receive the same, all the remaining property held by the Trustee under the General Resolution.

Governing Law

The laws of the State shall govern the construction of the General Resolution.

STATE NOT LIABLE ON BONDS

The Bonds are special obligations of the Agency secured in the manner and to the extent described in this Official Statement (Parts 1 and 2) under the sections "Sources of Payment and Security for the Bonds." The Agency has no taxing power. Section 2410 of the Act provides that the Bonds shall not be a debt of the State or of any municipality, and neither the State nor any municipality shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Agency.

AGREEMENT OF THE STATE

In accordance with the authority granted to the Agency pursuant to the provisions of Section 2411 of the Act, the Agency, on behalf of the State, has pledged to and agreed with the Bondowners in the General Resolution that the State will not limit or alter the rights vested by the Act in the Agency to fulfill the terms of any agreements made with the Bondowners, or in any way impair the rights and remedies of the Bondowners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of the Bondowners, are fully met and discharged.

LEGALITY OF BONDS FOR INVESTMENT AND TO SECURE STATE DEPOSITS

Under the provisions of the Act, the Bonds are securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever in the State who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

The Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State, including, but not limited to, the State Comptroller, to secure deposits of State money in banks, trust companies and industrial banks, and to secure the release of amounts retained from payments to contractors performing work for the State or for any State department or official, in accordance with the applicable provisions of the State Finance Law, and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

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FINANCIAL STATEMENTS OF THE AGENCY AND INDEPENDENT AUDITORS' REPORT

State of New York Mortgage Agency

SONYMA

Financial Statements

Fiscal Year

2013

State of New York Mortgage Agency

Financial Statements

Fiscal Year Ended October 31, 2013 and 2012

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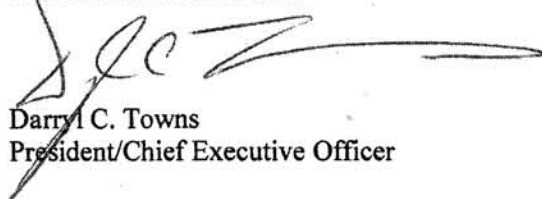
RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the State of New York Mortgage Agency (the "Agency"), for the fiscal years ended October 31, 2013 and 2012, are the responsibility of management. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The Agency maintains a system of internal control. The objectives of an internal control system are to provide reasonable assurance as to the protection of, and accountability for, assets; compliance with applicable laws and regulations; proper authorization and recording of transactions; and the reliability of financial records for preparing financial statements. The system of internal control is subject to periodic review by management and the internal audit staff.

The Agency's annual financial statements have been audited by Ernst & Young LLP, independent auditors appointed by the Members of the Agency. Management has made available to Ernst & Young LLP all the financial records and related data of the Agency as well as having provided access to all the minutes of the meetings of the Members of the Agency. The independent auditors periodically meet with the Members of the Agency.

The independent auditors conducted their audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. The audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, the independent auditors do not express an opinion on the effectiveness of the Agency's internal control over financial reporting. The audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditors' unmodified report attests that the financial statements are presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America.



Darryl C. Towns
President/Chief Executive Officer



Sheila Robinson
Senior Vice President/Chief Financial Officer

January 29, 2014



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Report of Independent Auditors

Management and Directors of the Board
State of New York Mortgage Agency
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the State of New York Mortgage Agency (the “Agency”), a component unit of the State of New York, as of and for the years ended October 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of October 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”

As discussed in Note 3 to the financial statements, the Agency restated its financial statements as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, “Items Previously Reported as Assets and Liabilities” effective November 1, 2011. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management’s Discussion and Analysis and schedule of funding progress as listed in the table of contents 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 which 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, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency’s basic financial statements. The Supplementary Section is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The Supplementary Section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the Supplementary Section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated January 29, 2014 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Ernst + Young LLP

January 29, 2014

STATE OF NEW YORK MORTGAGE AGENCY

(A Component Unit of the State of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended October 31, 2013 and October 31, 2012

Overview of the Financial Statements

The following is a narrative overview of the financial performance of the State of New York Mortgage Agency (the "Agency" or "SONYMA") for the fiscal years ended October 31, 2013 and 2012 with selected comparative information for the fiscal year ended October 31, 2011. This analysis must be read in conjunction with the financial statements.

The annual financial statements consist of five parts: (1) management's discussion and analysis (this section); (2) the financial statements; (3) the notes to the financial statements; (4) the required supplementary information and (5) the supplementary schedules that report programs of the Agency individually.

The Agency's financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Management's Discussion and Analysis

- This section of the Agency's financial statements, Management's Discussion and Analysis (the "MD&A"), presents an overview of the Agency's financial performance during the fiscal year ended October 31, 2013 compared with the fiscal year ended October 31, 2012 and fiscal year ended October 31, 2011. It provides a discussion of financial highlights and an assessment of how the Agency's financial position has changed from past years. It identifies the factors that, in management's view, significantly affected the Agency's overall financial position. It may contain opinions, assumptions or conclusions by the Agency's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements and other information described below.

The Financial Statements

- The "Statement of Net Position" provides information about the liquidity and solvency of the Agency by indicating the assets, deferred outflows, liabilities and net position.
- The "Statement of Revenues, Expenses and Changes in Net Position" accounts for all of the current year's revenues and expenses in order to measure the success of the Agency's operations over the past year. It can be used to determine how the Agency has funded its costs. By presenting the financial performance of the Agency, the change in net position is similar to net profit or loss for a business.
- The "Statement of Cash Flows" is presented on the direct method of reporting. It provides information about the Agency's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. Cash collections and payments are presented in this statement to arrive at the net increases or decreases in cash for each year.

The Notes to the Financial Statements

- The notes provide information that is essential to understanding the financial statements, such as the Agency's accounting methods and policies providing information about the content of the financial statements.
- Details are included of contractual obligations, future commitments and contingencies of the Agency.
- Information is given regarding any other events or developing situations that could materially affect the Agency's financial position.

Required Supplementary Information ("RSI")

- The RSI presents the information regarding the Agency's progress in funding its obligation to provide postemployment benefits other than pensions to its employees.

Supplementary Information

- Presentations of the Agency's financial information are listed by program.

Overview of the Agency's Financial Performance

Background

The Agency is a corporate governmental Agency, constituting a public benefit corporation and a component unit of the State of New York (the "State"). The Agency and its corporate existence shall continue until terminated by law; provided, however, that no such law shall take effect so long as the Agency has bonds, notes or other obligations outstanding.

The Agency has two primary lines of operations: Single Family Operations and Mortgage Insurance Fund Operations.

Single Family Operations are dedicated to providing affordable mortgage financing to New York State home purchasers with low and moderate incomes. It provides such financing through a network of participating lenders for the purchase of newly constructed and existing homes; homes in need of renovation; permanently affixed manufactured homes and financing for cooperatives and condominiums.

Mortgage Insurance Fund Operations are dedicated to providing mortgage insurance and credit support for multi-family affordable residential projects and special care facilities, as well as providing pool and primary mortgage insurance on single family mortgages purchased by the Agency.

In April, 2009, the Agency's statutory authority to purchase education loans was updated and expanded in order to permit the Agency to work with the New York State Higher Education Services Corporation ("HESC") in developing a program to offer education loans to eligible students attending colleges and universities in the State. The program has been on hiatus since fiscal 2012. There have not been any Student Loan purchases since May 1, 2012.

Mortgage and Financial Markets

The Agency continued its activities in fiscal 2013 in a market still impacted by the continued recovery from the housing collapse and recent recession. While the economy, both domestic and international showed signs of improvement, the municipal bond market experienced significant volatility, especially between June and October as investors departed in reaction to both credit and interest rate risk concerns. According to Lipper FMI, municipal mutual funds have reported nearly non-stop outflows since mid-March 2013 resulting in interest rates rising to highs not seen since early 2011.

At the start of the fiscal year, the 30 year Municipal Market Data was 2.82%, and increased to 4.04% by the end of the fiscal year. As was the case in previous fiscal years, one of the largest factors affecting the single family housing market has been the federal government's Quantitative Easing (QE) programs, under which the federal government has been purchasing \$45 billion of Treasury securities and \$40 billion of mortgage bonds monthly since September 2012. These purchases helped produce the relatively low interest rate environment that the Agency operated in at the beginning of the fiscal year, but remarks that the Federal Reserve could reduce its purchases in late May sent all fixed income markets into a tailspin. Municipal rates jumped 100 bps over the course of four weeks in reaction to the concern about rising interest rates.

Compounding uncertainty in the municipal market were a number of significant credit negatives, most notably the financial deterioration of Puerto Rico and Detroit and the pension funding challenges facing a number of states including Illinois. Other turbulence in 2013 stemmed from October's 16 day government shut down, a looming debt ceiling deadline and the possibility that tax reform could threaten current municipal tax-exemption. While stories of the financial weakness of the above municipalities weighed down the market, they are not representative of most municipal issuers.

The single family housing market is starting to show signs of improvement. Although homeownership rates are down from their pre-recession highs, home prices have been increasing in most markets. Existing new home sales are increasing, and according to Harvard's Joint Center for Housing Studies, after holding steady for the past five years, household growth is also on an upward trend.

To date, federal government mortgage purchases have accounted for approximately 64% of the eligible mortgage bond issuance. With origination volumes falling, analysts have speculated that, unless the Fed scaled back its purchases of MBS, the figure could approach 90% of the market. These QE purchases served to keep conventional mortgage rates low and therefore SONYMA and other housing finance agencies have not enjoyed their typical tax-exempt rate advantage vs. conventional rates.

SONYMA's mortgage originations have lagged from our ten year norms in this competitive rate environment. However we have taken advantage of the low interest environment and sought opportunities to lower our borrowing costs on outstanding bonds through economic refunding transactions. These refunding opportunities generated subsidy which SONYMA used to lower its single family lending rates but with the steep increase in borrowing costs described above, few refunding candidates remain. In fiscal 2013, the Agency issued \$425 million of bonds, with economic refunding bonds representing approximately one third of issuance.

Despite the programmatic and market challenges described above, the Agency continued to benefit from broadening its group of Community Reinvestment Act ("CRA") motivated buyers who actively participate in the Agency's bond sales. This interest has complemented retail investor demand and has helped the Agency continue to achieve strong positive reception for its bond offerings.

Single Family Operations Highlights

General

As in prior years and as discussed above, continued uncertainty in the housing market coupled with Federal Reserve's policy to keep interest rates low impacts SONYMA's ability to maintain its traditional interest rate advantage. Despite the difficult environment, SONYMA's loan production increased significantly from fiscal year 2012. During fiscal year 2013, SONYMA assisted 1,599 low and moderate-income households (746 households in fiscal 2012) by purchasing \$288.2 million in mortgages (\$124.8 million in fiscal 2012). Most of the bond financed loans were purchased under SONYMA's two primary programs:

During fiscal 2013, the Low Interest Rate Program provided financing to 658 households (compared to 258 households in fiscal 2012), and the Achieving the Dream Program, which assists lower-income homebuyers (70% of area median income or less), provided financing for 755 households (compared to 373 households in fiscal 2012). In fiscal year 2013, the Agency purchased 131% more in mortgages than during the last fiscal year (\$288.2 million in 2013 compared to \$124.8 million in 2012). Of the loans purchased, 700 borrowers received down payment assistance totaling \$4.8 million in fiscal 2013, compared to 316 borrowers, totaling \$1.9 million in fiscal 2012.

SONYMA continues to provide financing to underserved populations and communities. As a result, target area lending in fiscal year 2013 increased by 47%, loans made to low-income households increased by 66%, and minority lending has increased 79%. In fiscal 2013, 37% of all SONYMA loans were made to minorities.

During fiscal 2013, SONYMA continued to better serve its borrowers and industry partners by:

- Focusing its efforts on Low-Income and Minority Homebuyers: During fiscal year 2013, the Agency focused its mission on providing mortgage loans to those individuals and families for whom low interest rate mortgages make the difference in achieving sustainable homeownership. This was accomplished by targeting mortgage financing activities on the Achieving the Dream Program, which assists lower-income homebuyers (70% of area median income or less). In fiscal year 2013, 47.8% of the Agency's mortgages were originated under this program. Overall, 50% of the mortgages purchased were made to low-income homebuyers (80% of area median income or less) and almost 15% of the 1,599 loans SONYMA purchased statewide were made to low-income, minority households.
- Launched the Conventional Plus Program in November 2012. Conventional Plus complements SONYMA's existing tax-exempt bond financed programs and the new FHA Plus Program described below. The product takes advantage of certain pricing and underwriting benefits afforded to SONYMA by Fannie Mae. The features of Conventional Plus are as follows:
 - No loan level price adjustments;
 - Lower mortgage insurance coverage requirements than standard loans;
 - The availability of mortgage insurance provided by Genworth Mortgage Insurance (or SONYMA's MIF, in the event that Genworth is unwilling to insure the loan); and
 - Down payment and/or closing cost assistance up to 3% of the home purchase price [SONYMA will allow its Down Payment Assistance Loan to be used to pay a one-time upfront mortgage insurance premium, thus eliminating the monthly mortgage insurance premium and significantly lowering the monthly payment].

The product is available for home purchases and for limited cash-out refinances. (MCCs are not available for refinances.)

- In December 2013, SONYMA launched the FHA Plus Program to complement SONYMA's existing tax-exempt bond financed programs and the Conventional Plus Program described above. FHA Plus takes advantage of a special exemption from HUD that enables state housing finance agencies to offer down payment assistance on FHA-insured mortgages, where the down payment assistance may be used towards the borrower's minimum cash investment. The benefits of FHA Plus are:
 - Eligible borrowers do not have to be first-time homebuyers;
 - No income or purchase price limits; and
 - Availability of SONYMA down payment assistance:
 - for purchase transactions, up to 3% of the home purchase price.
 - for refinance transactions, up to 3% of the lower of the unpaid principal balance or the appraised value. (The assistance may be used as a credit against closing costs and prepaids.)

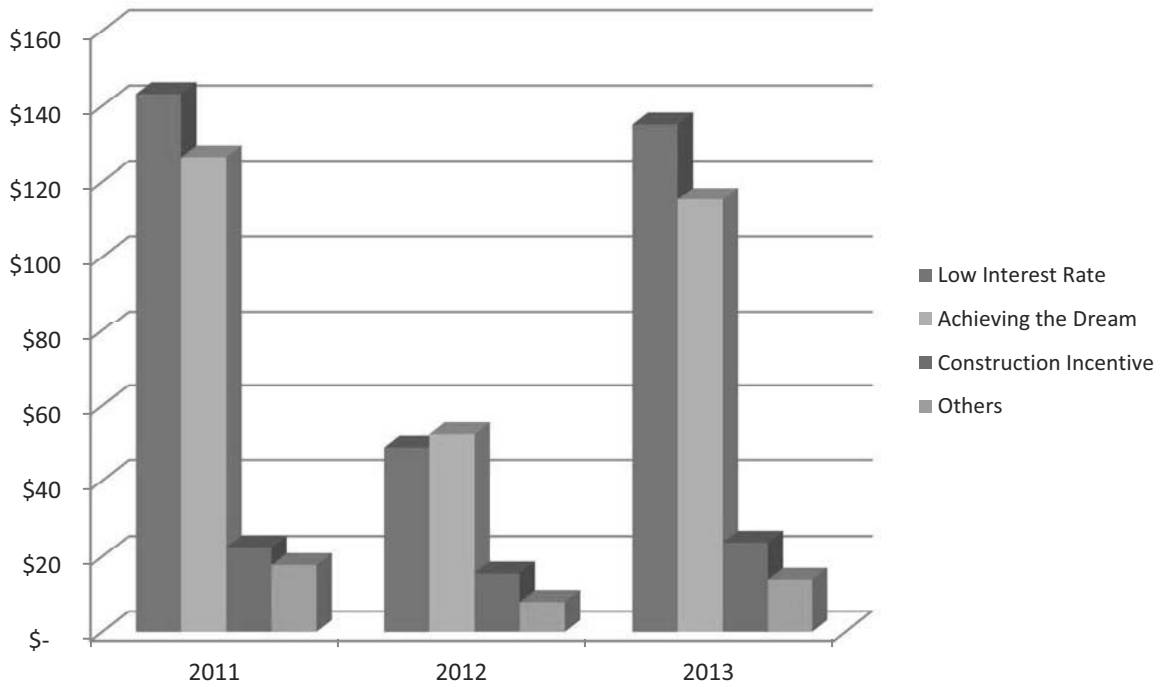
- Completion of the development of the SONYMA *Express* automated system that will assist participating lenders by providing expedited decisions on SONYMA loan eligibility. The system is expected to: (a) streamline the Agency's loan origination process and dramatically reduce the time it takes participating lenders to originate SONYMA loans; (b) eliminate uncertainty of a borrower's eligibility early in the mortgage application process; (c) lower overall lender costs; and (d) provide lenders with the capacity to submit electronic loan files to the Agency, thus eliminating the need to submit paper files. The system is expected to be launched in the first quarter of 2014 and will improve SONYMA's relationships with lenders, other industry partners and potential borrowers. Ultimately, the system is expected to increase loan production and improve profitability.

- Continue to work with SONYMA's Advisory Council to get input and recommendations from industry professionals to help SONYMA maximize its role as an important provider of affordable and sustainable mortgages to low- and moderate-income first-time homebuyers across New York State. The Agency held two meetings with the Advisory Council in fiscal 2013.

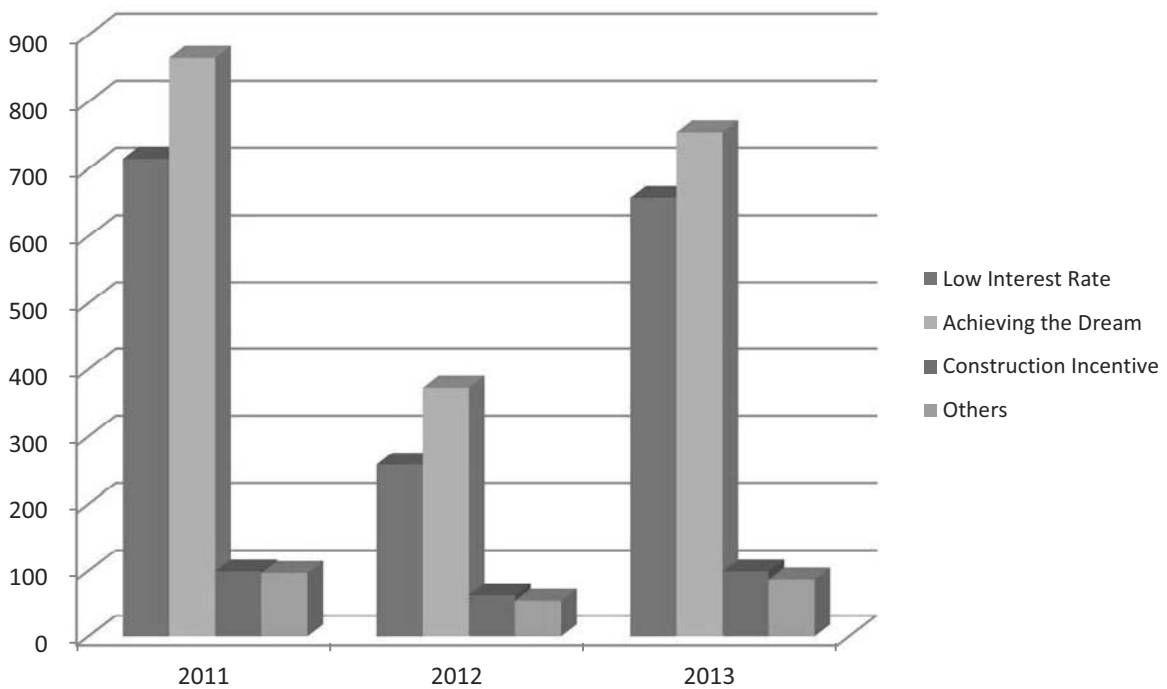
- Continued Outreach to Industry Partners: SONYMA continues to cultivate its relationship with industry partners by participating in many events with realtors, lenders, not-for profits, community groups and others. The partnerships have deepened relationships with our partners in the housing community and have given us additional opportunities to promote our products.

The following table compares SONYMA's loan purchases (based on dollars purchased) by fiscal year and program:

(In millions)



The following table compares SONYMA's loan purchases (based on number of loans purchased) by fiscal year and program:



Performance of Mortgage Portfolio

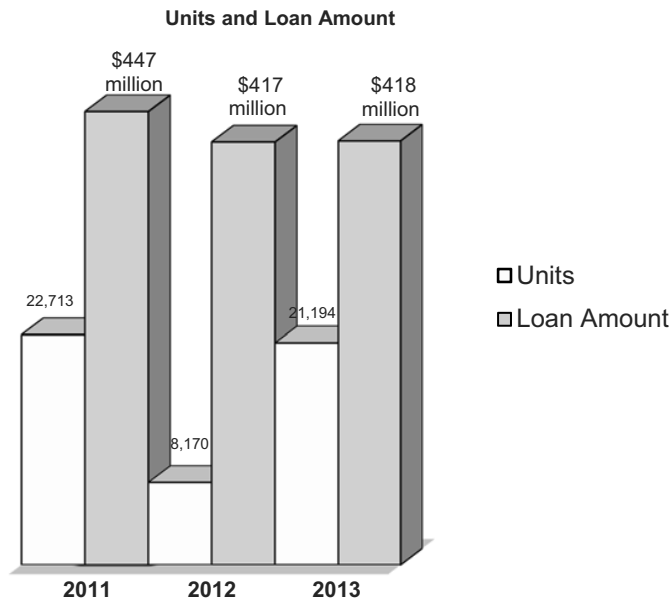
Despite the continued turbulent economy and real estate market, SONYMA's mortgage portfolio has performed consistently well. At the end of fiscal 2013, SONYMA's 60 days or more delinquencies were 4.48% (based on the number of loans). This compares very favorably to the New York State and national averages of 10.43% and 6.78%, respectively. As of the end of fiscal year 2012, the percentage of 60 days or more delinquencies was 3.80%.

The increase in SONYMA's delinquency percentage is primarily due to the significant increases in the elapsed time to complete a foreclosure proceeding. With respect to mortgage loans foreclosed between January 1, 2013 and October 31, 2013, an average of 993 days elapsed between the date of default and the date foreclosure proceedings were completed. In contrast, with respect to Agency mortgage loans foreclosed in 2009, 2010, 2011 and 2012, an average of, respectively, 488 days, 655 days, 800 and 959 days elapsed between such dates. Some of these delays were caused by certain servicers who were not complying with SONYMA's servicing guidelines. As such, SONYMA took steps in fiscal year 2013 to transfer the portfolio of a major servicer to its master servicer, M&T Bank. Further, another major servicer's portfolio will be moved to M&T Bank in 2014.

Mortgage Insurance Fund Operations

The Mortgage Insurance Fund (the "MIF") has two lines of business. It provides insurance on mortgages for multi-family housing and special needs facilities and on other mortgage loans made by government entities and commercial lenders. It also provides both pool and primary insurance on single family mortgages purchased by SONYMA.

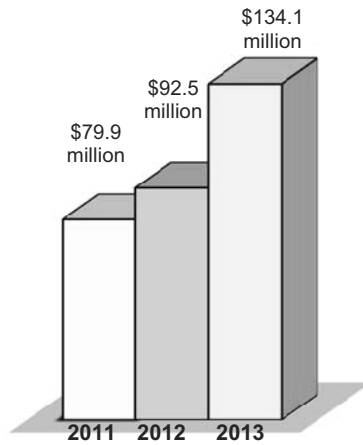
The following graph highlights the MIF's project insurance commitments for the fiscal years indicated.



The substantial increase in the numbers of units in which mortgages will insured by the MIF during fiscal 2013 was due to a single \$55 million transaction with Wells Fargo Bank for the rehabilitation of 15,372 units in Co-op City in the Bronx.

Substantially all of the MIF's revenues are derived from a New York State mortgage recording surtax which had declined prior to 2011 but increased in fiscal 2013 compared to fiscal 2012 as indicated in the following chart:

New York State Mortgage Recording Surtax Receipts



The increase in New York State Mortgage Recording Surtax Receipts from fiscal 2012 to fiscal 2013 is due to an increase in real estate transactions in the State, particularly in commercial real estate transactions in New York City, resulting in an increase in mortgage recordings. The MIF also received \$20.8 million in insurance recoveries, application and insurance premiums during fiscal 2013 as compared with \$16.7 million during fiscal 2012 and \$16.4 million during fiscal 2011. Interest earned by the MIF during fiscal years 2013, 2012 and 2011 was \$14.8 million, \$21.8 million and \$30.4 million, respectively.

The claims-paying ability of the Project Pool Insurance Account and the Single Family Pool Insurance Account of the MIF are rated "AA-" and "AA+", respectively by Fitch Inc. ("Fitch"). Fitch affirmed its rating on the Single Family Pool Insurance Account with a stable outlook and the Project Pool Insurance Account, with a negative outlook on August 6, 2013.

On July 18, 2011, Moody's affirmed the "Aa1" rating on the Project Pool Insurance Account with a stable outlook. On October 8, 2011, Moody's affirmed its "Aa1" rating on the Single Family Pool Insurance Account and changed its outlook from stable to negative.

Higher Education Finance Authority Operations

The New York Higher Education Loan Program (“NYHELPS Program” or “Program”), currently on hiatus, is a program under which fixed rate credit based education loans are made available for eligible New York State borrowers attending participating colleges and universities across the State. The New York State Higher Education Services Corporation (“HESC”), an educational corporation of the State, administers the Program, acts as the Servicer for the Program and is responsible for such things as credit underwriting, marketing the Program to prospective borrowers and remedying defaults. HESC engaged Firstmark, a subsidiary of Nelnet, Inc., to perform certain other servicing and reporting functions.

SONYMA, doing business as The State of New York Higher Education Finance Authority (“HEFA”) finances the Program. SONYMA: (1) issues bonds based on demand estimates provided by HESC and (2) controls and manages the various accounts and funds held both inside and outside of the bond indenture. On December 15, 2009, HEFA issued its 2009 Series A Bonds (the “Bonds”) in the amount of \$97.8 million to finance the NYHELPS Program.

Due to lower than expected demand for loans and upon satisfaction of certain rating agency conditions, on April 26, 2010 the initial origination period was extended from April 28, 2010 to March 1, 2011. In order to satisfy rating agency requirements for the extension, an additional \$4 million was made available through a state appropriation, and was deposited into the Capitalized Interest Account.

HESC advised SONYMA in February 2011 that demand for the loans under the Program continued to be substantially less than anticipated, and informed the Agency that, as a result, the available proceeds from the Bond issue would exceed the amount necessary for funding the loans. HESC proposed that the origination period be extended again. In order to extend the origination period without additional funds from the State and to satisfy a rating agency requirement, \$75,010,000 par amount of the original Bond issue were redeemed on April 15, 2011.

After the bond redemption, the amount of \$16.4 million was left in the Loan Account, which, in order to maintain the bond ratings, were required to have been originated by May 1, 2012. The funds left in the Loan Account after May 1, 2012 were used to redeem additional Bonds on August 1, 2012 in the par amount of \$7,655,000.

Bonds payable as of October 31, 2013 and October 31, 2012 were \$13.3 million and \$13.7 million, respectively. Student Loans receivable as of October 31, 2013 and October 21, 2012 were \$11.7 million and \$12.6 million, respectively.

Condensed Financial Information

STATE OF NEW YORK MORTGAGE AGENCY

Net Position Summary Schedules

| | October 31, | | | % Change | |
|--|----------------------------|----------------------------|----------------------------|---------------|---------------|
| | 2013 | 2012* | 2011* | 2013- 2012 | 2012- 2011 |
| | (in thousands) | | | | |
| Assets | | | | | |
| Cash | \$ 8,638 | \$ 18,422 | \$ 11,073 | (53%) | 66% |
| Investments | 2,256,146 | 2,288,101 | 2,191,326 | (1%) | 4% |
| Mortgage and Student loans receivable | 2,873,878 | 2,964,418 | 3,214,929 | (3%) | (8%) |
| Other assets | <u>36,912</u> | <u>33,325</u> | <u>33,018</u> | 11% | 1% |
| Total assets | <u>5,175,574</u> | <u>5,304,266</u> | <u>5,450,346</u> | | |
| Deferred outflows of resources | | | | | |
| Accumulated decrease in fair value of hedging derivatives | 38,979 | 58,292 | 60,533 | (33%) | (4%) |
| Deferred loss on refunding | <u>6,118</u> | <u>7,412</u> | <u>—</u> | (17%) | 100% |
| Total deferred outflows of resources | 45,097 | 65,704 | 60,533 | | |
| Liabilities | | | | | |
| Bonds payable | 2,828,022 | 3,037,596 | 3,213,228 | (7%) | (5%) |
| Derivative instruments - interest rate swaps | 45,679 | 64,992 | 60,533 | (30%) | 7% |
| Interest payable | 7,374 | 8,374 | 11,169 | (12%) | (25%) |
| Allowance for anticipated claims | 22,653 | 33,204 | 37,584 | (32%) | (12%) |
| Unearned income, accounts payable and other liabilities | 153,087 | 30,113 | 21,235 | 408% | 42% |
| Postemployment retirement benefits | <u>39,000</u> | <u>34,656</u> | <u>30,375</u> | 13% | 14% |
| Total liabilities | <u>3,095,815</u> | <u>3,208,935</u> | <u>3,374,124</u> | | |
| Net position | \$ <u><u>2,124,856</u></u> | \$ <u><u>2,161,035</u></u> | \$ <u><u>2,136,755</u></u> | | |

*Restated for GASB 65 implementation - please see note 3

Assets

Investments

Investments held by the Agency decreased slightly from \$2.29 billion at October 31, 2012 to \$2.26 billion at October 31, 2013, a decrease of approximately \$32 million or 1%. The decrease was primarily as a result of transfers from the MIF to the State and its Agencies in the amount of \$32.5 million. This compares with an increase from \$2.19 billion at October 31, 2011 to \$2.29 billion at October 31, 2012, an increase of approximately \$97 million or 4%. The increase was primarily due to the receipt of mortgage prepayments in excess of mortgage purchases by approximately \$150 million.

Mortgage and Student Loans Receivable

Mortgage and student loans receivable are the primary assets of the Agency's Single Family operation constituting 56% of the total assets at October 31, 2013 and October 31, 2012 and 59% at October 31, 2011.

Mortgage and student loans receivable decreased from \$2.96 billion at October 31, 2012 to \$2.87 billion at October 31, 2013, a decrease of approximately \$90 million or 3%. This compares with a decrease from \$3.21 billion at October 31, 2011 to \$2.96 billion at October 31, 2012, a decrease of approximately \$250 million or 8%. The decreases in each year were due to mortgage principal receipts exceeding mortgage purchases.

Other Assets

Other assets are primarily comprised of Owned Real Estate held by the Agency. Other assets increased from \$33.3 million at October 31, 2012 to \$36.9 million at October 31, 2013, an increase of \$3.6 million or 11%. This compares with an increase from \$33.0 million at October 31, 2011 to \$33.3 at October 31, 2012, an increase of \$300 thousand or 1%. The increase in each fiscal year result from increases in the number of loans being moved from the loan portfolio to owned real estate status.

Liabilities

Bonds Payable

At approximately 91% of total liabilities in fiscal 2013 (95% in fiscal 2012), bonds payable comprised the largest component of liabilities as of October 31, 2013 and 2012. Funds generated by the sale of bonds are used to purchase mortgage loans or to economically refund bonds outstanding. The payments received on mortgage loans, together with interest earnings there on, are the source of funds used for debt service payments due on bonds payable.

Bonds payable decreased from \$3.04 billion at October 31, 2012, to \$2.83 billion at October 31, 2013, a decline of \$210 million or 7%. This compares with a decrease from \$3.21 billion at October 31, 2011 to \$3.04 billion at October 31, 2012, a decline of \$176 million or 5%. The decline in bonds outstanding during fiscal year 2013 and 2012 was primarily a result of principal payments on bonds exceeding bond issuances and continued economic refunding issues.

Allowance for Anticipated Claims

Allowance for anticipated claims decreased from \$33.2 million at October 31, 2012 to \$22.7 million at October 31, 2013, a decline of \$10.5 million or 32%, as compared to a decline from \$37.6 million at October 31, 2011 to \$33.2 at October 31, 2012, a decline of \$4.4 million or 12%. The MIF establishes provisions for potential insurance claims on its policies that are non-performing. The balance fluctuates as projects are moved to and from performing status or as periodic claims are paid.

During fiscal 2013, 2012 and 2011 the MIF made claim payments in the amounts of \$11.2 million, \$11.5 million and \$12.5 million respectively.

Unearned Income, Accounts Payable and Other Liabilities

Unearned Income, Accounts Payable and Other Liabilities increased from \$30.1 million at October 31, 2012 to \$153.1 million at October 31, 2013, an increase of \$123 million or 408%. The increase is primarily a result of the commitment by the MIF to transfer an additional \$103.5 million to the State and its Agencies in fiscal 2014 combined with a surplus of surtax receipts in the amount of \$22.4 million. This compares to an increase from \$21.2 million at October 31, 2011 to \$30.1 million at October 31, 2012, an increase of \$8.9 million or 42%, which was primarily due to an increase of \$2.5 million in unearned income on mortgages and an increase in excess tax receipts of \$5.3 million.

Postemployment Retirement Benefits

The Agency provides certain group health care benefits to eligible retirees (and for eligible dependents and survivors of such retirees). The balance in postemployment retirement benefits represent the accumulated unfunded actuarial liability required to pay the cost to retirees. The accumulated amount of postemployment retirement benefits increased from \$34.7 million in fiscal 2012 to \$39.0 million in fiscal 2013, an increase of \$4.3 million, or approximately 13%. This compares with an increase from \$30.4 million in fiscal 2011 to \$34.7 million in fiscal 2012, an increase of \$4.3 million, or approximately 14%. The increases in fiscal 2013 and 2012 of 13% and 14%, respectively, were primarily due to the reduction in the discount rate used in the actuarial calculation, when compared to 2011, from 4% to 3.5%. The valuation in fiscal 2013 and 2012 were also impacted by the anticipation of increased costs related to the passage of the National Health Care Reform Act (see note 10).

Derivative Instruments - Interest Rate Swaps

The Agency has entered into various derivative instruments contracts ("interest rate swaps") in order to manage risks associated with interest on its bond portfolio. The Agency recognizes the fair value of all derivative instruments as either an asset or liability on its statements of net position with the offsetting gains or losses recognized in earnings or as either deferred inflows or outflows if deemed an effective hedge (see note 10). For fiscal 2013, 2012 and 2011, all of the Agency's interest rate swaps were determined to be effective hedges. Therefore, the Agency recorded the amount of the fair values of these interest rate swaps along with a corresponding deferred outflow or inflow of resources.

Due to an increase in interest rates relating to interest swaps, the market values of the interest rate swaps declined from approximately (\$65) million in fiscal 2012 to (\$45.7) million in fiscal 2013, a decrease of \$19.3 million, or 30%. During fiscal 2012, there was a decline in market value from approximately (\$60.5) million in fiscal 2011 to (\$65) million in fiscal 2012, a decline of \$4.5 million, or 7%.

STATE OF NEW YORK MORTGAGE AGENCY

Summary of Revenues, Expenses and Changes in Net Position

| | Fiscal Year Ended | | | % Change | |
|--|----------------------------|----------------------------|----------------------------|---------------|---------------|
| | 2013 | 2012* | 2011* | 2013- 2012 | 2012- 2011 |
| | (in thousands) | | | | |
| Operating Revenues | | | | | |
| Interest on mortgages | \$ 147,635 | \$ 162,551 | \$ 172,999 | (9%) | (6%) |
| Recoveries | 11,185 | 10,546 | 6,184 | 6% | 71% |
| Investment Income | 21,813 | 30,548 | 38,081 | (29%) | (20%) |
| Net change in fair market value of investments | (28,774) | (7,380) | (6,536) | 290% | 13% |
| Other operating revenues | <u>14,822</u> | <u>13,722</u> | <u>13,209</u> | 8% | 4% |
| Total operating revenues | <u>166,681</u> | <u>209,987</u> | <u>223,937</u> | | |
| Operating Expenses | | | | | |
| Interest expense and amortization of discount on debt | 106,758 | 124,918 | 142,360 | (15%) | (12%) |
| Provision for estimated claims | 6,181 | 8,628 | 11,530 | (28%) | (25%) |
| Pool insurance | 508 | 1,031 | 949 | (51%) | 9% |
| Expenditures related to federal grants | 909 | 828 | 951 | 10% | (13%) |
| Other operating expenses | <u>42,729</u> | <u>38,386</u> | <u>35,686</u> | 11% | 8% |
| Total operating expenses | <u>157,085</u> | <u>173,791</u> | <u>191,476</u> | | |
| Net operating revenue | 9,596 | 36,196 | 32,461 | (73%) | 12% |
| Non-operating revenues (expenses) | | | | | |
| Mortgage insurance reserves retained | 89,268 | 87,256 | 79,722 | 2% | 9% |
| Federal grants | 909 | 828 | 951 | 10% | (13%) |
| Transfers to New York State and its Agencies | <u>(135,952)</u> | <u>(100,000)</u> | <u>—</u> | 36% | N/A |
| Total non-operating (expenses) revenues | <u>(45,775)</u> | <u>(11,916)</u> | <u>80,673</u> | | |
| (Decrease) Increase in net position | (36,179) | 24,280 | 113,134 | | |
| Total net position - beginning of fiscal year | <u>2,161,035</u> | <u>2,136,755</u> | <u>2,023,621</u> | | |
| Total net position- end of fiscal year | \$ <u><u>2,124,856</u></u> | \$ <u><u>2,161,035</u></u> | \$ <u><u>2,136,755</u></u> | | |

*Restated for GASB 65 implementation - please see note 3

"— " Indicates a percentage less than 1%.

Operating Revenues

Interest on Mortgages

Interest on mortgage loans from Single Family operations represent the primary source of funds available for the Agency to pay interest due on bonds payable. Interest on mortgage loans declined from \$162.6 million in fiscal 2012 to \$147.6 million in fiscal 2013, a decrease of \$15.0 million or 9%. This compares with a decline from \$173.0 million in fiscal 2011 to \$162.6 million in fiscal 2012, a decrease of \$10.4 million or 6%. The continued decline in fiscal years 2013, 2012 and 2011 was a result of historic low interest rates on new loans purchased by the Agency.

Recoveries

Recoveries result from the reclassification of certain loans insured by the MIF from non-performing status to performing status. Recoveries also include payments made to the MIF after a final claim payment was made. Recoveries increased from \$10.5 million in fiscal year 2012 to \$11.2 million in fiscal year 2013, an increase of approximately \$639 thousand, or 6%, as compared with an increased from \$6.2 million in fiscal year 2011 to \$10.5 million in fiscal year 2012, an increase of approximately \$4.3 million, or 71%.

During fiscal 2013, the Agency received \$7.1 million in cash recoveries (\$4.0 million in fiscal 2012 and \$4.7 million in fiscal 2011) and had \$9.2 million in non-cash adjustments (\$6.5 million in fiscal 2012 and \$1.5 million in fiscal 2011) which includes four projects that were re-classified from non-performing to performing status totaling \$5.1 million.

During fiscal 2013, 2012 and 2011 the MIF recorded recoveries of approximately \$3.3 million annually relating to an Ulster County IDA mortgage on a nursing home in Kingston, New York. The mortgage was assigned to the Agency as a result of a final claim paid by the MIF in July, 2003.

Investment Income and Net Change in Fair Value of Investments

During fiscal 2013, the Agency realized \$21.8 million in net earnings on investments from maturities, sales and investments amortization (this compares with \$30.5 million and \$38.1 million for fiscal years 2012 and 2011, respectively). The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year may have been recognized as an increase or decrease in the fair value of investments reported in prior years. The Agency had recorded mark to market increases of \$7.8 million, \$36.6 million and \$44 million, for fiscal years 2013, 2012 and 2011, respectively. The net change in the fair value of investments decreased \$28.8 million during 2013 (this compares with decreases of \$7.4 million and \$6.5 million for fiscal years 2012 and 2011, respectively). These amounts takes into account all changes in fair value (including purchases, maturities and sales) that occurred during the year.

Expenses

Interest Expense

Interest expense decreased from \$124.9 million in fiscal 2012 to \$106.8 million in fiscal 2013, a decrease of approximately \$18.1 million or 15%. This compares with a decrease from \$142.4 million in fiscal 2011 to \$124.9 million in fiscal 2012, a decrease of approximately \$17.5 million or 12%. The decrease was due to a decrease in bonds outstanding.

Provision for Estimated Claims

The MIF sets aside provisions for potential insurance claims on the MIF insured multi-family projects and the special needs facilities that are non-performing. This account fluctuates as projects are moved to and from performing status or as periodic claims are paid. The provision for estimated claims decreased from approximately \$8.6 million in fiscal year 2012 to \$6.2 million in fiscal year 2013, a decrease of \$2.4 million, or 28%, as compared with decreased from approximately \$11.5 million in fiscal year 2011 to \$8.6 million in fiscal year 2012, a decrease of \$2.9 million, or 25%.

In fiscal 2013, 2012 and 2011, provisions were set aside for multi-family projects insured by the MIF. For the MIF's claim activity, including provisions for estimated claims established and the balance of total reserves for the fiscal years ended 2012 and 2011, see Note 8 to the financial statements.

Non-Operating Revenues

Mortgage Insurance Reserves Retained

Mortgage insurance reserves retained totaled \$89.3 million during fiscal 2013 compared to \$87.3 million during fiscal 2012 and \$79.7 million during fiscal 2011. Mortgage surtax receipts received for fiscal years 2013, 2012 and 2011 were \$134.1 million, \$92.5 million and \$79.9 million respectively.

Transfers to the State and its Agencies

During fiscal 2013, the 2013-2014 enacted State Executive Budget required the MIF to transfer excess reserves in the amount of \$136.0 million to the State and its Agencies. Of this amount, the MIF transferred \$32.5 million during fiscal 2013. The remaining \$103.5 million is required to be transferred on or before March 31, 2014 provided that the reserves remaining are sufficient to attain and maintain the credit rating required to accomplish the purposes of the Project Pool Insurance Account (as determined by the Agency).

During fiscal 2012, pursuant to the State Executive Budget, the MIF was required to transfer \$100 million to the State.

State of New York Mortgage Agency
(A Component Unit of the State of New York)
Statements of Net Position

| | October 31, | |
|---|---------------------|---------------------|
| | 2013 | 2012* |
| (in thousands) | | |
| Assets | | |
| Current assets: | | |
| Cash-demand deposits unrestricted | \$ 2,131 | \$ 1,785 |
| Cash-demand deposits restricted | 2,899 | 14,551 |
| Cash-custodian deposits | 3,608 | 2,086 |
| Investments unrestricted | 22,664 | 17,348 |
| Investments restricted | 839,560 | 1,076,861 |
| Total cash and investments | 870,862 | 1,112,631 |
| Mortgage loans receivable | 170,985 | 166,965 |
| Accrued interest receivable: | | |
| Mortgage and student loans | 20,511 | 17,930 |
| Investments | 9,224 | 10,462 |
| Other | 7,177 | 4,933 |
| Total current assets | 1,078,759 | 1,312,921 |
| Non-current Assets: | | |
| Investments restricted | 1,393,922 | 1,193,892 |
| Mortgage loans receivable | 2,691,215 | 2,784,901 |
| Student loans receivable | 11,678 | 12,552 |
| Total non-current assets | 4,096,815 | 3,991,345 |
| Total assets | 5,175,574 | 5,304,266 |
| Deferred outflows of resources | | |
| Accumulated decrease in fair value of hedging derivatives | 38,979 | 58,292 |
| Deferred loss on refunding | 6,118 | 7,412 |
| Total deferred outflows of resources | 45,097 | 65,704 |
| Liabilities | | |
| Current liabilities: | | |
| Bonds payable, net | 110,935 | 217,635 |
| Interest payable | 7,374 | 8,374 |
| Allowance for anticipated claims | 22,653 | 33,204 |
| Unearned income, accounts payable and other liabilities | 49,553 | 30,113 |
| Amounts due to New York State and its Agencies | 103,534 | — |
| Total current liabilities | 294,049 | 289,326 |
| Non-current liabilities: | | |
| Bonds payable, net | 2,717,087 | 2,819,961 |
| Derivative instruments - interest rate swaps | 45,679 | 64,992 |
| Postemployment retirement benefits payable | 39,000 | 34,656 |
| Total non-current liabilities | 2,801,766 | 2,919,609 |
| Total liabilities | 3,095,815 | 3,208,935 |
| Net position | | |
| Restricted for bond obligations | 578,576 | 572,382 |
| Restricted for insurance requirements | 1,564,826 | 1,606,967 |
| Unrestricted (deficit) | (18,546) | (18,314) |
| Total net position | \$ 2,124,856 | \$ 2,161,035 |

*Restated for GASB 65 implementation - please see note 3
See notes to financial statements.

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Statements of Revenues, Expenses and Changes in Net Position

| | Fiscal Year Ended October 31, | |
|---|-------------------------------|---------------------|
| | 2013 | 2012* |
| | (in thousands) | |
| Operating revenues | | |
| Interest earned on loans | \$ 147,635 | \$ 162,551 |
| Recoveries | 11,185 | 10,546 |
| Investment income | 21,813 | 30,548 |
| Net change in fair market value of investments | (28,774) | (7,380) |
| Commitment fees, insurance premiums and application fees earned | 14,129 | 13,171 |
| Other income | 693 | 551 |
| Total operating revenues | 166,681 | 209,987 |
| Operating expenses | | |
| Interest and amortization of discount on debt | 106,758 | 124,918 |
| Bond issuance costs | 5,618 | 1,893 |
| Postemployment retirement benefits expense | 4,344 | 4,281 |
| General expenses | 19,408 | 20,577 |
| Overhead assessment by State of New York | 4,556 | 4,410 |
| Pool insurance | 508 | 1,031 |
| Provision for estimated claims | 6,181 | 8,628 |
| Expenses related to federal and state grants | 909 | 828 |
| Other | 8,803 | 7,225 |
| Total operating expenses | 157,085 | 173,791 |
| Operating income | 9,596 | 36,196 |
| Non-operating (expenses) revenues | | |
| Mortgage insurance reserves retained | 89,268 | 87,256 |
| Federal grants | 909 | 828 |
| Transfers to New York State and its Agencies | (135,952) | (100,000) |
| Total non-operating expenses | (45,775) | (11,916) |
| (Decrease) Increase in net position | (36,179) | 24,280 |
| Total net position, beginning of fiscal year | 2,161,035 | 2,136,755 |
| Total net position, end of fiscal year | \$ 2,124,856 | \$ 2,161,035 |

*Restated for GASB 65 implementation - please see note 3
See notes to financial statements.

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Statements of Cash Flows

| | Fiscal Year Ended October 31, | |
|--|-------------------------------|-------------------|
| | 2013 | 2012* |
| | (in thousands) | |
| Cash flows from operating activities | | |
| Interest received on loans | \$ 147,891 | \$ 162,644 |
| Principal payment on loans | 378,894 | 381,786 |
| Purchase of loans | (288,208) | (131,729) |
| Commitment fees, insurance premium and application fees earned | 22,148 | 16,736 |
| General expenses | (23,528) | (21,885) |
| Expenditures related to federal and state grants | (909) | (828) |
| Other | (30,223) | (16,650) |
| Net cash provided by operating activities | 206,065 | 390,074 |
| Cash flows from non-capital financing activities | | |
| Interest paid on bonds | (107,471) | (127,758) |
| Mortgage recording surtax receipts | 134,104 | 92,521 |
| Payments to New York State | (60,466) | (100,000) |
| Federal grants | 909 | 828 |
| Bond proceeds | 424,725 | 646,005 |
| Retirement and redemption of bonds | (633,885) | (823,160) |
| Net cash used in non-capital financing activities | (242,084) | (311,564) |
| Cash flows from investing activities | | |
| Earnings on investments | 36,943 | 52,528 |
| Proceeds from the sale or maturities of investments | 5,423,991 | 4,281,787 |
| Purchase of investments | (5,434,699) | (4,405,476) |
| Net cash provided by (used in) investing activities | 26,235 | (71,161) |
| Net (decrease) increase in cash | (9,784) | 7,349 |
| Cash at beginning of fiscal year | 18,422 | 11,073 |
| Cash at end of fiscal year | \$ 8,638 | \$ 18,422 |
| Reconciliation of operating revenues to net cash provided by operating activities: | | |
| Operating income | \$ 9,596 | \$ 36,196 |
| Adjustment to reconcile operating income to net cash provided (used in) by operating activities: | | |
| Earnings on investment | (21,813) | (30,548) |
| Interest payments and amortization | 106,758 | 124,918 |
| Unrealized gain (loss) on investment | 28,774 | 7,380 |
| Provision for claims | 6,181 | 8,628 |
| Other | (4,502) | (13,039) |
| Changes in assets and liabilities | | |
| Mortgage loans and other loans, net | 89,665 | 256,840 |
| Interest, fees and other receivables | (4,824) | (2,751) |
| Student loans | 874 | (6,329) |
| Allowance for anticipated claims | (10,552) | (4,380) |
| Unearned income, accounts payable and other | 1,564 | 8,878 |
| Postemployment retirement benefits payable | 4,344 | 4,281 |
| Net cash provided by operating activities | \$ 206,065 | \$ 390,074 |
| Non-cash investing activities | | |
| Decrease in fair value of investments | \$ (34,349) | \$ (7,380) |

*Restated for GASB 65 implementation - please see note 3

See notes to financial statements.

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2013 and 2012

1. Organization and Basis of Presentation

The State of New York Mortgage Agency (the "Agency") is a public benefit corporation of the State of New York (the "State") created by statute in 1970 and for financial reporting purposes is a component unit of the State. The purpose of the Agency is to make mortgages available to low and moderate income first-time homebuyers and to other qualifying homebuyers through its various mortgage programs. The Agency provides mortgage insurance for qualifying real property loans and to provide credit support for obligations of the Convention Center Development Corporation through its Mortgage Insurance Program. Under State statutes, the Agency's operating provisions are subject to periodic legislative renewal. Also, as of January 1, 1991, certain participants in the Low Interest Rate Program may be subject to Federal recapture provisions enacted under federal law. The Agency is exempt from Federal, State and local income taxes. In April 2009, the Agency's statutory authority to purchase education loans was updated and expanded in order to permit the Agency to work with the New York State Higher Education Services Corporation ("HESC") in developing a new program to offer education loans to eligible students attending colleges and universities in New York State ("Student Loan Program"). The financial statements of the Agency include the accounts of the respective bondholder funds as well as the Mortgage Insurance Fund, Student Loan Program and the General Operating Fund.

Pursuant to the general resolutions for the Agency's bond issues and in accordance with the Mortgage Insurance Program legislation, separate funds have been established to record all transactions relating to each of the bond resolutions and for the Mortgage Insurance Program. Generally, the Mortgage Insurance Fund and each bond fund's assets are available only for the purposes specified under the respective bond resolutions and/or pursuant to the Agency's enabling legislation.

a. Bondholder Funds

Prior to 1983, the Agency issued tax-exempt mortgage revenue bonds and applied the proceeds to the purchase of existing residential mortgage loans from financial institutions operating in the State, on the condition that the purchase proceeds be made available for new residential mortgage loans within the State. In 1982, the enabling legislation was amended to permit application of bond proceeds for direct issuance of forward commitments for new mortgage loans through participating originators. The newly originated loans are approved and acquired by the Agency and are serviced by eligible servicers doing business in the State. Mortgages originated through the Agency's mortgage programs are subject to certain Federal and/or State regulations and limitations. The Agency is authorized, however, and has issued obligations, the interest on which is federally taxable.

All acquired mortgage loans are collateralized by first liens. If required, the mortgages are insured with primary mortgage insurance. In addition, pool insurance coverage is provided in amounts ranging from 4%-10% of the original mortgage pool amount of a bond series. The assets of the Agency's bondholder funds are restricted as to purpose under the respective bond resolutions.

Mortgage escrow balances are maintained by each financial institution servicing the mortgages for the credit of the mortgagors. The servicers are responsible for the collections and disbursements made to and from the mortgagors' escrow accounts. Mortgage servicers annually receive a credit equal to 2.93% of actual mortgage payments collected less prepayments and curtailments which they apply as a credit to their applicable New York State tax liability.

1. Organization and Basis of Presentation (continued)

b. Mortgage Insurance Fund

The Agency operates its Mortgage Insurance Fund (the "Program" or the "MIF") pursuant to a statute enacted in 1978 to encourage the investment by approved lenders in communities where mortgage capital is found to be insufficient for the preservation and rehabilitation of affordable housing. Under the Program, qualifying mortgages granted by approved lenders within the State may be insured, up to 50% of the principal balance, but up to 75% with respect to rehabilitation loans under certain conditions, and 100% of the principal balance for loans made by public pension funds and specified public benefit corporations of the State. The net assets of the program are restricted by statutory provisions (see Note 2i).

In 1989, the MIF was enhanced by State legislation that expanded the Program's authority to issue mortgage insurance for loans in specified economic development zones and to projects providing affordable housing or are financed by government entities. In addition, the Program was granted authorization to underwrite mortgage pool insurance for the Agency's mortgage programs. The 1989 enhancements to the statute are subject to periodic renewal by the legislature.

Moody's Investors Service rates the claims paying ability of the MIF's Project Pool Insurance Account and the Single Family Pool Insurance Account are each rated "Aa1"; Fitch Ratings rates the claims paying ability of the Project Pool Insurance Account and the Single Family Pool Insurance Account "AA-" and "AA+", respectively.

As of October 31, 2013 and 2012, the MIF has outstanding mortgage insurance policies of approximately \$3.00 billion and \$2.80 billion respectively, of which at least 20% has been provided and reported as part of the restricted net position. Insurance reserves for performing mortgage loans are established at 20% of the original principal amount except for special needs facilities where the insurance reserve is established at 40% of the original principal amount. When an insured mortgage is in default, the insured amount is immediately reserved as a liability reserve at 100% of the original principal amount of the insured mortgage loan.

Legislation adopted in 2004 added an account to the Agency's MIF, the Development Corporation Credit Support Account, and expanded the powers of the MIF to permit the Agency to provide credit support for the bonds and ancillary bond facilities of the Convention Center Development Corporation, a subsidiary of the New York State Urban Development Corporation. The legislation further limits the aggregate annual amount to be transferred from the Special Account to the Development Corporation Credit Support Account within the MIF during any twelve month period ending on March 31st to the lesser of \$50 million or the aggregate of the amounts required under such contracts. The Agency set aside \$34.4 million for this purpose. Such funds remain on deposit for this purpose as of October 31, 2013 and 2012.

c. General Operating Fund

The expenses of administrative services provided for the Agency are accounted for within the General Operating Fund. Services provided for the Mortgage Insurance Fund are accounted for separately within the Mortgage Insurance Fund.

2. Significant Accounting Policies

a. Basis of Accounting

The Agency utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

b. Cash

Cash demand deposit accounts are used for the collection of funds received from the servicing banks throughout the month. These amounts are remitted to the Agency during the month following the financial statement date and applied to the mortgage loan and interest accrual balances.

Cash custodian deposits represent mortgage payments in-transit held by the servicing financial institutions and not yet remitted to the Agency.

c. Investments

Investments other than investment agreements are recorded at their fair values, which are based on quoted market prices and matrix pricing for securities that do not trade actively. Investment agreements are reported at amortized cost. For the purpose of financial statement presentation, the Agency does not consider any of its investments to be cash equivalents.

d. Mortgage Loans Receivable

Mortgage loans on real estate are stated at their unpaid principal balance where appropriate.

The Agency does not provide a reserve against uninsured mortgages receivable because all loans had at least 20 percent equity at origination. Further, most of these loans are well-seasoned (70% were originated in 2004 or earlier) and all mortgages are covered by a pool insurance policy.

Mortgage acquisition costs consist primarily of inspection and initial processing fees incurred either directly by the Agency or by servicing financial institutions relative to the purchase of mortgages that have been reimbursed by the Agency.

2. Significant Accounting Policies (continued)

e. Bonds Payable

Serial and term bonds are stated at their principal amounts outstanding, net of unamortized bond discount or premium. Serial and term bonds are maintained at their accreted values for purposes of financial reporting to the date of the respective balance sheet.

In accordance with the respective bond resolutions, funds are available to the trustee to pay debt service on bonds when due, principally April 1 and October 1.

f. Unamortized Bond Discount and Premium

Bond discount and premium are amortized using the bonds-outstanding method which yields a level rate of expense over the respective lives of each bond series. The remaining unamortized portions of such costs relating to bonds which are retired prior to maturity by the Agency in the open market are included as a deduction in the computation of gain or loss on early extinguishment of debt. The Agency's redemptions using proceeds of refunding bonds resulted in losses that were deferred and amortized over the original life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

g. Bond Issuance Costs

Bond issuance costs are recognized as an expense in the period incurred.

h. Accrued Vacation Benefits

Vacation benefits are recorded in the period earned.

i. Mortgage Insurance

By statute, all costs of providing mortgage insurance, including claims, are chargeable against a State mortgage recording tax surcharge. The State mortgage recording tax surcharge is a dedicated tax revenue stream received directly by the Agency and recorded in the MIF's Special Account (the "Special Account"). Surcharge tax receipts and application fees in excess of expenses and reserve requirements are held in the Special Account. Annually, if the amount on deposit in the Special Account is determined to be in excess of the required amount as of March 31, the excess is remitted to the State by May 31 of that year.

j. Interest and Discount Earnings on Mortgages

Interest revenue is accrued and recognized as revenue when earned. Discount on mortgage loans are deferred and amortized over the average life of the mortgage loans outstanding, which is estimated at ten years.

2. Significant Accounting Policies (continued)

k. Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures included in the Agency's financial statements during the reporting periods. Actual amounts could differ from these estimates.

l. Derivative Instruments

The Agency has entered into various interest rate swaps contracts in order to manage risks associated with interest on its bond portfolio. The Agency recognizes the fair value of all derivative instruments as either an asset or liability on its statements of net position with the offsetting gains or losses recognized in earnings or as either deferred inflows or outflows if deemed an effective hedge.

m. Upcoming Accounting Pronouncements

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012*. The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements—Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Agency does not anticipate the implementation of this standard to have an impact on its financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. The Agency does not anticipate that the implementation of this standard will have an impact on its financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (“GASB 68”)*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Agency is currently evaluating the impact of the implementation of this standard will have on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations (“GASB 69”)*. The objective of this Statement is to improve the accounting for mergers and acquisitions among state and local governments by providing guidance specific to the situations and circumstances encountered within the governmental environment. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The Agency does not anticipate that the implementation of this standard will have an impact on its financial statements.

2. Significant Accounting Policies (continued)

In February 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees ("GASB 70"). The objective of this Statement is to improve the comparability of financial statements among governments by requiring consistent reporting by those governments that extend and/or receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. The Agency does not anticipate that the implementation of this standard will have an impact on its financial statements.

n. Federal Grants

Grants due from Federal, State and local governments are recognized as non-operating revenue as the related expenditures are incurred.

o. Revenue and Expense Classification

Operating revenue consists primarily of interest on loans, earnings on investments, recoveries, insurance premiums, commitment fees and application fees. Revenue is accrued and recognized as revenue when earned. Operating expenses include interest expense on bonds, general expenses and certain insurance claims activity. All other revenue and expenses are considered non-operating.

p. Use of Net Position

When both restricted and unrestricted assets are available for a particular restricted use, it is the Agency's policy to use restricted resources first, and then unrestricted as needed.

q. Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to current year presentation.

3. Recent Adoption of GASB Accounting Pronouncements

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012; however the Agency elected to early-adopt GASB 65 during the year ended October 31, 2013.

Impact of the Adoption of GASB 65

As noted above, the Agency adopted GASB Statement No.65 during the current fiscal year. In connection with the adoption of this new standard all of the Agency's accounts were analyzed by management in order to assess the impact on the financial statements. The implementation of this new standard resulted in the modification of the method previously used to account for the cost of issuance associated with the Agency's numerous bond issuances, commitment and financing fees received by the Agency in connection with the issuance of project loans and the reclassification of the Agency's deferred loss on bond defeasance to a deferred outflow of resources, . In accordance with the requirements of this new standard, the Agency's Net Position as of October 31, 2011 and the Agency's Statement of Revenues, Expenses and Changes in Net Position were restated to retroactively adjust the Agency's financial statements. As a result the following restatements have been made to the Agency's financial statements.

| | As Previously Reported | Adjustment | Restated |
|--|---------------------------|-------------|--------------|
| | (in thousands) | | |
| As of October 31, 2011 | | | |
| Net Position | \$ 2,223,665 | \$ (86,910) | \$ 2,136,755 |
| For the year ended October 31, 2012 | | | |
| Interest on mortgages | 162,588 | (37) | 162,551 |
| Other operating income | 1,167 | (616) | 551 |
| Amortization of bond issuance costs | (2,768) | 2,768 | — |
| Bond issuance costs | — | (1,893) | (1,893) |
| Other operating expenses | (18,162) | 10,937 | (7,225) |
| Changes in net position | 13,121 | 11,159 | 24,280 |
| As of October 31, 2012 | | | |
| Unamortized cost of issuance | 76,790 | (76,790) | — |
| Mortgage loans receivable, net (Noncurrent) | 2,784,087 | 814 | 2,784,901 |
| Unearned income, accounts payable and other liabilities | 30,338 | 225 | 30,113 |
| Bonds payable, net (Noncurrent) | 2,812,549 | 7,412 | 2,819,961 |
| Deferred outflow of resources-Deferred loss on refunding | — | (7,412) | 7,412 |
| Net position | \$ 2,236,786 | \$ (75,751) | \$ 2,161,035 |

4. Investments

The Agency's investments at October 31, 2013 and October 31, 2012, excluding accrued interest, consisted of the following:

| October 31, 2013: | Time Deposits, Money Market and Savings Accounts | U.S. Treasury Obligations | U.S. Government Agencies | Total Fair Value |
|---|---|---------------------------------|--------------------------------|------------------------|
| Category | | | | |
| (in thousands) | | | | |
| Invested revenues | \$ 1,883 | \$ 317,935 | \$ 458 | \$ 320,276 |
| Mortgage insurance reserves | — | 1,619,847 | 97,946 | 1,717,793 |
| Mortgage acquisition and other bond proceeds | — | 19,509 | — | 19,509 |
| Bondholder reserves | 48,973 | 138,849 | 10,746 | 198,568 |
| Total | <u>\$ 50,856</u> | <u>\$ 2,096,140</u> | <u>\$ 109,150</u> | <u>\$ 2,256,146</u> |

| October 31, 2012: | Time Deposits, Money Market and Savings Accounts | U.S. Treasury Obligations | U.S. Government Agencies | Total Fair Value |
|---|---|---------------------------------|--------------------------------|------------------------|
| Category | | | | |
| (in thousands) | | | | |
| Invested revenues | \$ 2,662 | \$ 300,027 | \$ 367 | \$ 303,056 |
| Mortgage insurance reserves | — | 1,537,990 | 105,678 | 1,643,668 |
| Mortgage acquisition and other bond proceeds | — | 138,437 | — | 138,437 |
| Bondholder reserves | 48,973 | 153,967 | — | 202,940 |
| Total | <u>\$ 51,635</u> | <u>\$ 2,130,421</u> | <u>\$ 106,045</u> | <u>\$ 2,288,101</u> |

Agency funds are invested in accordance with the investment guidelines approved annually by the Agency's board, which are in compliance with the New York State Comptroller's Investment Guidelines.

All of the above investments that are securities are in registered form, and are held by agents of the Agency or by the trustee under the applicable bond resolution, in the Agency's name. The agents or their custodians take possession of the securities.

4. Investments (continued)

Permitted Investments

All bond proceeds and revenues can only be invested in Securities [defined as (i) obligations the principal of and interest on which are guaranteed by the United States of America; (ii) obligations of the United States of America; (iii) obligations the principal of and interest on which are guaranteed by the State; (iv) obligations of the State; (v) obligations of any agency of the United States of America; (vi) obligations of any agency of the State; (vii) obligations the principal of and interest on which are guaranteed by an agency or instrumentally of the United States of America; (viii) obligations of the Federal National Mortgage Association (“FNMA”)], Time Deposits and Certificates of Deposit. Securities are purchased from Primary and approved Dealers, and Securities are delivered to the applicable Custodian/Trustee who records the investment.

Collateralized Time Deposit Agreements and Certificates of Deposit may only be entered into with banks or trustees rated at least within the second highest rating category without regard to gradations within such category by Moody’s Investors Service or Standard & Poor’s. Collateralized Time Deposit Agreements and certificates of deposit are collateralized at a minimum of 103% of the principal amount of the agreement and marked to market weekly.

The collateral consists of United States government obligations, other securities the principal of and interest on which are guaranteed by the United States, Government National Mortgage Association obligations and obligations of agencies and instrumentalities of the Congress of the United States and obligations of FNMA. The collateral is delivered to the Custodian and held for the benefit of the Agency.

Investment Maturities in Years at October 31, 2013 are as follows:

| | Fair Value | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
|--------------------------------|----------------|----------------|------------|------------|-----------------|
| | (in thousands) | | | | |
| Time Deposits | \$ 59,765 | \$ — | \$ 10,907 | \$ 5,525 | \$ 43,333 |
| Trust Savings Accounts/ CDs | 1,883 | 1,883 | — | — | — |
| Municipal Bonds | 458 | — | — | — | 458 |
| U.S. Treasury Bills | 427,625 | 427,625 | — | — | — |
| U.S. Treasury Notes & Bonds | 1,668,515 | 400,496 | 702,499 | 565,520 | — |
| U.S. Government Agencies | 97,900 | 25,718 | 72,182 | — | — |
| Total | \$ 2,256,146 | \$ 855,722 | \$ 785,588 | \$ 571,045 | \$ 43,791 |

Interest Rate Risk

The Agency’s exposure to fair value losses arising from rising interest rates is limited by the short term duration of 38% and 46% of the Agency’s investments for fiscal years ended 2013 and 2012, respectively.

5. Mortgage Loans Receivable

The principal balances of mortgage loans receivables for the years ended October 31, 2013 and October 31, 2012 were as follows:

October 31, 2013:

| | Balance at October 31, 2012 | Amortization | Prepayments, Transfers and Other Credits | Purchase of New Loans | Balance at October 31, 2013 |
|------------------------------|-----------------------------------|---------------------|--|--------------------------|-----------------------------------|
| (in thousands) | | | | | |
| Homeowner Mortgage | | | | | |
| Revenue | \$ 2,139,637 | \$ (76,627) | \$ (219,353) | \$ 192,059 | \$ 2,035,716 |
| Mortgage Revenue | 808,531 | (24,104) | (57,214) | 96,149 | 823,362 |
| Homeownership | | | | | |
| Program | 3,698 | (214) | (362) | — | 3,122 |
| Total Mortgage Receivable | <u>\$ 2,951,866</u> | <u>\$ (100,945)</u> | <u>\$ (276,929)</u> | <u>\$ 288,208</u> | <u>\$ 2,862,200</u> |

October 31, 2012:

| | Balance at October 31, 2011 | Amortization | Prepayments, Transfers and Other Credits | Purchase of New Loans | Balance at October 31, 2012 |
|------------------------------|-----------------------------------|---------------------|--|--------------------------|-----------------------------------|
| (in thousands) | | | | | |
| Homeowner Mortgage | | | | | |
| Revenue | \$ 2,324,924 | \$ (81,401) | \$ (228,645) | \$ 124,759 | \$ 2,139,637 |
| Mortgage Revenue | 879,501 | (25,252) | (45,718) | — | 808,531 |
| Homeownership | | | | | |
| Program | 4,281 | (229) | (354) | — | 3,698 |
| Total Mortgage Receivable | <u>\$ 3,208,706</u> | <u>\$ (106,882)</u> | <u>\$ (274,717)</u> | <u>\$ 124,759</u> | <u>\$ 2,951,866</u> |

5. Mortgage Loans Receivable (continued)

Mortgage loans outstanding were as follows at October 31, 2013 and October 31, 2012:

| October 31, 2013: | Number of Mortgage Loans | Outstanding Principal Balance |
|--|--------------------------------|-------------------------------------|
| | | (in thousands) |
| Homeowner Mortgage Revenue: | | |
| Uninsured | 7,895 | \$ 653,324 |
| F.H.A. (insured) | 2 | 213 |
| Private mortgage insurance (at time of purchase) | 16,961 | 1,385,399 |
| Deferred Participation | — | (3,220) |
| | <u>24,858</u> | <u>2,035,716</u> |
| Mortgage Revenue: | | |
| Uninsured | 2,727 | 315,532 |
| F.H.A. (insured) | 9 | 106 |
| Private mortgage insurance (at time of purchase) | 4,770 | 504,504 |
| Deferred Participation | — | 3,220 |
| | <u>7,506</u> | <u>823,362</u> |
| Homeownership Program: | | |
| Uninsured | 4 | 246 |
| Private mortgage insurance (at time of purchase) | 63 | 2,876 |
| | <u>67</u> | <u>3,122</u> |
| Total | <u>32,431</u> | <u>\$ 2,862,200</u> |
| | | |
| October 31, 2012: | Number of Mortgage Loans | Outstanding Principal Balance |
| | | (in thousands) |
| Homeowner Mortgage Revenue: | | |
| Uninsured | 8,339 | \$ 662,557 |
| F.H.A. (insured) | 1 | 21 |
| Private mortgage insurance (at time of purchase) | 18,474 | 1,480,847 |
| Deferred Participation | — | (3,788) |
| | <u>26,814</u> | <u>2,139,637</u> |
| Mortgage Revenue: | | |
| Uninsured | 2,682 | 300,956 |
| F.H.A. (insured) | 12 | 160 |
| Private mortgage insurance (at time of purchase) | 4,985 | 503,627 |
| Deferred Participation | — | 3,788 |
| | <u>7,679</u> | <u>808,531</u> |
| Homeownership Program: | | |
| Uninsured | 5 | 272 |
| Private mortgage insurance (at time of purchase) | 70 | 3,426 |
| | <u>75</u> | <u>3,698</u> |
| Total | <u>34,568</u> | <u>\$ 2,951,866</u> |

5. Mortgage Loans Receivable

The principal balances of mortgage loans receivables for the years ended October 31, 2013 and October 31, 2012 were as follows:

| October 31, 2013: | Number of Loans in Arrears | Principal (in thousands) | Percent of Principal Outstanding of Loans in Arrears to Total Loans |
|-----------------------------|----------------------------------|---------------------------------|---|
| Days in Arrears | | | |
| Homeowner Mortgage Revenue: | | | |
| 60 | 247 | \$ 19,791 | 0.97% |
| 90 plus | 931 | 98,727 | 4.84% |
| | <u>1,178</u> | <u>118,518</u> | <u>5.81%</u> |
| Mortgage Revenue: | | | |
| 60 | 66 | 6,570 | 0.80% |
| 90 plus | 201 | 21,353 | 2.60% |
| | <u>267</u> | <u>27,923</u> | <u>3.40%</u> |
| Homeownership Program: | | | |
| 60 | 2 | 121 | 3.88% |
| 90 plus | 6 | 354 | 11.34% |
| | <u>8</u> | <u>475</u> | <u>15.21%</u> |
| Combined: | | | |
| 60 | 315 | 26,482 | 0.93% |
| 90 plus | 1,138 | 120,434 | 4.21% |
| | <u>1,453</u> | <u>\$ 146,916</u> | <u>5.13%</u> |
| October 31, 2012: | | | |
| Days in Arrears | Number of Loans in Arrears | Principal (in thousands) | Percent of Principal Outstanding of Loans in Arrears to Total Loans |
| Homeowner Mortgage Revenue: | | | |
| 60 | 259 | \$ 21,656 | 1.04% |
| 90 plus | 824 | 86,577 | 4.04% |
| | <u>1,083</u> | <u>108,233</u> | <u>5.08%</u> |
| Mortgage Revenue: | | | |
| 60 | 64 | 6,235 | 0.77% |
| 90 plus | 157 | 14,388 | 1.79% |
| | <u>221</u> | <u>20,623</u> | <u>2.56%</u> |
| Homeownership Program: | | | |
| 60 | 3 | 183 | 4.96% |
| 90 plus | 6 | 419 | 11.32% |
| | <u>9</u> | <u>602</u> | <u>16.28%</u> |
| Combined: | | | |
| 60 | 326 | 28,074 | 0.95% |
| 90 plus | 987 | 101,384 | 3.44% |
| | <u>1,313</u> | <u>\$ 129,458</u> | <u>4.39%</u> |

6. Bonds Payable

Changes in bonds payable, net for the year ended October 31, 2013 and October 31, 2012 were as follows:

October 31, 2013:

| | Bonds Outstanding at October 31, 2012 | Matured/ Called/ Redeemed | Issued | Amortization of Bond Premium and Deferred Loss Amounts | Bonds Outstanding at October 31, 2013 |
|--------------------------------|--|---------------------------------|-------------------|--|--|
| (in thousands) | | | | | |
| Homeowner Mortgage Revenue | \$ 2,223,488 | \$ (447,520) | \$ 225,900 | \$ (6) | \$ 2,001,862 |
| Mortgage Revenue | 800,263 | (185,980) | 198,825 | (331) | 812,777 |
| NYHELPS (Student Loan program) | 13,845 | (385) | — | (77) | 13,383 |
| Total Bonds Outstanding | <u>\$ 3,037,596</u> | <u>\$ (633,885)</u> | <u>\$ 424,725</u> | <u>\$ (414)</u> | <u>\$ 2,828,022</u> |

October 31, 2012:

| | Bonds Outstanding at October 31, 2011 | Matured/ Called/ Redeemed | Issued | Amortization of Bond Premium and Deferred Loss Amounts | Bonds Outstanding at October 31, 2012 |
|--------------------------------|--|---------------------------------|-------------------|--|--|
| (in thousands) | | | | | |
| Homeowner Mortgage Revenue | \$ 2,318,281 | \$ (742,945) | \$ 646,005 | \$ 2,147 | \$ 2,223,488 |
| Mortgage Revenue | 871,530 | (71,100) | — | (167) | 800,263 |
| NYHELPS (Student Loan program) | 23,417 | (9,115) | — | (457) | 13,845 |
| Total Bonds Outstanding | <u>\$ 3,213,228</u> | <u>\$ (823,160)</u> | <u>\$ 646,005</u> | <u>\$ 1,523</u> | <u>\$ 3,037,596</u> |

6. Bonds Payable (continued)

Homeowner Mortgage Revenue Bonds

One hundred eighty-two Homeowner Mortgage Revenue Bond series have been issued between 1988 and 2013 in a total original amount of \$9,976,813,000. At October 31, 2013, the interest rates for the fixed rate bonds outstanding ranged from .40% to 6% and the interest on the variable rate debt ranged from .03% to .27%.

The schedule of Total Annual Maturities as of October 31, 2013 was as follows:

| Fiscal Year Ending Oct 31, | Serial Bonds | Term Bonds | Total Bonds Payable | Interest Payable | Total Debt Service |
|-----------------------------------|-----------------|---------------|---------------------------|---------------------|--------------------------|
| (in thousands) | | | | | |
| 2014 | \$ 80,705 | \$ 3,645 | \$ 84,350 | \$ 54,793 | \$ 139,143 |
| 2015 | 85,505 | 12,400 | 97,905 | 52,313 | 150,218 |
| 2016 | 82,480 | 13,130 | 95,610 | 49,863 | 145,473 |
| 2017 | 78,540 | 15,080 | 93,620 | 47,236 | 140,856 |
| 2018 | 47,875 | 27,735 | 75,610 | 44,554 | 120,164 |
| 2019-2023 | 221,125 | 221,170 | 442,295 | 181,362 | 623,657 |
| 2024-2028 | 1,670 | 405,655 | 407,325 | 104,700 | 512,025 |
| 2029-2033 | — | 337,130 | 337,130 | 54,359 | 391,489 |
| 2034-2038 | — | 297,150 | 297,150 | 24,178 | 321,328 |
| 2039-2043 | — | 69,315 | 69,315 | 9,319 | 78,634 |
| 2044-2047 | — | 935 | 935 | 2 | 937 |
| Total Debt Service Requirement | 597,900 | 1,403,345 | 2,001,245 | 622,679 | 2,623,924 |
| Unamortized bond premium | — | — | 617 | — | — |
| Total | \$ 597,900 | \$ 1,403,345 | \$ 2,001,862 | \$ 622,679 | \$ 2,623,924 |

6. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds

At October 31, 2013, the interest rate for fixed rate Homeowner Mortgage Revenue Bonds outstanding ranged from .40% to 6%.

The schedule of Homeowner Mortgage Revenue Bonds outstanding by series as of October 31, 2013 was as follows:

| Series | Originally Issued | Currently Outstanding | Range of Interest Rates | Last Remaining Maturity |
|--------|-------------------|-----------------------|-------------------------|-------------------------|
| | (in thousands) | | | |
| 78A | \$ 10,505 | \$ 1,185 | 5.0% | 2014 |
| 87 | 77,085 | 50 | 5.15% | 2017 |
| 100 | 9,390 | 125 | 4.95% | 2015 |
| 105 | 23,215 | 3,205 | 3.85%-4.25% | 2015 |
| 107 | 1,640 | 240 | 4.25% | 2014 |
| 109 | 125,000 | 54,060 | 4.9%-4.95% | 2034 |
| 110 | 99,650 | 19,940 | 4.0%-4.4% | 2017 |
| 111 | 114,760 | 58,415 | 4.0%-4.55% | 2023 |
| 112 | 10,240 | 3,345 | 3.65%-4.0% | 2017 |
| 113 | 90,000 | 3,010 | 4.7%-4.95% | 2017 |
| 115 | 35,000 | 35,000 | Reset Weekly | 2034 |
| 116 | 125,000 | 94,280 | 4.05%-4.80% | 2034 |
| 117 | 44,280 | 23,055 | 4.05%-4.65% | 2025 |
| 120 | 35,000 | 24,380 | 4.05%-4.75% | 2025 |
| 121 | 400 | 120 | 4.00% | 2017 |
| 122 | 40,000 | 40,000 | Reset Weekly | 2035 |
| 123 | 28,760 | 22,145 | 4.6%-4.75% | 2029 |
| 124 | 36,240 | 5,370 | 3.85%-4.0% | 2015 |
| 125 | 35,000 | 35,000 | Reset Weekly | 2036 |
| 127 | 20,605 | 15,675 | 4.7%-4.95% | 2036 |
| 128 | 45,395 | 4,990 | 4.15% - 4.25% | 2015 |
| 129 | 34,000 | 34,000 | Reset Weekly | 2035 |
| 130 | 48,055 | 33,690 | 4.4%-4.8% | 2037 |
| 131 | 28,725 | 9,155 | 3.90%-4.05% | 2017 |
| 132 | 34,000 | 34,000 | Reset Daily | 2037 |
| 133 | 73,970 | 8,530 | 4.6%-6% | 2032 |
| 135 | 34,000 | 34,000 | Reset Daily | 2037 |
| 137 | 75,205 | 63,815 | 4.55%-4.7% | 2031 |
| 138 | 15,795 | 9,490 | 3.75%-3.9% | 2017 |
| 139 | 34,000 | 34,000 | Reset Daily | 2037 |
| 140 | 40,435 | 24,380 | 4.6%-4.75% | 2037 |

6. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds (continued)

| Series | | Originally Issued | Currently Outstanding | Range of Interest Rates | Last Remaining Maturity |
|-----------------------------|----|----------------------|--------------------------|----------------------------|-------------------------------|
| | | (in thousands) | | | |
| 141 | \$ | 15,565 | \$ 6,340 | 3.85%-4.0% | 2017 |
| 142 | | 34,000 | 34,000 | Reset Daily | 2037 |
| 143 | | 60,000 | 43,995 | 4.2%-4.9% | 2037 |
| 144 | | 30,000 | 30,000 | Reset Daily | 2037 |
| 145 | | 22,980 | 1,390 | 4.95% | 2023 |
| 146 | | 37,020 | 15,015 | 3.8%-4.1% | 2017 |
| 147 | | 50,000 | 50,000 | Reset Weekly | 2037 |
| 148 | | 53,905 | 9,970 | 4.5%-4.9% | 2022 |
| 149 | | 21,095 | 10,870 | 3.7%-3.95% | 2017 |
| 150 | | 50,000 | 50,000 | Reset Daily | 2037 |
| 152 | | 29,765 | 9,865 | 3.75%-4.125% | 2017 |
| 153 | | 50,000 | 50,000 | Reset Weekly | 2047 |
| 155 | | 32,145 | 15,160 | 3.85%-4.375% | 2018 |
| 158 | | 50,000 | 3,310 | 4.75%-5.0% | 2015 |
| 159 | | 60,000 | 60,000 | Reset Weekly | 2038 |
| 160 | | 11,560 | 6,270 | 3.05%-4.0% | 2018 |
| 162 | | 25,000 | 25,000 | Reset Weekly | 2039 |
| 163 | | 66,825 | 61,005 | 1.85%-4.45% | 2031 |
| 164 | | 84,365 | 68,005 | 1.0%-3.4% | 2022 |
| 165 | | 50,000 | 48,625 | 4%-4.75% | 2042 |
| 166 | | 107,585 | 89,570 | 1.514%-3.999% | 2021 |
| 167 | | 10,695 | 10,695 | 3.1%-4.1% | 2022 |
| 168 | | 50,065 | 47,755 | .6%-4.125% | 2040 |
| 169 | | 43,060 | 40,225 | .6%-2.6% | 2021 |
| 170 | | 19,940 | 19,940 | 2.4%-3.9% | 2027 |
| 171 | | 12,000 | 12,000 | 3.40% | 2022 |
| 172 | | 150,000 | 148,175 | .7%-4.203% | 2027 |
| 175 | | 82,660 | 81,510 | .605%-4.116% | 2028 |
| 176 | | 66,835 | 66,745 | 1.45%-3.75% | 2042 |
| 177 | | 33,200 | 31,295 | .40%-3.05% | 2027 |
| 178 | | 79,370 | 79,370 | 3.5% - 4.9% | 2043 |
| 179 | | 13,090 | 13,090 | .65% - 1.65% | 2017 |
| 180 | | 33,405 | 33,405 | .90% - 4.10% | 2023 |
| Unamortized bond premium | | — | 617 | | |
| Total | \$ | 2,961,480 | 2,001,862 | | |

6. Bonds Payable (continued)

Outstanding Homeowner Mortgage Revenue Bonds (continued)

As of October 31, 2013, the additional debt service requirements of the Agency's hedged variable rate debt on associated derivative instruments for the period hedged are as follows. These amounts assume that current interest rates on October 31, 2013 and the variable-rate offset the fixed rates of hedging derivative instruments will remain the same for the term of the respective swaps.

The table below represents the additional debt service payments resulting from the Homeowner Mortgage Revenue Bond hedged derivative instruments

| Fiscal Year Ending Oct 31, | Swap Nominal Amount | Fixed Interest Payments | Swap Offset Payments | Net Swap Interest |
|-------------------------------|------------------------|-------------------------------|-------------------------|----------------------|
| (in thousands) | | | | |
| 2014 | \$ — | \$ 14,219 | \$ 1,329 | \$ 12,890 |
| 2015 | — | 14,219 | 1,329 | 12,890 |
| 2016 | 98,000 | 13,564 | 1,272 | 12,292 |
| 2017 | 94,675 | 9,817 | 869 | 8,948 |
| 2018 | 161,400 | 6,532 | 521 | 6,011 |
| 2019-2023 | 8,000 | 11,162 | 1,122 | 10,040 |
| 2024-2028 | 11,960 | 9,729 | 980 | 8,749 |
| 2029-2033 | 31,505 | 6,254 | 630 | 5,624 |
| 2034-2038 | 14,460 | 966 | 97 | 869 |
| Total | \$ 420,000 | \$ 86,462 | \$ 8,149 | \$ 78,313 |

6. Bonds Payable (continued)

Mortgage Revenue Bonds

Fifty-one Mortgage Revenue Bond series have been issued between 1984 and 2013 in a total original amount of \$4,379,529,000. At October 31, 2013, the interest rates for the fixed rate bonds outstanding ranged from .31% to 5.45%.

The Schedule of Total Annual Maturities at October 31, 2013 was as follows:

| Fiscal Year Ending Oct 31, | Serial Bonds | Term Bonds | Bonds Payable | Interest Payable | Debt Service |
|-----------------------------------|-----------------|---------------|------------------|---------------------|-----------------|
| (in thousands) | | | | | |
| 2014 | \$ 21,575 | \$ — | \$ 21,575 | \$ 28,698 | \$ 50,273 |
| 2015 | 23,765 | — | 23,765 | 27,686 | 51,451 |
| 2016 | 21,890 | 950 | 22,840 | 27,240 | 50,080 |
| 2017 | 25,495 | 635 | 26,130 | 26,704 | 52,834 |
| 2018 | 17,080 | 8,065 | 25,145 | 31,294 | 56,439 |
| 2019-2023 | 64,920 | 76,560 | 141,480 | 119,063 | 260,543 |
| 2024-2028 | 7,630 | 119,265 | 126,895 | 89,388 | 216,283 |
| 2029-2033 | — | 135,420 | 135,420 | 62,686 | 198,106 |
| 2034-2038 | — | 151,685 | 151,685 | 37,409 | 189,094 |
| 2039-2043 | — | 133,650 | 133,650 | 10,007 | 143,657 |
| Total Debt Service Requirement | 182,355 | 626,230 | 808,585 | 460,175 | 1,268,760 |
| Unamortized bond premium | — | — | 4,192 | — | — |
| Total | \$ 182,355 | \$ 626,230 | \$ 812,777 | \$ 460,175 | \$ 1,268,760 |

6. Bonds Payable (continued)

Outstanding Mortgage Revenue Bonds

At October 31, 2013, the interest rate for fixed rate Mortgage Revenue Bonds outstanding ranged from .31% to 5.45%.

The schedule of Mortgage Revenue Bonds outstanding by series as of October 31, 2013 was as follows:

| Series | Originally Issued | Currently Outstanding | Range of Interest Rates | Remaining Maturity |
|-----------------------------|----------------------|--------------------------|----------------------------|-----------------------|
| (in thousands) | | | | |
| 29th | \$ 101,280 | \$ 2,485 | 5.45% | 2031 |
| 31stA | 55,780 | 40,975 | 5.2%-5.3% | 2031 |
| 32nd | 26,045 | 2,335 | 4.55% | 2014 |
| 33rdA | 44,505 | 16,330 | 4.1%-4.75% | 2023 |
| 35th | 62,760 | 53,740 | 4.5%-4.8% | 2030 |
| 36th | 27,240 | 1,555 | 4.10% | 2016 |
| 39TH | 57,385 | 49,945 | 3.25%-5.0% | 2028 |
| 40TH | 22,615 | 15,225 | 1.9%-3.125% | 2017 |
| 38THB | 30,000 | 28,810 | 3.07% | 2041 |
| 41st | 14,820 | 13,990 | 1.30%-4.0% | 2028 |
| 42nd | 5,180 | 3,465 | 1.30%-2.5% | 2018 |
| 43rd | 14,330 | 8,060 | 1.30%-2.3% | 2017 |
| 44th | 38,555 | 30,135 | 2.05%-4.35% | 2024 |
| 38THC | 66,000 | 60,530 | 3.01% | 2041 |
| 45th | 44,000 | 37,245 | 1.5%-4.5% | 2029 |
| 38THD | 138,110 | 129,610 | 3.55% | 2041 |
| 38THE | 35,000 | 32,850 | 3.55% | 2035 |
| 46TH | 97,855 | 76,145 | 2.1%-5.0% | 2029 |
| 47TH | 17,555 | 6,680 | 1.5%-2.1% | 2015 |
| 48TH | 110,905 | 110,905 | 2.625%-3.75% | 2041 |
| 49TH | 54,755 | 54,755 | 2.45 - 4.0% | 2043 |
| 50TH | 33,165 | 32,815 | .31 - 3.15% | 2027 |
| Unamortized bond premium | — | 4,192 | | |
| Total | \$ 1,097,840 | \$ 812,777 | | |

6. Bonds Payable (continued)

Student Loan Program

The Agency, doing business as The State of New York Higher Education Finance Authority issued the NYHELPS Educational Loan Revenue Bond, 2009 Series A in a total original amount of \$97,795,000. At October 31, 2013, the amount of \$13,285,000 remained outstanding with the interest rates ranging from 3.25% to 5.25%.

The schedule of Total Annual Maturities as of October 31, 2013 was as follows:

| Fiscal Year Ending Oct 31, | Interest Payable | Bonds Payable | Total Debt Service |
|-----------------------------------|---------------------|------------------|--------------------------|
| (in thousands) | | | |
| 2014 | \$ 607 | \$ 445 | \$ 1,052 |
| 2015 | 582 | 775 | 1,357 |
| 2016 | 544 | 1,045 | 1,589 |
| 2017 | 484 | 1,540 | 2,024 |
| 2018 | 418 | 1,405 | 1,823 |
| 2019-2023 | 1,265 | 4,270 | 5,535 |
| 2024-2027 | 390 | 3,805 | 4,195 |
| Total Debt Service Requirement | 4,290 | 13,285 | 17,575 |
| Unamortized bond premium | — | 98 | — |
| Total | \$ 4,290 | \$ 13,383 | \$ 17,575 |

7. Owned Real Estate

At October 31, 2013 and October 31, 2012 other assets consisted primarily of Owned Real Estate for which the balances were as follows:

October 31, 2013:

| Bondholder Funds | Number of Loans | Book Value | Appraised Value |
|----------------------------|--------------------|-------------------|--------------------|
| | | (\$ in thousands) | |
| Homeowner Mortgage Revenue | 68 | \$ 5,120 | \$ 6,118 |
| Mortgage Revenue | 11 | 666 | 976 |
| Other Assets | 1 | 90 | 145 |
| | 80 | \$ 5,876 | \$ 7,239 |

October 31, 2012:

| Bondholder Funds | Number of Loans | Book Value | Appraised Value |
|----------------------------|--------------------|-------------------|--------------------|
| | | (\$ in thousands) | |
| Homeowner Mortgage Revenue | 30 | \$ 2,302 | \$ 3,102 |
| Mortgage Revenue | 8 | 659 | 1,228 |
| Other Assets | — | 1,972 | — |
| | 38 | \$ 4,933 | \$ 4,330 |

8. Allowance for Anticipated Claims

The Mortgage Insurance Fund claim activity for the fiscal years ended October 31, 2013 and October 31, 2012 was as follows:

October 31, 2013:

| | Project Insurance | Pool Insurance | Primary Insurance | Total Insurance |
|--|----------------------|-------------------|----------------------|--------------------|
| (in thousands) | | | | |
| Reconciliation of Allowance for Claims | | | | |
| Allowance, beginning of year | \$ 33,204 | \$ — | \$ — | \$ 33,204 |
| Current year provision for estimated claims | 3,879 | 2,175 | 127 | 6,181 |
| Current year adjustment to claims status | (11,185) | — | — | (11,185) |
| Claims paid, net | (3,245) | (2,175) | (127) | (5,547) |
| Allowance, end of year | \$ 22,653 | \$ — | \$ — | \$ 22,653 |

October 31, 2012:

| | Project Insurance | Pool Insurance | Primary Insurance | Total Insurance |
|--|----------------------|-------------------|----------------------|--------------------|
| (in thousands) | | | | |
| Reconciliation of Allowance for Claims | | | | |
| Allowance, beginning of year | \$ 37,584 | \$ — | \$ — | \$ 37,584 |
| Current year provision for estimated claims | 7,035 | 1,489 | 104 | 8,628 |
| Current year adjustment to claims status | (10,546) | — | — | (10,546) |
| Claims paid, net | (869) | (1,489) | (104) | (2,462) |
| Allowance, end of year | \$ 33,204 | \$ — | \$ — | \$ 33,204 |

9. Retirement Benefits

State Employees' Retirement System

The Agency participates in the New York State and Local Employees' Retirement System (the "System") which is a cost sharing multiple employer public employee retirement system offering a wide range of plans and benefits which are related to years of service and final average salary, and provide for death and disability benefits and for optional methods of benefit payments. All benefits vest after five years of credited service. Obligations of participating employers and employees to contribute, and benefits payable to employees, are governed by the System and social security laws. The laws provide that all participating employers in the System are jointly and severally liable for any actuarial unfunded amounts. The Agency is billed annually for contributions.

The financial report of the system can be obtained from:

Office of the State Comptroller
New York State and Local Retirement System
110 State Street
Albany, NY 12244

Generally, all employees, except certain part-time and temporary employees, participate in the System. The System is contributory for the first ten years for employees who joined after July 1976 at the rate of 3% of their salary. Employee contributions are deducted from employees' compensation for remittance to the System.

The State Court of Appeals has ruled that the 1990 enactment of the projected unit credit actuarial method for calculating retirement plan funding was unconstitutional. On December 6, 1993, the State announced a return to the aggregate method for funding the plan.

The covered payrolls for the fiscal years ended October 31, 2013, 2012 and 2011 were \$7.4 million, \$7.4 million and \$7.9 million, respectively.

Based upon the actuarially determined contribution requirements, the Agency contributed 100% of their required portion in the amounts of \$1.3 million in fiscal 2013, \$1.6 million in fiscal 2012 and \$992 thousand in fiscal 2011. Agency employees were required to contribute .98% of the current year's covered payroll (\$72 thousand in 2013, \$53 thousand in 2012 and \$64 thousand in 2011).

Deferred Compensation

Some employees of the Agency have elected to participate in the State's deferred compensation plan in accordance with Internal Revenue Code Section 457. Agency employees contributed \$431 thousand during fiscal 2013 (\$471 thousand in fiscal 2012).

Other Postemployment Benefits

The Agency is a participating employer in the New York State Health Insurance Program ("NYSHIP"), which is administered by the State of New York as a multiple employer agent defined benefit plan. Under the plan as participated in by the Agency, eligible retired employees receive health care benefits with employees paying 25% of dependent coverage costs and 10% of individual employee costs. The Agency's plan complies with the NYSHIP benefit provisions. In addition, as provided for in Civil Service Law Section 167, the Agency applies the value of accrued sick leave of employees who retire out of service to the retiree's share of costs for health benefits.

9. Retirement Benefits (continued)

The Agency provides certain group health care and reimbursement of Medicare Part B premium for retirees (and for eligible dependents and survivors of retirees). Contributions towards part of the costs of these benefits are required of the retirees.

Retiree contributions towards the cost of the benefit are calculated depending on a number of factors, including hire date, years of service, and/or retirement date. An actuarially determined valuation of these benefits was performed by a consultant to calculate the impact of GASB accounting rules applicable to the retiree medical benefits for retired employees and their eligible dependents. GASB Statement No. 45 requires the valuation must be performed at least biennially. The most recent biennial valuation was performed with a valuation date of November 1, 2011 and was used as a basis for the determination of costs for the year ended October 31, 2012 and 2013. The biennial valuation was performed with a valuation date of November 1, 2009 and was used as a basis for fiscal year ended October 31, 2010 and fiscal year ended October 31, 2011. The total number of plan participants receiving OPEB from the Agency as of October 31, 2011 was 56.

The Agency elected to record the entire amount of the net OPEB obligation in the fiscal year ended October 31, 2006. The Agency also elected not to fund the net OPEB obligation more rapidly than on a pay-as-you-go basis. The net OPEB obligation relating to postemployment benefits is in the approximate amounts of \$39.0 million and \$34.7 million as of October 31, 2013 and 2012, respectively.

Upon the adoption of GASB 45, the Agency is not required by law or contractual agreement to provide funding for other postemployment benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. During the fiscal years ended October 31, 2013 and 2012, the Agency paid \$554 thousand and \$473 thousand, respectively.

Annual OPEB Cost and Net OPEB Obligation. The Agency's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount that was actuarially determined by using the Projected Unit Credit Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45).

The Agency is a participating employer in NYSHIP and does not issue a separate stand-alone financial report regarding other postemployment benefits. The NYSHIP financial report can be obtained from:

NYS Department of Civil Service
Employee Benefits Division
Alfred E. Smith Office Building
Albany, NY 12239

9. Retirement Benefits (continued)

The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective. The Agency uses a level dollar amount on an amortization period of ten years on an open basis. The following table shows the elements of the Agency's annual OPEB cost for the year, the amount actually paid, and changes in the Agency's net OPEB obligation to the plan for the years ended October 31, 2013 and 2012:

| | 2013 | 2012 |
|--|----------------|-----------|
| | (in thousands) | |
| Annual Required Contribution (ARC) | \$ 7,852 | \$ 7,343 |
| Interest on net OPEB Obligation | 1,213 | 1,063 |
| Adjustment to ARC | (4,167) | (3,652) |
| Annual OPEB cost | 4,898 | 4,754 |
| Payments made | (554) | (473) |
| Increase in net OPEB obligation | 4,344 | 4,281 |
| Net OPEB obligation - Beginning of fiscal year | 34,656 | 30,375 |
| Net OPEB obligation - End of fiscal year | \$ 39,000 | \$ 34,656 |

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended October 31, 2013, 2012 and 2011 are as follow:

| Year ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Paid | Net OPEB Obligation |
|------------|---------------------|--|---------------------------|
| | (in thousands) | | |
| 10/31/2013 | \$ 4,898 | 11.3% | \$ 39,000 |
| 10/31/2012 | \$ 4,754 | 9.9% | \$ 34,656 |
| 10/31/2011 | \$ 2,781 | 16.5% | \$ 30,375 |

Actuarial Methods and Assumptions: Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The OPEB-specific actuarial assumptions used in the Agency's November 1, 2011 OPEB actuarial valuations were the projected unit credit method as its actuarial cost method, a 3.5% per annum discount rate and that retiree contributions are assumed to increase at the same rates as incurred claims. The valuation dated as of November 1, 2009 used a per annum discount rate of 4%.

9. Retirement Benefits (continued)

The premium rate is used for all non-Medicare eligible retirees and dependents with basic medical coverage. Initial monthly premium rates are shown in the following table:

Monthly Rate Effective July 1, 2013

| | |
|-------------------|-------------|
| Eligible-Medicare | |
| Single | \$ 612.26 |
| Family | \$ 1,423.94 |

2009 Medicare Part B premiums are assumed to increase by Part B trend rates. No retiree is assumed to have income in excess of the threshold which would result in increasing Part B premiums above 25% of Medicare Part B costs.

Health Care Cost Trend Rate (HCCTR): Covered medical expenses are assumed to increase by the following percentages:

| <u>Year Ending</u> | <u>Rate</u> | | | |
|--------------------|-------------|---|-------------|---------------|
| 2013 | 8.0 | <i>Mortality.</i> Mortality rates are those recommended by the actuary: | | |
| 2014 | 7.0 | | | |
| 2015 | 6.4 | <u>Age</u> | <u>Male</u> | <u>Female</u> |
| 2016 | 6.3 | 60 | 0.69% | 0.59% |
| 2021 | 6.5 | 65 | 1.149 | 0.981 |
| 2026 | 7.2 | 70 | 1.880 | 1.584 |
| 2031 | 6.9 | 75 | 3.240 | 2.573 |
| 2036 | 6.5 | 80 | 5.763 | 4.247 |
| 2041 | 6.1 | 85 | 10.252 | 7.249 |
| 2046 | 5.8 | | | |
| 2086 | 4.7 | | | |

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Synthetic Fixed Rate Swaps

As of October 31, 2013, the Agency has entered into twelve negotiated swaps as part of its risk management program, serving to increase financial flexibility and reduce interest costs. These swaps were entered into with six financial institutions (the Counterparties) for a current total notional principal of \$420,000,000. These synthetic fixed-rate swaps correspond to the State of New York Mortgage Agency Homeowner Mortgage Revenue ("HMB") variable-rate bond series listed below.

The fair value balances and notional amounts of derivative instruments outstanding at October 31, 2013, classified by type, and the changes in fair value of such derivative instruments from the year then ended as reported in the 2012 financial statements are as follows:

| | Changes in fair value | | Fair value at October 31, 2013 | | Notional |
|-----------------|-----------------------|--------------|--------------------------------|----------------|---------------|
| | Classification | Amount | Classification | Amount | |
| Cash flow hedge | Deferred outflow | \$19,313,024 | Debt | (\$45,678,636) | \$420,000,000 |
| | | | | | |

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Objective and Terms of Hedging Derivative Instruments

The following table displays terms of the Agency's hedging derivative instruments outstanding at October 31, 2013, along with the credit rating of the associated counterparty. The objective of all of the swaps entered into was to hedge changes in cash flows in the associated bond series:

| Associated Bond Series | Terms | | | | Fair Value | Counterparty |
|------------------------|------------------------|----------------|---------------|-----------------|---------------|--------------------------------|
| | Notional Amount (000s) | Effective Date | Maturity Date | Fixed rate paid | | |
| HMB Series 129*(1) | \$34,000 | 11/17/05 | 10/01/35 | 3.5870% | (\$5,868,535) | Wells Fargo Bank NA |
| HMB Series 132* | \$34,000 | 03/09/06 | 04/01/37 | 3.4783% | (\$5,816,887) | JPMorgan Chase Bank NA |
| HMB Series 135* | \$34,000 | 07/13/06 | 04/01/16 | 3.8570% | (\$2,808,765) | The Bank of New York Mellon |
| HMB Series 139* | \$34,000 | 09/23/08 | 10/01/16 | 2.9720% | (\$2,385,250) | Goldman Sachs Bank USA |
| HMB Series 142*(1) | \$34,000 | 02/01/07 | 04/01/17 | 3.5650% | (\$3,342,377) | Wells Fargo Bank NA |
| HMB Series 144* | \$30,000 | 06/07/07 | 04/01/17 | 3.6540% | (\$3,041,585) | The Bank of New York Mellon |
| HMB Series 147* | \$30,000 | 09/20/07 | 10/01/17 | 3.4250% | (\$3,057,029) | JPMorgan Chase Bank NA |
| HMB Series 150* | \$40,000 | 12/14/07 | 04/01/18 | 3.2170% | (\$3,981,390) | Goldman Sachs Bank USA |
| HMB Series 153* | \$30,000 | 03/27/08 | 04/01/18 | 2.9900% | (\$2,685,967) | Merrill Lynch Der. Products AG |
| HMB Sr.122/125* | \$30,000 | 08/14/08 | 10/01/16 | 3.0860% | (\$2,206,408) | Royal Bank of Canada |
| HMB Sr.122/125* | \$30,000 | 08/14/08 | 10/01/18 | 3.1760% | (\$3,071,523) | Royal Bank of Canada |
| HMB Series 159** | \$60,000 | 10/30/08 | 10/01/18 | 3.5400% | (\$7,412,920) | Royal Bank of Canada |

* Variable rate payment received from counterparties is 63% of 1 month LIBOR plus 0.25%.

** Variable rate payment received from counterparties is SIFMA.

10. Synthetic Fixed Rate Swaps (Continued)

- (1) On December 4, 2012, the Citibank NA swaps were transferred to Wells Fargo Bank NA
- (2) On July 31, 2013, Series 162 with a remaining unamortized balance of \$13,090,000 was terminated with \$175,900 in termination payment made to Barclays Bank PLC.

On April 1, 2013, the Series 150 and 153 swaps with notional amounts of \$10,000,000 and \$20,000,000 matured.

COUNTERPARTY RATINGS

| <u>Counterparty Name</u> | <u>Moody's/S&P/Fitch</u> |
|--|------------------------------|
| The Bank of New York Mellon | Aa1/AA-/AA- |
| Citibank N.A. | A3/A/A |
| Goldman Sachs Bank USA* (Guarantor Goldman Sachs Group) | A2/A/A A3/A-/A |
| JPMorgan Chase Bank N.A. | Aa3/A+/A+ |
| Merrill Lynch Derivative Products AG | Aa3/AAA/NR |
| Royal Bank of Canada | Aa3/AA-/AA |

* In November 2008, Goldman Sachs Capital Markets L.P. merged into Goldman Sachs Bank USA

Risks

Credit risk. The Agency is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Agency's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating not be within the two highest investment grade categories by at least one nationally recognized statistical rating agency or the rating by any nationally recognized statistical rating agency fall below the three highest investment grade rating categories. The Agency has never been required to access collateral.

It is the Agency's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Interest rate risk. The Agency is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swap, as LIBOR or SIFMA decreases, the Agency's net payment on the swap increases.

Basis risk. The Agency is exposed to basis risk on its pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received by the Agency on these hedging derivative instruments are based on a rate other than interest rates the Agency pays on its hedged variable-rate debt, which is remarketed on either weekly or daily basis. As of October 31, 2013, the weighted-average interest rate on the Agency's hedged variable-rate debt is 0.086%, while the applicable 63% of one month LIBOR plus 0.25% and SIFMA were 0.356% and 0.08%, respectively.

Termination risk. The Agency or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the Agency would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover risk. The Agency is exposed to rollover risk on hedging derivative instruments should a termination event occur prior to the maturity of the hedged debt.

10. Synthetic Fixed Rate Swaps (Continued)

Contingencies

Five of the Agency's counterparties have derivative instruments that include provisions that require the Agency to post collateral in the event its credit rating falls below certain levels. The collateral posted is to be in the form of U.S. Treasury securities in the amount of the fair value of the hedging derivative in a liability position net of the effect of applicable netting arrangements. If the Agency does not post collateral, the hedging derivative instrument may be terminated by the counterparty.

Two of the five counterparties requiring collateral posting have collateral posting provisions if the Agency's rating falls to Baa1 or below or not rated by Moody's or BBB+ or below or not rated by Standard & Poor's. If the collateral posting requirements were triggered at October 31, 2013, the Agency would be required to post \$15,240,556 in collateral to these counterparties (\$22,224,547 at October 31, 2012).

Three of the five counterparties requiring collateral posting have collateral posting thresholds relating to various rating levels.

- The threshold amount is \$10,000,000 if the Agency's rating falls to Baa1 as rated by Moody's and BBB+ as rated by Standard and Poor's. At these ratings, if collateral posting requirements were triggered at October 31, 2013, the Agency would be required to post \$2,690,851 in collateral to these counterparties.
- The threshold amount is \$5,000,000 if the Agency's rating falls to Baa2 as rated by Moody's and BBB as rated by Standard and Poor's. At these ratings, if collateral posting requirements were triggered at October 31, 2013, the Agency would be required to post \$12,752,113 in collateral to these counterparties.
- The threshold amount is \$1,000,000 if the Agency's rating falls to Baa3 as rated by Moody's and BBB- as rated by Standard and Poor's. At these ratings, if collateral posting requirements were triggered at October 31, 2013, the Agency would be required to post \$24,752,113 in collateral to these counterparties.
- The threshold amount is zero if the Agency's ratings fall to below Baa3 as rated by Moody's and below BBB- as rated by Standard and Poor's. At those ratings, if collateral posting requirements were triggered at October 31, 2013, the Agency would be required to post \$27,752,113 in collateral to these counterparties.

11. Commitments and Contingencies

Office Leases

The Agency is obligated under leases for office locations in the City of New York and Buffalo.

The Agency and the New York State Housing Finance Agency (“HFA”) entered into an operating lease for office space which commenced in fiscal year 1994 for a term of fifteen years. The lease was renewed on January 1, 2009 for a term of ten years.

The leases obligate the Agency to pay for escalations in excess of the minimum annual rental (ranging from \$2.4 million to \$4.7 million) based on operating expenses and real estate taxes. The Agency bears approximately 50% of the minimum annual lease payments under this lease with the balance assumed by HFA, with whom the Agency shares the leased space.

Rental expense for the fiscal years ended October 31, 2013 and 2012 were approximately \$2.5 million. As of October 31, 2013, the future minimum lease payment, which includes the Agency’s pro rata share of the annual payment for the office space leases, under the non-cancelable operating leases are as follows:

| | Amount <u>(in thousands)</u> |
|---------------------------------|---------------------------------|
| Fiscal year ending October 31: | |
| 2014 | \$ 2,639 |
| 2015 | 2,717 |
| 2016 | 2,766 |
| 2017 | 2,805 |
| 2018 | 2,844 |
| Thereafter | 3,366 |
| Total minimum payments required | <u>\$ 17,137</u> |

Litigation

In the course of business, the Agency is party to various administrative and legal proceedings. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the financial position, changes in financial position or cash flows of the State of New York Mortgage Agency as set forth in the Financial Statements.

Risk Management

The Agency is subject to normal risks associated with its operations, including property damage, general liability and crime. Such risks are managed through the purchase of commercial insurance. There have been no decreases in coverage in the last three years.

12. Transfers to New York State and its Agencies

The New York State Fiscal Year 2014 enacted Executive Budget requires the Agency to make certain transfers of money from the MIF's Project Pool Insurance Account totaling \$136 million. Each transfer requires a determination by the Agency, that, at the time of such transfer, the reserves remaining in the Project Pool Insurance Account are sufficient to attain and maintain the credit rating required to accomplish the purposes of the Project Pool Account. The MIF transferred \$32.5 million during the current fiscal year with the remaining \$103.5 million reports as a payable to New York State at October 31, 2014. Similar transfers have been made by the Agency as part of the State's 2013 and 2009 Fiscal Years enacted Executive Budgets in the amount of \$100 million each.

State budget legislation in future years may provide for transfers from the Project Pool Insurance Account or other accounts in the MIF. The Agency makes no representation regarding whether any such transfers, or the amounts thereof, will be enacted.

13. Net Position

The Agency's Net Position represents the excess of assets and deferred outflows over liabilities and deferred inflows and largely consists of mortgage loans and investments. The Agency's net position is categorized as follows:

a. Restricted for Bond Obligations

Such amount represents earned commitment fees and net investment earnings accumulated to date. These amounts are invested in mortgage receivables and reserve investments. The revenues from the investments are necessary to meet scheduled payments of interest and principal on bonds, amortization of bond issuance costs and, if available, used to redeem bonds in advance of scheduled maturities as provided under the various bond resolutions.

b. Restricted for Insurance Requirements

As of October 31, 2013 and 2012, the Mortgage Insurance Fund's net position represent the required reserve for policies in force of \$3.00 billion and \$2.80 billion, respectively. Included within policies in force are single family mortgage primary and pool policies (total aggregate loss limit) totaling \$498 million and \$489 million in 2013 and 2012, respectively. Commitments outstanding as of fiscal years ended 2012 and 2013 were \$898 million and \$929 million, respectively. The Agency provided \$6.0 million and \$9.0 million during fiscal 2013 and 2012 respectively, for potential claims on mortgages insured by the Mortgage Insurance Fund.

The Agency recorded recovery income in the amount of approximately \$3.3 million during fiscal 2013 and \$3.5 million during fiscal 2012 as a result of an Ulster County Industrial Development Agency mortgage relating to a nursing home in Kingston, New York. The mortgage was assigned to the Agency as a result of a claim paid by the Mortgage Insurance Fund in July 2003.

The Agency remitted to the State excess tax collections during fiscal 2013 in the amount of \$28.0 million. There was no excess tax collection remitted during fiscal 2012. The Agency also made transfers to the State from the project insurance account of \$32.5 million and \$100.0 million for fiscal years 2013 and 2012 respectively.

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Required Supplementary Information

State of New York Mortgage Agency

(a component unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS -

POSTRETIREMENT HEALTHCARE PLAN

October 31, 2013 and 2012

(in thousands)

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | Ratio of UAAL to Covered Payroll |
|------------------|---------------------------|-----------------------------------|---|--------------|-----------------|----------------------------------|
| | (A) | (B) | (C=B-A) | (A/C) | (D) | (C/D) |
| November 1, 2011 | — | \$42,682 | \$42,682 | — | \$7,382 | 578% |
| November 1, 2009 | — | \$25,461 | \$25,461 | — | \$8,630 | 295% |
| November 1, 2007 | — | \$18,005 | \$18,005 | — | \$8,500 | 212% |

Supplementary Section

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Schedules of Net Position

October 31, 2013

with comparative totals for 2012

| | General Operating Fund | Homeowner Mortgage Revenue | Mortgage Revenue |
|---|------------------------------|----------------------------------|--------------------------|
| | (in thousands) | | |
| Assets | | | |
| Current assets: | | | |
| Cash-demand deposits restricted | \$ — | \$ 1,636 | \$ (19) |
| Cash-demand deposits unrestricted | 2,131 | — | — |
| Cash-custodian deposits | — | 2,294 | 1,314 |
| Investments unrestricted | 22,664 | — | — |
| Investments restricted | — | 258,400 | 104,169 |
| Total cash and investments | <u>24,795</u> | <u>262,330</u> | <u>105,464</u> |
| Mortgage loans receivable | — | 95,570 | 75,174 |
| Accrued interest receivable: | | | |
| Mortgage and student loans | — | 15,829 | 3,808 |
| Investments | 60 | 1,450 | 706 |
| Other | — | 6,112 | 943 |
| Total current assets | <u>24,855</u> | <u>381,291</u> | <u>186,095</u> |
| Non-current Assets: | | | |
| Investments restricted | — | 92,325 | 44,879 |
| Mortgage loans receivable | — | 1,940,146 | 748,188 |
| Student loan receivable | — | — | — |
| Unamortized cost of issuance | — | — | — |
| Total non-current assets | <u>—</u> | <u>2,032,471</u> | <u>793,067</u> |
| Total assets | <u>24,855</u> | <u>2,413,762</u> | <u>979,162</u> |
| Deferred outflows of resources | | | |
| Accumulated decrease in fair value of hedging derivatives | — | 38,979 | — |
| Deferred loss on refunding | — | 6,118 | — |
| Total deferred outflows of resources | <u>—</u> | <u>45,097</u> | <u>—</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Bonds payable, net | — | 88,915 | 21,575 |
| Interest payable | — | 4,616 | 2,450 |
| Allowance for anticipated claims | — | — | — |
| Unearned income, accounts payable and other liabilities | 4,824 | 9,697 | 1,520 |
| Amounts due to New York State and its Agencies | — | — | — |
| Interfund payables | (423) | (524) | 227 |
| Total current liabilities | <u>4,401</u> | <u>102,704</u> | <u>25,772</u> |
| Non-current Liabilities: | | | |
| Bonds payable, net | — | 1,912,947 | 791,202 |
| Derivative instruments - interest rate swaps | — | 45,679 | — |
| Postemployment retirement benefits payable | 39,000 | — | — |
| Total non-current liabilities | <u>39,000</u> | <u>1,958,626</u> | <u>791,202</u> |
| Total liabilities | <u>43,401</u> | <u>2,061,330</u> | <u>816,974</u> |
| Net position | | | |
| Restricted for bond obligations | — | 397,529 | 162,188 |
| Restricted for insurance requirements | — | — | — |
| Unrestricted (deficit) | (18,546) | — | — |
| Total net position | <u>\$ (18,546)</u> | <u>\$ 397,529</u> | <u>\$ 162,188</u> |

*Restated for GASB 65 implementation - please see note 3 Part 2-A-59

Supplemental Schedule I

| Homeownership Program | Single Family Programs Total | Student Loan Program | Mortgage Insurance Fund | Total All Funds | |
|--------------------------|------------------------------------|----------------------------|-------------------------------|-----------------|--------------|
| | | | | October 31, | |
| | | | | 2013 | 2012* |
| (in thousands) | | | | | |
| \$ — | \$ 1,617 | \$ 965 | \$ 317 | \$ 2,899 | \$ 14,551 |
| — | 2,131 | — | — | 2,131 | 1,785 |
| — | 3,608 | — | — | 3,608 | 2,086 |
| — | 22,664 | — | — | 22,664 | 17,348 |
| — | 362,569 | 15,916 | 461,075 | 839,560 | 1,076,861 |
| — | 392,589 | 16,881 | 461,392 | 870,862 | 1,112,631 |
| 241 | 170,985 | — | — | 170,985 | 166,965 |
| 58 | 19,695 | 816 | — | 20,511 | 17,930 |
| — | 2,216 | — | 7,008 | 9,224 | 10,462 |
| 122 | 7,177 | — | — | 7,177 | 4,933 |
| 421 | 592,662 | 17,697 | 468,400 | 1,078,759 | 1,312,921 |
| — | 137,204 | — | 1,256,718 | 1,393,922 | 1,193,892 |
| 2,881 | 2,691,215 | — | — | 2,691,215 | 2,784,901 |
| — | — | 11,678 | — | 11,678 | 12,552 |
| — | — | — | — | — | — |
| 2,881 | 2,828,419 | 11,678 | 1,256,718 | 4,096,815 | 3,991,345 |
| 3,302 | 3,421,081 | 29,375 | 1,725,118 | 5,175,574 | 5,304,266 |
| — | 38,979 | — | — | 38,979 | 58,292 |
| — | 6,118 | — | — | 6,118 | 7,412 |
| — | 45,097 | — | — | 45,097 | 65,704 |
| — | 110,490 | 445 | — | 110,935 | 217,635 |
| — | 7,066 | 308 | — | 7,374 | 8,374 |
| — | — | — | 22,653 | 22,653 | 33,204 |
| 68 | 16,109 | 35 | 33,409 | 49,553 | 30,113 |
| — | — | — | 103,534 | 103,534 | — |
| — | (720) | 24 | 696 | — | — |
| 68 | 132,945 | 812 | 160,292 | 294,049 | 289,326 |
| — | 2,704,149 | 12,938 | — | 2,717,087 | 2,819,961 |
| — | 45,679 | — | — | 45,679 | 64,992 |
| — | 39,000 | — | — | 39,000 | 34,656 |
| — | 2,788,828 | 12,938 | — | 2,801,766 | 2,919,609 |
| 68 | 2,921,773 | 13,750 | 160,292 | 3,095,815 | 3,208,935 |
| 3,234 | 562,951 | 15,625 | — | 578,576 | 572,382 |
| — | — | — | 1,564,826 | 1,564,826 | 1,606,967 |
| — | (18,546) | — | — | (18,546) | (18,314) |
| \$ 3,234 | \$ 544,405 | \$ 15,625 | \$ 1,564,826 | \$ 2,124,856 | \$ 2,161,035 |

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Schedules of Revenues, Expenses and Changes in Net Position Fiscal Year Ended October 31, 2013 with comparative totals for 2012

| | General Operating Fund | Homeowner Mortgage Revenue | Mortgage Revenue |
|--|------------------------------|----------------------------------|---------------------|
| | (in thousands) | | |
| Operating revenues | | | |
| Interest earned on loans | \$ — | \$ 107,889 | \$ 38,487 |
| Recoveries | — | — | — |
| Investment Income | 6 | 5,201 | 1,813 |
| Net change in fair market value of investments | (1) | (3,491) | (1,350) |
| Commitment fees, insurance premiums and application fees earned | — | — | — |
| Other income | 382 | 309 | — |
| Total operating revenues | 387 | 109,908 | 38,950 |
| Operating expenses | | | |
| Interest and amortization of discount on debt | — | 76,760 | 29,452 |
| Bond issuance costs | — | 3,512 | 2,106 |
| Postemployment retirement benefits expense | 4,344 | — | — |
| General expenses | 9,977 | 5,015 | 169 |
| Overhead assessment by State of New York | 3,417 | — | — |
| Pool insurance | — | 221 | 102 |
| Provision for estimated claims | — | — | — |
| Expenditures related to federal and state grants | 909 | — | — |
| Other | 943 | 4,512 | 3,346 |
| Total operating expenses | 19,590 | 90,020 | 35,175 |
| Operating (loss) income | \$ (19,203) | \$ 19,888 | \$ 3,775 |
| Non-operating (expenses) revenues | | | |
| Mortgage insurance reserves retained | — | — | — |
| Federal grants | 909 | — | — |
| Transfers to New York State and its Agencies | — | — | — |
| Interfund transfers | 18,062 | (17,445) | — |
| Total non-operating revenues (expenses) | 18,971 | (17,445) | — |
| (Decrease) increase in net position | (232) | 2,443 | 3,775 |
| Net position, beginning of fiscal year | (18,314) | 395,086 | 158,413 |
| Total net position, end of fiscal year | \$ (18,546) | \$ 397,529 | \$ 162,188 |

*Restated for GASB 65 implementation - please see note 3

Supplemental Schedule II

| Homeownership Program | Single Family Programs Total | Student Loan Program | Mortgage Insurance Fund | Total All Funds | |
|--------------------------|------------------------------------|----------------------------|-------------------------------|---------------------------------------|---------------------|
| | | | | Fiscal year ended October 31, 2013 | 2012* |
| (in thousands) | | | | | |
| \$ 248 | \$ 146,624 | \$ 1,011 | \$ — | \$ 147,635 | \$ 162,551 |
| — | — | — | 11,185 | 11,185 | 10,546 |
| 1 | 7,021 | 16 | 14,776 | 21,813 | 30,548 |
| — | (4,842) | — | (23,932) | (28,774) | (7,380) |
| — | — | — | 14,129 | 14,129 | 13,171 |
| — | 691 | 2 | — | 693 | 551 |
| 249 | 149,494 | 1,029 | 16,158 | 166,681 | 209,987 |
| — | 106,212 | 546 | — | 106,758 | 124,918 |
| — | 5,618 | — | — | 5,618 | 1,893 |
| — | 4,344 | — | — | 4,344 | 4,281 |
| 1 | 15,162 | 134 | 4,112 | 19,408 | 20,577 |
| — | 3,417 | — | 1,139 | 4,556 | 4,410 |
| 5 | 328 | — | 180 | 508 | 1,031 |
| — | — | — | 6,181 | 6,181 | 8,628 |
| — | 909 | — | — | 909 | 828 |
| (1) | 8,800 | — | 3 | 8,803 | 7,225 |
| 5 | 144,790 | 680 | 11,615 | 157,085 | 173,791 |
| \$ 244 | \$ 4,704 | \$ 349 | \$ 4,543 | \$ 9,596 | \$ 36,196 |
| — | — | — | 89,268 | 89,268 | 87,256 |
| — | 909 | — | — | 909 | 828 |
| — | — | — | (135,952) | (135,952) | (100,000) |
| (617) | — | — | — | — | — |
| (617) | 909 | — | (46,684) | (45,775) | (11,916) |
| (373) | 5,613 | 349 | (42,141) | (36,179) | 24,280 |
| 3,607 | 538,792 | 15,276 | 1,606,967 | 2,161,035 | 2,136,755 |
| \$ 3,234 | \$ 544,405 | \$ 15,625 | \$ 1,564,826 | \$ 2,124,856 | \$ 2,161,035 |

State of New York Mortgage Agency

(A Component Unit of the State of New York)

Schedules of Cash Flows

Fiscal Year Ended October 31, 2013 with comparative totals for 2012

| | General Operating Fund | Homeowner Mortgage Revenue | Mortgage Revenue |
|--|------------------------------|----------------------------------|---------------------|
| | (in thousands) | | |
| Cash flows from operating activities | | | |
| Interest received on loans | \$ — | \$ 108,490 | \$ 38,538 |
| Principal payment on mortgages | — | 295,979 | 81,319 |
| Purchase of mortgage loans | — | (192,059) | (96,149) |
| Commitment fees, insurance premium and application fees earned | 1,353 | — | — |
| Operating expenses | (23,108) | — | — |
| Expenditures related to federal grants | (909) | — | — |
| Transfers | 18,062 | (17,445) | — |
| Other | 9,408 | (17,082) | (6,053) |
| Net cash provided by (used in) operating activities | 4,806 | 177,883 | 17,655 |
| Cash flows from non-capital financing activities | | | |
| Interest paid on bonds | — | (77,561) | (29,594) |
| Mortgage recording surtax receipts | — | — | — |
| Payments to New York State | — | — | — |
| Federal grants | 909 | — | — |
| Bond proceeds | — | 225,900 | 198,825 |
| Retirement and redemption of bonds | — | (447,520) | (185,980) |
| Net cash provided by (used in) non-capital financing activities | 909 | (299,181) | (16,749) |
| Cash flows from investing activities | | | |
| Earnings on investments | (14) | 8,971 | 3,775 |
| Proceeds from the sale or maturities of investments | 86,359 | 2,837,635 | 814,010 |
| Purchase of investments | (91,714) | (2,727,904) | (823,231) |
| Net cash (used in) provided by investing activities | (5,369) | 118,702 | (5,446) |
| Net increase (decrease) in cash | 346 | (2,596) | (4,540) |
| Cash, beginning of fiscal year | 1,785 | 6,526 | 5,835 |
| Cash, end of fiscal year | \$ 2,131 | \$ 3,930 | \$ 1,295 |
| Reconciliation of operating revenues (expenses) to net cash (used in) provided by operating activities: | | | |
| Net operating revenues (expenses) | \$ (19,203) | \$ 19,888 | \$ 3,775 |
| Adjustment to reconcile operating income to net cash provided (used in) by operating activities: | | | |
| Earnings on investment | (6) | (5,201) | (1,813) |
| Interest payments and amortization | — | 76,760 | 29,452 |
| Unrealized gain (loss) on investment | 1 | 3,491 | 1,350 |
| Provision for claims | — | — | — |
| Other | 1 | 1,218 | (309) |
| Transfers | 18,062 | (17,445) | — |
| Changes in assets and liabilities | | | |
| Mortgage loans and other loans, net | — | 103,920 | (14,830) |
| Interest, fees and other receivables | — | (5,387) | (545) |
| Student loans | — | — | — |
| Allowance for anticipated claims | — | — | — |
| Interfund payables | 2,726 | (1,611) | 122 |
| Unearned income, accounts payable and other | (1,119) | 2,250 | 453 |
| Postemployment retirement benefits payable | 4,344 | — | — |
| Net cash provided by (used in) operating activities | \$ 4,806 | \$ 177,883 | \$ 17,655 |
| Non-cash investing activities | | | |
| (Decrease) increase in fair value of investments | \$ (1) | \$ (7,805) | \$ (2,613) |

*Restated for GASB 65 implementation - please see note 3

Supplemental Schedule III

| Homeownership Program | Single Family Programs Total | Student Loan Program | Mortgage Insurance Fund | Total All Funds | |
|-----------------------|------------------------------|----------------------|-------------------------|------------------------------------|-------------------|
| | | | | Fiscal year ended October 31, 2013 | 2012* |
| (in thousands) | | | | | |
| \$ 251 | \$ 147,279 | \$ 612 | \$ — | \$ 147,891 | \$ 162,644 |
| 486 | 377,784 | 1,110 | — | 378,894 | 381,786 |
| — | (288,208) | — | — | (288,208) | (131,729) |
| — | 1,353 | — | 20,795 | 22,148 | 16,736 |
| (6) | (23,114) | (414) | — | (23,528) | (21,885) |
| — | (909) | — | — | (909) | (828) |
| (617) | — | — | — | — | — |
| (1,272) | (14,999) | (68) | (15,156) | (30,223) | (16,650) |
| (1,158) | 199,186 | 1,240 | 5,639 | 206,065 | 390,074 |
| — | (107,155) | (316) | — | (107,471) | (127,758) |
| — | — | — | 134,104 | 134,104 | 92,521 |
| — | — | — | (60,466) | (60,466) | (100,000) |
| — | 909 | — | — | 909 | 828 |
| — | 424,725 | — | — | 424,725 | 646,005 |
| — | (633,500) | (385) | — | (633,885) | (823,160) |
| — | (315,021) | (701) | 73,638 | (242,084) | (311,564) |
| 8 | 12,740 | 23 | 24,180 | 36,943 | 52,528 |
| 5,975 | 3,743,979 | 58,103 | 1,621,909 | 5,423,991 | 4,281,787 |
| (4,843) | (3,647,692) | (58,941) | (1,728,066) | (5,434,699) | (4,405,476) |
| 1,140 | 109,027 | (815) | (81,977) | 26,235 | (71,161) |
| (18) | (6,808) | (276) | (2,700) | (9,784) | 7,349 |
| 18 | 14,164 | 1,241 | 3,017 | 18,422 | 11,073 |
| \$ — | \$ 7,356 | \$ 965 | \$ 317 | \$ 8,638 | \$ 18,422 |
| \$ 244 | \$ 4,704 | \$ 349 | \$ 4,543 | \$ 9,596 | \$ 36,196 |
| (1) | (7,021) | (16) | (14,776) | (21,813) | (30,548) |
| — | 106,212 | 546 | — | 106,758 | 124,918 |
| — | 4,842 | — | 23,932 | 28,774 | 7,380 |
| — | — | — | 6,181 | 6,181 | 8,628 |
| — | 910 | (315) | (5,097) | (4,502) | (13,039) |
| (617) | — | — | — | — | — |
| 575 | 89,665 | — | — | 89,665 | 256,840 |
| (102) | (6,034) | (163) | 1,373 | (4,824) | (2,751) |
| — | — | 874 | — | 874 | (6,329) |
| — | — | — | (10,552) | (10,552) | (4,380) |
| (1,272) | (35) | — | 35 | — | — |
| 15 | 1,599 | (35) | — | 1,564 | 8,878 |
| — | 4,344 | — | — | 4,344 | 4,281 |
| \$ (1,158) | \$ 199,186 | \$ 1,240 | \$ 5,639 | \$ 206,065 | \$ 390,074 |
| \$ — | \$ (10,419) | \$ 2 | \$ (23,932) | \$ (34,349) | \$ (7,380) |



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and Directors of the Board
State of New York Mortgage Agency
New York, New York

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of New York (the “Agency”), a component unit of the State of New York, which comprise the statement of net position as of October 31, 2013, and the related statements of revenues and expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

January 29, 2014

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MORTGAGE INSURANCE AND NEW YORK FORECLOSURE PROCEDURES

Mortgage Pool Insurance Policies

General

Each Mortgage Loan (*other than* Mortgage Loans insured by FHA or guaranteed by the VA or the RD) is covered or expected to be covered by a mortgage pool insurance policy (each, including the Genworth Policy (defined below), a “Policy”) with terms generally as described below, provided by a private qualified mortgage pool insurer or the MIF (the “Mortgage Pool Insurer”). Subject to certain limitations, each such Policy will provide coverage of 100% of the loss of the Agency by reason of a default on any Mortgage Loan covered by such Policy up to an aggregate limit equal to 4% (in the case of each Policy covering Mortgage Loans financed with proceeds attributable to Bonds issued prior to the Series 45 Bonds, 5.5%) of the aggregate original principal amount of the Mortgage Loans covered by such Policy. Some of the Policies provide that, under certain circumstances, the Agency may cancel the Policy and may provide for alternative coverage (subject to limitations established in the applicable Series Resolution). The balance of the Policies have more limited cancellation rights.

For information regarding each Policy covering Mortgage Loans (the “Covered Loans”), see Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — Mortgage Pool Insurance Coverage.”

MIF Policies

Each Mortgage Pool Insurance Policy provided by the MIF (each, an “MIF Policy” and, collectively, the “MIF Policies”) provides that no claim may validly be presented thereunder unless (i) coverage from mortgage insurance or guaranty on the amount of the Mortgage Loan which exceeds 72% of the value of the property has been kept in force for at least so long as the remaining principal balance of the Mortgage Loan exceeds 80% of the value of the property (or, in one of the MIF Policies with respect to the Fourth Series Bonds, unless such coverage has been in effect for 10 years from its inception date, whichever occurs first), (ii) premiums on hazard insurance on the property securing the defaulted Mortgage Loan have been paid, and (iii) if there has been physical loss or damage to the mortgaged property, it has been restored to the condition it was in at the time the Mortgage Loan became subject to the coverage of the MIF Policy, subject to reasonable wear and tear. Assuming the satisfaction of these conditions, the MIF generally has the option, after expiration of any applicable redemption period, to either (a) purchase the property securing the defaulted Mortgage Loan at a price equal to the principal balance thereof plus accrued and unpaid interest at the Mortgage Loan rate to the date of purchase and certain expenses on condition that the MIF must be provided with good and merchantable title to the mortgaged property or (b) pay the amount by which the sum of the principal balance of the defaulted Mortgage Loan plus accrued and unpaid interest, at the Mortgage Loan rate, to the date of the payment of the claim, plus certain expenses, exceeds such proceeds received from the sale of the property which the MIF has approved. In both (a) and (b), the amount of payment is reduced by the proceeds from any applicable PMI policy, and any unreimbursed advance claim payments made under such MIF Policy. The MIF considers the amount of each claim payment due to be paid under each MIF Policy to be reduced by the amount payable under the applicable PMI policy, whether or not payment is received from the provider of the PMI policy.

A claim under each MIF Policy must be filed within 60 days after the Agency has conveyed title to the property pursuant to an approved sale.

None of the MIF Policies provide coverage against casualty losses.

The amount of coverage under each MIF Policy will be reduced over the life of the respective Series of Bonds by the dollar amount of claims paid less amounts realized by the MIF upon disposition of mortgaged properties. The amount of claims payable includes certain expenses incurred by the Mortgage Lenders as well as the accrued interest on delinquent Mortgage Loans, including interest accrued through 60 days following an approved sale. Accordingly, if aggregate recoveries under any one or more of the MIF Policies reach the applicable MIF Policy limit, coverage under such MIF Policy will be exhausted (unless the aggregate recoveries are subsequently reduced to an amount below the MIF Policy limit) and any further losses will be borne by Bondowners to the extent remaining moneys held under the Resolution are inadequate to pay principal of and interest on the Bonds.

Notwithstanding the description in the following two paragraphs and in the fourth and fifth paragraphs under “Private Insurer Policies and Private Mortgage Pool Insurers” below, the Agency does not currently request advance claims under any of the Policies, including those provided by the MIF. In addition, under its current operating policies, the Agency will not request advances under the MIF Policies. The Agency may decide at a future date to request advance claims under one or more Policies.

Each MIF Policy (other than the Series VV MIF Policy, as defined below under “Additional Information Concerning Series VV Policies,” which does not provide for advance claim payments) provides that monthly advances will be made to the Agency in an amount equal to the monthly principal and interest payments on each Mortgage Loan subject to such MIF Policy which has become two or more payments past due. The payments will be in an amount equal to all sums delinquent, and will be paid by the MIF to the Agency after notification of such delinquency, provided that foreclosure proceedings will be initiated when monthly payments of principal and interest are 120 days (90 days in certain MIF Policies) past due. Such advance claims payments are not for the benefit of the mortgagor, but are advances against any MIF Policy claim which may be filed. The Agency is obligated to commence foreclosure action at 120 days’ (90 days’ in certain MIF Policies) delinquency or obtain title through deed in lieu of foreclosure or other means. Foreclosure must be pursued during the period in which advances are made. Claim settlements are reduced by the sum of the advances and the advances must be repaid if the Mortgage Loan becomes current, delinquent for fewer months than those for which advances were made or if a claim is not filed under the respective MIF Policy. Advances must be repaid after payments on the Mortgage Loan have been received (either from the mortgagor or insurer or through foreclosure) for which advances were previously made. If the Agency elects to sell the property itself, and not file a claim, the MIF must be reimbursed for all advances made. For additional information concerning the Series VV MIF Policy, see “Additional Information Concerning Series VV Policies” below.

The coverage available under the advance claims procedure equals the limit of coverage provided under the applicable MIF Policy. Advances for which the MIF is ultimately reimbursed are not charged against the limit of coverage under the applicable MIF Policy. To the extent foreclosure or other disposition of the property subject to a Mortgage Loan does not result in sufficient liquidation proceeds to pay principal of, delinquent interest on, and foreclosure costs with respect to a defaulted Mortgage Loan, and to reimburse the MIF for all advances made, aggregate coverage under the applicable MIF Policy will be reduced by the amount of such shortfall. Consequently, when coverage under any of the MIF Policies has been exhausted, whether through losses on advances or foreclosure losses with respect to Mortgage Loans financed with the proceeds of the applicable Series of Bonds, coverage under the applicable advance claims procedure will also be exhausted.

For information regarding the MIF, see “Mortgage Insurance and New York Foreclosure Procedures — MIF” below.

Private Insurer Policies and Private Mortgage Pool Insurers

Private Insurer Policies. Each Policy provided by a Mortgage Pool Insurer other than the MIF (each a “Private Insurer Policy” and, collectively, the “Private Insurer Policies”) provides that no claim may validly be presented thereunder unless (i) with respect to a Mortgage Loan with an initial LTV in excess of 80%, PMI coverage on the amount of such Mortgage Loan which exceeds 75% (in the case of each Private Insurer Policy issued by Commonwealth Mortgage Assurance Company (“CMAC”), now known as Radian Guaranty Inc. (“Radian”), commencing with the Series VV CMAC Policy (defined below), 72%) of the value of the property (at the time of origination) has been kept in force from the time of origination until the remaining principal balance of the Mortgage Loan is less than or equal to 80% of such value of the property or, solely with respect to Private Insurer Policies issued by Radian prior to the Series VV CMAC Policy (as defined below), 10 years from the date of origination, if earlier, (ii) premiums for PMI or for hazard insurance on the property securing the defaulted Mortgage Loan (the “Mortgaged Property”), real property taxes, property sale, preservation and protection expenses and foreclosure expenses have been advanced by the Agency or otherwise have been paid, and (iii) if there has been physical loss or damage to the Mortgaged Property, it has been restored to the condition it was in at the time the Mortgage Loan became subject to the coverage of the Private Insurer Policy, subject to reasonable wear and tear (the Private Insurer Policies do not provide coverage against casualty losses). Assuming the satisfaction of these conditions, the Mortgage Pool Insurer will have the option, after expiration of any applicable redemption period, either (a) to purchase the Mortgaged Property securing the defaulted Mortgage Loan at a price equal to the unpaid principal balance thereof plus accrued and unpaid interest at the Mortgage Loan rate to the date of purchase and certain expenses on the condition the Mortgage Pool Insurer must be provided with good and merchantable title to the Mortgaged Property or (b) to pay the amount by which the sum of the unpaid principal balance of the defaulted Mortgage Loan plus accrued and unpaid interest, at the Mortgage Loan rate, to the date of the payment of the claim, plus certain expenses, exceeds such proceeds received from the Mortgage Pool Insurer-approved sale of the Mortgaged Property. In both (a) and (b), the amount of payment is reduced by the amount of loss required to be paid under any applicable primary mortgage insurance policy, and any unreimbursed advance claim payments made under the applicable Private Insurer Policy.

A claim under a Private Insurer Policy must be filed within 60 days after the Agency has conveyed title to the Mortgaged Property pursuant to a Mortgage Pool Insurer-approved sale.

The amount of coverage under each Private Insurer Policy will be reduced over its life by the dollar amount of claims paid under such Private Insurer Policy less amounts realized by the Mortgage Pool Insurer upon disposition of mortgaged properties. The amount of claims payable includes certain expenses incurred by the Mortgage Lenders or the Agency as well as the accrued interest on delinquent Mortgage Loans, including interest accrued through completion of foreclosure proceedings. Accordingly, if aggregate recoveries under a Private Insurer Policy reach the Private Insurer Policy limit, coverage under a Private Insurer Policy will be exhausted, and any further losses will be borne by Bondowners to the extent remaining moneys held under the General Resolution are inadequate to pay principal of and interest on the Bonds.

See the fifth paragraph under “MIF Policies” above for information regarding the two succeeding paragraphs.

A special endorsement to each Private Insurer Policy (the “Advance Claims Endorsement”) provides that, if foreclosure proceedings have been instituted and are being diligently pursued (*except* in the case of each Private Insurer Policy (each, a “Genworth Policy”) provided by Genworth Mortgage Insurance Corporation (formerly GEMICO) or Genworth Residential Mortgage Insurance Corporation of North Carolina (collectively, “Genworth”), which permits advances on a delinquent Mortgage Loan prior to commencement of foreclosure proceedings for no longer than 4 months after and including the month during which such Mortgage Loan became delinquent), advances will be made to the Agency, at the request of the Agency, in an amount equal to the monthly principal and interest payments on each Mortgage Loan subject to such Private Insurer Policy which is 60 days or more past due. Although available, the Agency does not currently request

advance claims under any of the Private Insurer Policies. See Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — Mortgage Pool Insurance Coverage.” If payments are requested, they are required to be in an amount equal to delinquent payments of principal and interest, and are required under the terms of the Advance Claims Endorsement to be paid by the Mortgage Pool Insurer to the Agency within 15 days (in the case of a Genworth Policy, 5 days) of receipt of the request for payment, provided that foreclosure proceedings have been initiated and are being diligently pursued (*except* in the case of a Genworth Policy, which permits advances on a delinquent Mortgage Loan prior to commencement of foreclosure proceedings for no longer than 4 months after and including the month during which such Mortgage Loan became delinquent). Such payments are not for the benefit of the mortgagor, but are advances against the Private Insurer Policy claim which may be filed for losses incurred as a result of the mortgagor’s default. Advances must be repaid within 15 days (in the case of a Genworth Policy, 5 days) after payments have been received (either from the mortgagor or insurer or through foreclosure) on the Mortgage Loan for which advances were previously made.

The coverage available under the advance claims procedure as set forth in the Advance Claims Endorsement equals the limit of coverage provided under a Private Insurer Policy. Advances for which the Mortgage Pool Insurer is ultimately reimbursed are not charged against the limit of coverage under the Private Insurer Policy. To the extent foreclosure or other disposition of the property subject to a Mortgage Loan does not result in sufficient liquidation proceeds to pay principal of, delinquent interest on, and foreclosure costs with respect to a defaulted Mortgage Loan, and to reimburse the Mortgage Pool Insurer for all advances made, aggregate coverage under a Private Insurer Policy will be reduced by the amount of such shortfall. Consequently, when coverage under a Private Insurer Policy has been exhausted, whether through losses on advances or foreclosure losses with respect to covered Mortgage Loans, coverage under the applicable Advance Claims Endorsement will also be exhausted.

See “Ratings Disclosure” below for additional information regarding Radian and Genworth.

Additional Information Concerning Series VV Policies

The Mortgage Loans purchased with proceeds attributable to the Series VV Bonds are covered by mortgage pool insurance policies provided by Radian Guaranty Inc. (formerly CMAC) (the “Series VV CMAC Policy”) and the MIF (the “Series VV MIF Policy”; together with the Series VV CMAC Policy, the “Series VV Policies”). The Series VV Policies have terms substantially the same as the Policies described under the subheadings “General” and “Private Insurer Policies and Private Mortgage Pool Insurers — Private Insurer Policies” above, *except* that (a) the Series VV CMAC Policy will provide coverage of the loss to the Agency by reason of a default on a Series VV Mortgage Loan (after receipt of any amount from primary mortgage insurance, if any, applicable to such Series VV Mortgage Loan) equal to 25% of the sum of the principal balance of the defaulted Series VV Mortgage Loan plus accrued and unpaid interest, at the Series VV Mortgage Loan rate, to the date of payment of the claim, plus certain expenses, up to an aggregate limit equal to 5½% of the aggregate original principal amount of the Series VV Mortgage Loans and (b) the Series VV MIF Policy will provide coverage of 100% of the loss to the Agency by reason of a default on a Series VV Mortgage Loan (after receipt of any amount from the Series VV CMAC Policy) up to an aggregate limit equal to 1% of the aggregate original principal amount of the Series VV Mortgage Loans.

PMI Programs

The Agency makes no representations regarding the financial condition of any private PMI provider or its ability to make full and any timely payment of claims made by the Agency for the Mortgage Loans such provider insures. If such claims are not paid on a timely basis, the Agency may experience losses on Mortgage Loans on default or in foreclosure. For information regarding private PMI, see Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — PMI Coverage.”

Private PMI

The Agency generally requires that, with respect to Mortgage Loans to be the subject of private PMI, each private PMI provider insuring such loans must be qualified to insure mortgages purchased by Freddie Mac or, if there are no entities so qualified, by entities whose financial conditions, in and of themselves, would not adversely affect the then existing rating assigned to the Bonds by Moody's. While there is no requirement that a particular private PMI provider is to be utilized, based upon the Agency's experience with its programs, it expects that a substantial portion of the PMI with respect to particular Mortgage Loans will be provided by the entity that provides or underwrites the mortgage pool insurance with respect to such Mortgage Loans. Since Radian Guaranty Inc. (formerly CMAC) provided underwriting services for many MIF Policies, Radian Guaranty Inc. is the PMI provider for a significant portion of the Mortgage Loans financed by the Agency with Bonds issued prior to the Series 123 Bonds. Genworth has been providing underwriting services with respect to the MIF Policies for most of the Mortgage Loans financed by the Series 123 Bonds and all Mortgage Loans financed since then. The Agency expects that Genworth will continue providing such services for Mortgage Loans financed by, as applicable, the Offered Bonds, future Bond issuances and other moneys available under the General Resolution. The Agency can substitute another provider or add additional providers of such underwriting services. For additional information regarding PMI providers with respect to all outstanding Mortgage Loans, see Appendix D — "Certain Agency Financial Information and Operating Data — PMI Coverage." See "Mortgage Pool Insurance Policies — Private Insurer Policies and Private Mortgage Pool Insurers — Private Mortgage Pool Insurers" above for rating information with respect to Radian and Genworth, the principal private PMI providers.

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

The private PMI policies generally do not insure against a loss sustained by reason of a default arising from or involving certain matters including (a) fraud or negligence in origination or servicing of the Mortgage Loans, including misrepresentation by the Mortgage Lender, borrower, or other persons involved in the origination of a Mortgage Loan; (b) failure to construct a property subject to a Mortgage Loan in accordance with specified plans; (c) physical damage to a property; and (d) a Mortgage Lender's not being approved as a servicer by the provider. Such private PMI policy will provide that no payment for a loss will be made unless the property financed by the defaulted Mortgage Loan is in the same physical condition as when the Mortgage Loan was originally insured, subject to reasonable wear and tear. If the provider elects to pay the claim in full, the Mortgage Lender, on behalf of the Agency, must convey good and merchantable title to the property to the provider upon payment of the claim for benefits, among other conditions.

MIF PMI

PMI provided by the MIF has terms substantially the same as those described in the second and third paragraphs under the heading "Private PMI." The MIF currently provides, and expects to continue to provide, PMI only with respect to Mortgage Loans that private PMI providers have declined to insure. For further information regarding MIF PMI with respect to Mortgage Loans for which a commitment was entered into on or after November 1, 1990, see Appendix D — "Certain Agency Financial Information and Operating Data — Mortgage Loans — PMI Coverage." See "MIF" in this Appendix B for a discussion of the source of and procedures for funding the MIF. Reserves for MIF PMI are established in the Single Family Pool Insurance

Account of the MIF. See “Ratings Disclosure” below for certain information regarding the Single Family Pool Insurance Account.

MIF

Part II of the Act, authorizing the establishment of the MIF by the Agency, was adopted by the State Legislature in 1978 to encourage financial institutions to make mortgage loans in neighborhoods suffering from disinvestment by providing mortgage insurance to minimize the investment risk. See “Other Agency Programs — Mortgage Insurance Fund.” In 1989, the Act was amended to authorize the Agency to issue commitments to provide mortgage pool insurance on any loan or aggregate of loans if (a) the project is located within an empire zone designated pursuant to Article 18-B of the General Municipal Law, (b) the project will provide affordable housing, (c) the entity providing the project’s mortgage financing was or is created by local, state, or Federal legislation, and certifies to the Agency that the project meets the program criteria applicable to such entity, or (d) the project will provide a retail or community service facility that would not otherwise be provided. The 1989 amendments also enabled the Agency to provide mortgage pool insurance for mortgages on one-to-four family homes and on multi-family projects where the loans are made by lenders meeting certain criteria. The Policies provided by the MIF (including the MIF Policies and the MIF PMI) were issued pursuant to such authorization.

In December 2004, the Act was amended to authorize the Agency to facilitate the financial activities of the Convention Center Development Corporation (the “CCDC”), a subsidiary of the New York State Urban Development Corporation, by entering into agreements with CCDC to provide a source or potential source of financial support to bonds of the CCDC and, to the extent not otherwise provided in respect of the support of bonds, for CCDC’s ancillary bond facilities.

The MIF is authorized to issue commitments to provide pool insurance in an amount not in excess of 25% of the initial outstanding principal indebtedness of any aggregate of mortgage loans. The Act authorizes the creation of the MIF, among other things, (i) to issue commitments to insure mortgages and to enter into contracts of mortgage insurance; (ii) to issue commitments to provide and to provide pool insurance for (a) one or more aggregates of mortgage loans that the Agency finances pursuant to its single-family program; (b) one or more aggregates of mortgage loans on single family or multi-family residential buildings made by a domestic not-for-profit corporation whose public purposes include combating community deterioration, that is approved as a mortgage lender by the Federal Housing Administration for purposes of insurance issued by such administration, and that is a qualified seller-servicer for Fannie Mae and Freddie Mac; or (c) one or more aggregates of preservation loans made by a financial institution with respect to a building owned by a cooperative housing corporation; and (iii) to fulfill its obligations and enforce its rights under any insurance so furnished.

The MIF is used as a revolving fund for carrying out the provisions of Part II of the Act with respect to mortgages insured thereunder and with respect to providing credit support for the CCDC bonds or ancillary bond facilities. The Act establishes within the MIF a special account (the “Special Account”), a single family pool insurance account with respect to insurance related to one-to-four dwelling units (the “Single Family Pool Insurance Account”), a project pool insurance account with respect to all other properties (the “Project Pool Insurance Account”) and a development corporation credit support account with respect to providing credit support for the bonds or ancillary bond facilities of the CCDC (the “Development Corporation Credit Support Account”). The Development Corporation Credit Support Account is a source or potential source of payment of the sum of the respective amounts (or percentages) of required or permissive funding by the CCDC of each reserve and financial support fund established by the CCDC for its bonds and, to the extent not otherwise provided in respect of the support of bonds, for its ancillary bond facilities for which the Agency has determined that the Development Corporation Credit Support Account is or will be a source or potential source of funding. The MIF Policies are payable from amounts in the Single Family Pool Insurance Account. The Act provides that assets of the Special Account, the Single Family Pool Insurance Account, the Project Pool Insurance Account, and the Development Corporation Credit Support Account shall be kept separate and shall

not be commingled with each other or with any other accounts which may be established from time to time, except as authorized by the Act.

As of March 13, 2014, the claims-paying ability of the Single Family Pool Insurance Account and the Project Pool Insurance Account of the MIF are rated "Aa1" and "Aa1," respectively, by Moody's and "AA+" and "AA-," respectively, by Fitch, Inc. ("Fitch"). On July 28, 2010, Moody's changed its rating on the Single Family Pool Insurance Account from "Aaa" and on October 8, 2010 Moody's affirmed its "Aa1" rating and changed its rating outlook from stable to negative. Moody's affirmed its rating on the Project Pool Insurance Account on July 18, 2011. Fitch affirmed its respective ratings on the Single Family Pool Insurance Account and the Project Pool Insurance Account most recently on August 6, 2013. Fitch's rating outlook for the Single Family Pool Insurance Account is stable and its rating outlook for the Project Pool Insurance Account is negative. See "Ratings Disclosure" above. The claims paying ability of the Development Corporation Credit Support Account has not been rated. The Act provides that the Agency may not execute a contract to provide credit support to the bonds or ancillary bond facilities of the CCDC if, at the time such contract is executed, such execution would impair any then existing credit rating of the Single Family Pool Insurance Account or the Project Pool Insurance Account. The payment of principal of and interest on the Bonds is not secured by or payable from moneys held in the MIF. The Act provides that all moneys held in the Single Family Pool Insurance Account, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages for one-to-four dwelling units insured by the MIF pursuant to the Act.

The MIF is funded primarily by a surtax on the State mortgage recording tax. Section 253(1-a) of the State Tax Law (the "State Tax Law") imposes a surtax (the "Tax") on recording mortgages of real property situated within the State. Excluded from the Tax are, among others, recordings of mortgages executed by voluntary nonprofit hospital corporations, mortgages executed by or granted to the Dormitory Authority of the State of New York and mortgages, wherein the mortgagee is a natural person, on mortgaged premises consisting of real property improved by a structure containing six or fewer residential dwelling units, each with separate cooking facilities. The Tax is equal to \$0.25 for each \$100 (and each remaining major fraction thereof) of principal debt which is secured by the mortgage.

Section 261 of the State Tax Law requires the respective recording officers of each county of the State, on or before the tenth day of each month, after deducting certain administrative expenses incident to the maintenance of their respective recording offices, to pay the Agency for deposit to the credit of the MIF the portion of the Tax collected by such counties during the preceding month, except that: (i) with respect to mortgages recorded on and after May 1, 1987, the balance of the Tax paid during each month to the recording officers of the counties comprising the Metropolitan Commuter Transportation District on mortgages of any real property improved by a structure containing six residential dwelling units or less with separate cooking facilities, shall be paid over to the Metropolitan Transportation Authority; (ii) with respect to mortgages recorded on and after May 1, 1987, the balance of the Tax paid during each month to the recording officers of the County of Erie on mortgages of any real property improved by a structure containing six residential dwelling units or less with separate cooking facilities, shall be paid over to the State Comptroller for deposit into the Niagara Frontier Transportation Authority light rail rapid transit special assistance fund; and (iii) Taxes paid upon mortgages covering real property situated in two or more counties shall be apportioned by the State Tax Commission among the Agency, the Metropolitan Transportation Authority and the Niagara Frontier Transportation Authority, as appropriate.

Mortgage recording taxes have been collected in the State for more than 75 years. The Agency has been entitled to receive Tax receipts since December 1978. Under existing law, no further action on the part of the State Legislature is necessary for the MIF to continue to receive such moneys. However, imposition or application of the mortgage recording taxes described herein as currently provided in the Act is subject to change in the future. The MIF's receipt of Tax receipts is dependent upon the performance by the county recording officers of their collection and remittance obligations; the State Tax Commission has general supervisory power over such officers. Tax receipts payable to the MIF in calendar years 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 were approximately \$83 million, \$106 million,

\$131 million, \$168 million, \$184 million, \$210 million, \$140 million, \$73 million, \$64 million, \$79 million, \$99 million and \$140 million, respectively. Tax receipts have fluctuated over the period they have been payable to the MIF, due to changing conditions in the State's real estate market.

The Act requires the Agency to credit the amount of money received from the recording officer of each county to the Special Account within the MIF. The Act provides that, as each mortgage loan, or each pool of mortgage loans, becomes the object of an insurance commitment or policy, and as the Agency enters into agreements with the CCDC to provide credit support for the CCDC's bonds or ancillary bond facilities, the Agency shall credit from the Special Account to, as applicable, the Single Family Pool Insurance Account, the Project Pool Insurance Account or the Development Corporation Credit Support Account such moneys as are needed to satisfy the mortgage insurance fund requirement (described below) of the Single Family Pool Insurance Account, the Project Pool Insurance Account, or the Development Corporation Credit Support Account, respectively, except that during any twelve month period ending on March thirty-first the aggregate amount credited to the Development Corporation Credit Support Account (excluding investment earnings thereon) shall not exceed the lesser of (i) fifty million dollars or (ii) the aggregate of the amounts required under the contracts executed by the Agency to provide credit support to the CCDC's bonds or ancillary bond facilities. The Act allows, but does not require, the Agency to transfer moneys from the Special Account to the Single Family Pool Insurance Account, the Project Pool Insurance Account, and the Development Corporation Credit Support Account if and to the extent the amount on deposit in any such account is less than its mortgage insurance fund requirement (including the funding commitment requirement of the Development Corporation Credit Support Account), provided that moneys transferred to the Development Corporation Credit Support Account are subject to the limitation described in the preceding sentence. Provisions of the Act also provide that assets of the Special Account, the Single Family Pool Insurance Account, the Project Pool Insurance Account, and the Development Corporation Credit Support Account shall be kept separate and shall not be commingled with each other or with any other accounts that may be established from time to time, except as otherwise authorized by the Act. Such provisions also provide that if at any time the moneys, investments, and cash equivalents (valued as determined by the Agency) of the Single Family Pool Insurance Account, the Project Pool Insurance Account, or the Development Corporation Credit Support Account exceed the amount necessary to attain and maintain the credit rating or, with respect to credit support for the CCDC's bonds or ancillary bond facilities, credit worthiness (as determined by the Agency), required to accomplish the purposes of such account, the Agency shall transfer such excess to the Special Account. Any amount on deposit in the Special Account in excess of certain required reserves, insurance claims paid, and Agency operating expenses is required to be remitted to the State annually. The Act provides that no moneys shall be withdrawn from the MIF at any time in such amount as would reduce the amount in such fund to less than the mortgage insurance fund requirement, except for the purpose of paying liabilities as they become due and for the payment of which other moneys are not available.

The Act provides that the Single Family Pool Insurance Account will be available to pay the claims made on all of the primary mortgage insurance policies and mortgage pool insurance policies issued by the MIF with respect to single family mortgage loans, which are not limited to policies with respect to Mortgage Loans, but may include policies on single family mortgage loans financed by the Agency with moneys other than Bond proceeds and on single family mortgage loans financed by entities other than the Agency. The Act provides that the Project Pool Insurance Account will be available to pay the claims made on all the insurance policies issued by the MIF with respect to mortgage loans other than single family mortgage loans. The Act also provides that the Development Corporation Credit Support Account will be available to pay amounts due pursuant to agreements entered into by the Agency to provide credit support for the CCDC's bonds and ancillary bond facilities. There can be no assurance that the amounts on deposit in the Special Account, the Single Family Pool Insurance Account, or the Project Pool Insurance Account will not be depleted through payment of liabilities arising with respect to insured pools of Mortgage Loans, insured pools of mortgage loans other than Mortgage Loans, insured individual mortgage loans, or that the Development Corporation Credit Support Account will not be depleted through payment of liabilities arising with respect to providing credit support for the CCDC's bonds or ancillary bond facilities. To date, the MIF has provided pool insurance only

with respect to single family mortgage loans financed by the Agency, although it has provided primary mortgage insurance with respect to single family mortgage loans financed by the Agency and other entities.

The Act provides that the mortgage insurance fund requirement with respect to each of the Single Family Pool Insurance Account and the Project Pool Insurance Account as of any particular date of computation is equal to (i) the aggregate of (a) the principal amount of such insured mortgage loans as the Agency has determined to be due and payable as of such date pursuant to its contracts to insure mortgages with respect to such Account plus (b) an amount equal to 20 per centum of the principal amounts of the mortgage loans insured under the Agency's insurance contracts with respect to such Account plus 20 per centum of the principal amounts to be insured under the Agency's commitments to insure less the amounts payable pursuant to clause (a) above (*provided, however*, that if the board of directors of the Agency shall have established a different per centum for a category of loans pursuant to the Act, such per centum shall be substituted for 20 per centum in this paragraph as, for example, the March 2001 determination that the per centum for special needs facilities was 40 per centum) less (ii) the aggregate of the amount of each reinsurance contract procured in connection with obligations of the Agency determined by the Agency to be a reduction pursuant to this paragraph in calculating the mortgage insurance fund requirement applicable to such account. The mortgage insurance fund requirement with respect to the Development Corporation Credit Support Account as of any particular date of computation is equal to (i) the aggregate of (a) such amount of credit support for the CCDC's bonds or ancillary bond facilities that the Agency has determined to be due and payable as of such date pursuant to its contracts to provide credit support for the CCDC's bonds or ancillary bond facilities plus (b) an amount equal to the respective amounts established by contracts under which the Agency has determined that the Development Corporation Credit Support Account will provide credit support for CCDC's bonds or ancillary bond facilities, less the amounts payable with respect to credit support for CCDC's bonds or ancillary bond facilities pursuant to subparagraph (a) above less (ii) the aggregate of the amount of each reinsurance contract procured in connection with obligations of the Agency determined by the Agency to be a reduction pursuant to this paragraph in calculating the mortgage insurance fund requirement applicable to such account. There can be no assurance that such mortgage insurance fund requirement will not be reduced.

As of October 31, 2013 the MIF had total reserves with a book value of approximately \$1,725,908,026, including single family pool reserves with a book value as of such date of approximately \$250,622,334. See the first, second and third paragraphs under "Proposed State Fiscal Year 2014-2015 Executive Budget Provisions" below for information concerning proposed transfers from the MIF's Project Pool Insurance Account set forth in the Proposed State Fiscal Year 2014-2015 Executive Budget and previous transfers effectuated from such account in Fiscal Year 2013-2014, Fiscal Year 2012-2013 and Fiscal Year 2008-2009.

As of October 31, 2013, the MIF's total liability against commitments and against policies in force was \$3,978,439,588 of which \$3,480,564,154 was against project mortgage insurance commitments and policies in force, the balance of \$497,875,434 being against single family primary and pool insurance commitments and policies in force. As of October 31, 2013, the MIF had a total loan amount on outstanding commitments and policies in force of \$6,883,294,863 of which \$3,781,798,129 represented the total loan amount on outstanding project mortgage insurance commitments and policies in force, the balance of \$3,101,496,734 being the total loan amount on outstanding single family primary and pool insurance commitments and policies in force. The Agency currently intends to continue and expand its mortgage insurance programs.

As of October 31, 2013, the Single Family Pool Insurance Account had paid 1,588 claims for loss in the aggregate amount of \$32,331,662. As of October 31, 2013, the Project Pool Insurance Account had paid 71 project mortgage insurance claims for loss in the aggregate amount of \$126,154,737 and had 13 insurance policies in force on which claims for loss had been submitted. The Agency estimates that its total liability thereon is \$26,224,242.

The Agency has entered into a credit support agreement with CCDC, pursuant to which the Agency has agreed to provide credit support for the New York Convention Center Development Corporation Revenue Bonds (Hotel Unit Fee Secured) Series 2005 (the "CCDC Series 2005 Bonds") issued by CCDC. The Agency has made an initial deposit of \$33.8 million into the Development Corporation Credit Support Account and, thereafter, will maintain a minimum balance of \$25 million in such account. These moneys will be used to support the payment of an amount equal to up to one-third of the scheduled principal and interest due on the CCDC Series 2005 Bonds.

Additional information regarding the MIF may be found in Appendix A to Part 2 of this Official Statement.

In accordance with the authority granted to the Agency pursuant to the provisions of Section 2411 of the Act, the Agency on behalf of the State has pledged to and agreed with the holders of mortgage pool insurance contracts issued by the MIF that the State will not limit or alter rights vested by the Act in the Agency to fulfill the terms of any agreements made with the holders of such contracts, or in any way impair the rights and remedies of such holders until such contracts, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged.

Proposed State Fiscal Year 2014-2015 Executive Budget Provisions

The Education, Labor and Family Assistance portion of the 2014-2015 Proposed Budget, submitted by the Governor to the State Legislature on January 21, 2014, would require certain transfers of moneys from the MIF's Project Pool Insurance Account provided that, at the time of each transfer, the reserves remaining in such account are sufficient to attain and maintain the credit rating required to accomplish the purposes of the Project Pool Insurance Account (as determined by the Agency).

If enacted as currently written and assuming satisfaction of the above-referenced conditions precedent, seven transfers would be made from the Project Pool Insurance Account in an aggregate amount up to \$75.418 million as follows: six to the Housing Trust Fund Corporation (the first three of which, in an aggregate amount up to \$32.418 million, would occur no later than June 30, 2014 while the remaining three, in an aggregate amount up to \$11 million would occur no later than March 31, 2015) and one of up to \$32 million to the New York State Housing Finance Agency by March 31, 2015.

Provisions similar to the proposed transfer provisions were enacted as part of prior State Enacted Budgets resulting in transfers from the Project Pool Insurance Account in State Fiscal Year 2013-2014 to the State General Fund, the Housing Finance Agency and the Housing Trust Fund Corporation in the aggregate amount of \$135,952,200 and in transfers from the Project Pool Insurance Account in State Fiscal Years 2012-2013 and 2008-2009 to the State General Fund in the amount of \$100 million.

The 2014-2015 Proposed Budget has not been enacted into law. The Agency makes no representation as to whether any of the provisions of the 2014-2015 Proposed Budget described in this Official Statement will be, or will not be, enacted as part of the State Fiscal Year 2014-2015 Enacted Budget in its current or a revised form. State budget legislation in future years may provide for transfers from the Project Pool Insurance Account or other accounts in the MIF. The Agency makes no representation regarding whether any such transfers, or the amounts thereof, will be enacted.

The Project Pool Insurance Account does not provide primary or pool insurance for any Mortgage Loans.

Under the provisions of the Act with respect to the MIF, no amounts can be withdrawn from any account in the MIF, including the Single Family Pool Insurance Account, that would cause the amount on deposit in such account to fall below its statutorily required reserves. The Agency is authorized to withdraw

moneys from the General Resolution only as described in the third paragraph under “Sources of Payment and Security for the Bonds — Pledge of the Resolution.”

Ratings Disclosure

The ratings, as of March 13, 2014 of the providers of mortgage pool insurance and PMI are:

| Mortgage Pool Insurance/ PMI Provider⁽¹⁾ | Moody's⁽²⁾ | S&P⁽³⁾ | Fitch |
|--|------------------------------|------------------------------|--------------|
| MIF Single Family Pool Insurance Account ⁽⁴⁾ | Aa1 ⁽⁵⁾ | N.A. | AA+ |
| Genworth ⁽⁶⁾ | Ba1 | BB- | |
| Radian ⁽⁷⁾ | Ba3 | BB- | |

⁽¹⁾ Reflects only those PMI providers that insure in excess of 0.04% of the total current principal amount of Mortgage Loans as of October 31, 2013. For information concerning all PMI providers, see Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — PMI Coverage.”

⁽²⁾ Moody’s Investors Services.

⁽³⁾ Standard & Poor’s Corporation.

⁽⁴⁾ SONYMA Mortgage Insurance Fund. See the fifth paragraph under the heading “MIF” for additional information.

⁽⁵⁾ Negative Outlook.

⁽⁶⁾ Genworth Mortgage Insurance Corporation.

⁽⁷⁾ Radian Guaranty Inc.

Many private insurers that provide PMI, including those set forth in the table above and in the table under the subheading Appendix D — “Certain Agency Financial Information and Operating Data — Mortgage Loans — PMI Coverage,” have experienced, and are continuing to experience, financial difficulties and have had their credit ratings downgraded or placed on watch for a future downgrade. The Agency makes no representations about the financial condition of any of the private PMI providers or their ability to make full and timely payment to the Agency of claims on the Mortgage Loans on which the Agency may experience losses.

The Agency does not undertake any responsibility to directly notify investors of any change in, proposed change in or withdrawal of any rating assigned by S&P, Moody’s or Fitch. Such ratings reflect only the views of the respective rating agency at the time such ratings were given and the Agency makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings can only be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of the respective rating agency, as the case may be, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Offered Bonds. The Agency undertakes no responsibility for updating the rating information included in this Official Statement. Unless otherwise specified herein, all ratings are as of March 13, 2014.

New York Foreclosure Procedures and Federal Bankruptcy Law

New York Foreclosure Procedures

In order to recover the debt due on a defaulted mortgage loan, the holder of the mortgage loan may sue on the mortgage note or foreclose the mortgage. Under State law, a default mortgage on real property improved by a single family residence can only be foreclosed by an action to foreclose and sell. Where final judgment has been rendered in a separate action on the note to recover any part of the mortgage debt, an action may not be commenced to foreclose and sell unless the sheriff has been issued an execution against the property of the mortgagor, which has been returned wholly or partly unsatisfied. The complaint must state whether any other action has been brought to recover any part of the mortgage debt and if so, whether any part

has been collected. While a foreclosure action is pending or after final judgment for the mortgagee, no other action on the mortgage debt (*i.e.*, an action on the note or a guaranty) may be commenced to recover any part of the mortgage debt without leave of court.

On December 15, 2009, the State laws governing foreclosure actions were amended to require (a) a mortgagee to provide notice to a mortgagor in default at least 90 days prior to the commencement of a foreclosure action, (b) a mandatory settlement conference between the litigants in a foreclosure action, and (c) that during such conference, the mortgagee and the mortgagor negotiate in good faith to reach a mutually agreeable resolution such as, but not limited to, a modification of the terms of the mortgage. Chief Judge of the State Jonathan Lippman in his State of Judiciary 2012 address, delivered on February 14, 2012, announced that such settlement conferences will be overseen by newly established special State courts and that mortgagors will be given legal representation during the conferences. Under such court procedures, settlement conferences are to be scheduled so that a specified period of time will be dedicated solely to a specific mortgagee's cases. In addition, on July 31, 2013, legislation was enacted that requires that the mortgagee deliver certain documents to the court simultaneously with the complaint that initiates a residential foreclosure proceeding. The goal of this legislation is to minimize delays between the period from the filing of the complaint and the settlement conference. The requirements set forth in (a), (b) and (c) above expire on December 15, 2014.

Where a foreclosure action is brought, every person having an estate or interest in possession in the property whose interest is claimed to be subject and subordinate to the mortgagee's lien, must be made a party defendant to the action. At least 20 days before a final judgment directing a sale is rendered, the mortgagee must file, in the clerk's office for the county where the mortgaged property is located, a notice of the pendency of the action in order to protect against conveyances, liens, and encumbrances that arise subsequent to the filing of the notice of pendency. If during the pendency of the action, the mortgagor pays into court the amount due for principal and interest and the costs of the action together with the expenses of the proceedings to sell, if any, the court will (i) dismiss the complaint without costs against the mortgagee if the payment is made before judgment directing the sale or (ii) stay all proceedings upon judgment if the payment is made after judgment directing sale but before sale. Where the mortgagee remains partly unsatisfied after the sale of the property, the court, upon application, may award the mortgagee a deficiency judgment for the unsatisfied portion of the mortgage debt, or as much thereof as the court may deem just and equitable, against a mortgagor who has appeared or has been personally served in the action.

The Agency's mortgage servicing contractors are or will be instructed to negotiate with the delinquent mortgagor to offer a deed in lieu of foreclosure to the Agency. In this manner, the Agency reduces the cost of acquiring the property which in turn makes the property saleable at a lower price with purchase money mortgage financing available through the Agency at below market interest rates and yet above the Agency yield requirement. Losses on sale, if any, may be recovered over the life of the purchase money mortgage in this manner. This is also applicable to properties acquired through foreclosure action.

Bills introduced in the State Legislature would affect foreclosure proceedings by providing for either up to a one year moratorium on any judgment of foreclosure or the deferment of a mortgagor's monthly mortgage payments for a specified period of time. Since their respective dates of introduction, none of the aforementioned bills have been subject to any further legislative action. The Agency cannot predict what effect the legislation described under this sub-heading, or any other legislation affecting mortgage foreclosure actions, would have on the amount or timing of payments to be received with respect to Mortgage Loans that became subject to the particular provisions of such legislation.

Federal Bankruptcy Law

A mortgagor may seek protection under the United States Bankruptcy Code, which provides a debtor with an opportunity to adjust his debts without losing control of his assets. Chapters 11 and 13 of the Bankruptcy Code allow a debtor to formulate a plan under which his or her creditors will be paid varying

percentages of their debts. Under such a plan a debtor may modify the rights of holders of secured claims or unsecured claims, but the debtor may not modify a claim secured only by a security interest in real property that is the debtor's principal residence; *except, however*, that a chapter 13 plan may provide for modification of the debtor's principal residential mortgage loan if it has matured or will mature within 3 or 5 years (depending on the debtor's income), so long as all chapter 13 plan payments are to be made within such 3- or 5-year period. Absent court-ordered relief (which is only available under limited circumstances), the automatic stay under Section 362 of the Bankruptcy Code will apply to any case commenced under the Bankruptcy Code, and the mortgagee will be stayed from any action to satisfy its claim, including foreclosure on the real property.

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SERVICERS OF MORTGAGE LOANS[†]

| Servicers of Greater Than 3% in Principal Amount of Mortgage Loans as of <u>October 31, 2013</u> | Approximate Principal Amounts of Mortgage Loans Being Serviced as of <u>October 31, 2013</u> ^{††} | Approximate Percentage of Mortgage Loans Being Serviced as of <u>October 31, 2013</u> ^{††} |
|---|--|---|
| M & T Bank ^{†††} | \$1,221,178,970 | 59.9% |
| HSBC Bank USA, N.A. | 204,509,606 | 10.0 |
| JPMorgan Chase Bank ^{†††} | 149,698,268 | 7.3 |
| Bank of New York Mellon | 100,519,653 | 4.9 |
| Citibank, NA..... | 83,520,485 | 4.1 |
| All Other Servicers (21)..... | <u>279,585,675</u> | <u>13.7</u> |
| Total..... | <u>\$2,039,012,657</u> | <u>100.0%</u> |

[†] See “The Program — Mortgage Loan Servicing” in this Part 2 for information regarding Mortgage Loan servicing and certain Servicers.

^{††} This table does not reflect any information with respect to Second Lien DPALs and Pledged CCALs.

^{†††} JPMorgan Chase Bank (“Chase”) has given notice of intention to resign as Servicer effective May 1, 2014. The Agency expects to transfer the Mortgage Loans currently serviced by Chase to M&T Bank. Following such transfer, M&T Bank would be the Servicer for approximately 67.2% of the Mortgage Loans.

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CERTAIN AGENCY FINANCIAL INFORMATION AND OPERATING DATA

Mortgage Loans

The Agency has financed Mortgage Loans in the form of participating ownership interests in mortgage loans, as more fully described in footnotes to the first chart below. Participating ownership interests in some of these mortgage loans were purchased with amounts under the MRB Resolution. The Resolution and the MRB Resolution each have a participating ownership interest in each such mortgage loan. The respective participation interests of each resolution represent rights to receive (i) mortgage loan principal on a proportionate basis, reflecting that portion of the principal amount of each mortgage loan financed by such resolution, and (ii) interest on said proportionate principal amount at the applicable interest rate. The mortgage loan participation interests financed under the Resolution are referred to as the “HMB Participation Interests.” The Agency expects to continue to originate HMB Participation Interests, which may or may not bear interest. HMB Participation Interests are Mortgage Loans under the Resolution. The information in the tables under this heading is “as of” a date prior to March 13, 2014, the date the MRB Originated Mortgage Loans were acquired and became Mortgage Loans. For Information regarding the MRB Originated Mortgage Loans see the heading below “MRB Originated Mortgage Loans.”

Principal Amounts and Interest Rates

The following table summarizes certain information regarding the Mortgage Loans (including HMB Participation Interests) and the corresponding Outstanding Prior Series Bonds whose lendable proceeds have been expended to acquire Mortgage Loans. This table does not include any information with respect to Second Lien DPALs (although they are Mortgage Loans) and Pledged CCALs. It also does not include the Mortgage Loans described below under “Investments — General Fund.” Also see the table “Mortgage Loans — Series Lendable Proceeds Not Expended.” Proceeds of Bond Series not included in the following tables were not applied to finance new Mortgage Loans.

Mortgage Loans — Series Lendable Proceeds Expended

| <u>Series</u> | <u>Date When Money First Available to Purchase Mortgage Loans</u> | <u>Weighted Average Mortgage Loan Coupon Rate at Origination as of October 31, 2013</u> | <u>Approximate Original Balance as of October 31, 2013 of Mortgage Loans Purchased (000s)^(pp)</u> | <u>Approximate Current Balance as of October 31, 2013 of Mortgage Loans Purchased (000s)^(qq)</u> | <u>Approximate Current Weighted Average Mortgage Loan Coupon Rate (%) as of October 31, 2013</u> |
|---------------|---|---|--|---|--|
| BB-2 | 9/28/88 | 8.41% | \$ 82,657 | \$ 1,433 | 7.72% |
| EE-1 | 4/14/89 | 8.57 | 35,914 | 594 | 8.56 |
| EE-2 | 9/14/89 | 8.30 | 35,838 | 605 | 8.30 |
| EE-3 | 6/07/90 | 8.30 | 36,870 | 641 | 8.30 |
| EE-4 | 10/01/90 | (a) | 23,235(a) | 554 | 8.26 |
| FF | 9/28/88 | 8.60 | 28,123 | 430 | 8.60 |
| GG | 9/28/88 | 8.60 | 56,176 | 547 | 8.60 |
| HH-1 | 4/14/89 | 8.57 | 51,269 | 540 | 8.55 |
| HH-2 | 9/14/89 | 8.30 | 51,107 | 883 | 8.30 |
| HH-3 | 6/07/90 | 8.30 | 50,213 | 741 | 8.30 |
| HH-4 | 10/01/90 | (b) | 51,781 | 2,722 | 5.66 |
| II | 3/21/89 | 8.54 | 58,691 | 1,184 | 8.54 |
| JJ | 9/27/89 | 8.50 | 58,077 | 1,368 | 8.50 |
| KK/LL | 10/30/89 | 8.50 | 103,135 | 1,681 | 8.50 |
| MM-1 | 2/04/91 | 8.40 | 57,760 | 1,592 | 8.40 |
| MM-2 | 10/01/90 | 8.39 | 62,316 | 1,105 | 8.40 |

Mortgage Loans — Series Lendable Proceeds Expended

| <u>Series</u> | <u>Date When Money First Available to Purchase Mortgage Loans</u> | <u>Weighted Average Mortgage Loan Coupon Rate at Origination as of October 31, 2013</u> | <u>Approximate Original Balance as of October 31, 2013 of Mortgage Loans Purchased (000s)^(pp)</u> | <u>Approximate Current Balance as of October 31, 2013 of Mortgage Loans Purchased (000s)^(qq)</u> | <u>Approximate Current Weighted Average Mortgage Loan Coupon Rate (%) as of October 31, 2013</u> |
|---------------|---|---|--|---|--|
| NN | 2/02/90 | 8.11 | 31,631 | 629 | 8.10 |
| RR | 9/13/90 | 8.49 | 62,794 | 615 | 8.50 |
| SS | 9/13/90 | 8.49 | 56,619 | 1,070 | 8.50 |
| TT | 5/01/91 | 8.28%(c) | \$ 39,550 | \$ 238 | 8.30% |
| UU | 5/01/91 | 8.28(c) | 57,094 | 1,035 | 8.30 |
| VV | 6/13/91 | 8.01(c) | 125,884 | 2,060 | 8.12 |
| 27 | 5/05/92 | 7.74(d) | 66,524 | 1,830 | 8.10 |
| 28 | 5/05/92 | 7.69(d) | 67,121 | 2,409 | 8.06 |
| 29-A | 12/01/92 | 5.87(e) | 31,432 | 3,254 | 5.99 |
| 30-A | 12/01/92 | 5.87(e) | 63,402 | 6,528 | 5.99 |
| 29-B | 3/01/93 | 6.51(e) | 29,937 | 1,328 | 7.50 |
| 30-B | 3/01/93 | 6.51(e) | 64,915 | 4,951 | 6.07 |
| 29-C-1 | 7/01/93 | 5.90(e) | 15,000 | 1,142 | 5.89 |
| 30-C-1 | 7/01/93 | 5.90(e) | 32,392 | 3,610 | 5.89 |
| 29-C-2 | 7/01/93 | 5.95(e) | 16,755 | 1,581 | 5.92 |
| 30-C-2 | 7/01/93 | 5.95(e) | 36,222 | 3,689 | 5.92 |
| 31-A | 9/30/93 | 5.38 | 30,813(z) | 3,740 | 4.83 |
| 32-A | 9/30/93 | 5.92 | 34,920 | 3,810 | 5.91 |
| 33 | 3/01/94 | 5.78 | 29,862(aa) | 3,170 | 5.52 |
| 34 | 3/01/94 | 5.99 | 34,797 | 3,581 | 5.94 |
| 35(qq) | n.a. | n.a. | n.a. | 415 | 10.38 |
| 36-A | 6/06/94 | 6.61 | 48,607 | 3,376 | 6.38 |
| 37-A | 6/06/94 | 6.61 | 35,775 | 2,342 | 6.38 |
| 38 | 4/07/94 | 4.79 | 35,132 | 7,805 | 3.45 |
| 39 | 4/07/94 | 3.60 | 37,438(f) | 4,150 | 4.62 |
| 40-A | 6/07/94 | 7.10 | 50,577 | 2,338 | 7.00 |
| 41-A | 6/07/94 | 7.10 | 33,718 | 1,557 | 7.00 |
| 40-B | 8/01/94 | 7.20 | 37,920 | 1,907 | 7.17 |
| 41-B | 8/01/94 | 7.20 | 12,569 | 632 | 7.17 |
| 42 | 9/20/94 | 7.36(t) | 95,999(cc) | 5,148 | 6.74 |
| 43 | 9/20/94 | 7.36(t) | 51,269 | 2,568 | 7.40 |
| 44 | 11/30/94 | 7.82(t) | 65,711 | 2,505 | 7.86 |
| 45 | 11/30/94 | 7.82(t) | 31,052 | 1,183 | 7.86 |
| 46 | 3/28/95 | 7.08(t) | 137,619 | 9,161 | 6.93 |
| 47 | 3/28/95 | 7.08(t) | 31,959 | 2,127 | 6.93 |
| 48 | 6/29/95 | 6.88(t) | 95,696(g) | 7,287 | 6.87 |
| 49 | 6/29/95 | 6.75(t) | 3,807 | 431 | 6.78 |
| 50 | 9/13/95 | 6.88(t) | 115,122(h) | 8,267 | 6.93 |
| 51 | 9/13/95 | 6.65(t) | 16,909(i) | 1,434 | 6.71 |
| 52 | 1/04/96 | 6.71(t) | 36,337 | 2,370 | 6.66 |
| 53 | 1/04/96 | 7.06(t) | 18,373(j) | 922 | 6.84 |
| 54(k) | 4/25/96 | 7.09(t) | 64,709(l) | 2,936 | 7.00 |
| 54(m) | 4/25/96 | 6.59(t) | 38,336 | 2,644 | 7.25 |
| 55 | 4/25/96 | 6.59(t) | 11,686 | 498 | 7.25 |
| 56(k) | 7/16/96 | 7.42(t) | 63,118 | 3,314 | 7.43 |
| 56(m) | 7/16/96 | 6.83(t) | 13,130 | 475 | 7.51 |
| 57(m) | 7/19/96 | 6.82(t) | 37,045(n) | 1,258 | 7.41 |
| 58 | 9/17/96 | 7.08(t) | 59,110(bb) | 3,271 | 6.18 |
| 59 | 9/17/96 | 7.19 | 14,452 | 1,226 | 7.07 |

Mortgage Loans — Series Lendable Proceeds Expended

| <u>Series</u> | <u>Date When Money First Available to Purchase Mortgage Loans</u> | <u>Weighted Average Mortgage Loan Coupon Rate at Origination as of October 31, 2013</u> | <u>Approximate Original Balance as of October 31, 2013 of Mortgage Loans Purchased (000s)^(pp)</u> | <u>Approximate Current Balance as of October 31, 2013 of Mortgage Loans Purchased (000s)^(qq)</u> | <u>Approximate Current Weighted Average Mortgage Loan Coupon Rate (%) as of October 31, 2013</u> |
|-----------------|---|---|--|---|--|
| 60..... | 1/14/97 | 6.78(t) | 55,819 | 6,049 | 6.69 |
| 61..... | 1/14/97 | 6.84(t) | 36,431 | 3,283 | 6.79 |
| 62..... | 1/14/97 | 6.97 | 9,484(o) | 359 | 6.96 |
| 63..... | 3/24/97 | 6.97%(t) | \$ 106,443(p) | \$ 6,500 | 6.87% |
| 64..... | 3/24/97 | 1.56(t) | 9,359(q) | 1,346 | 1.44 |
| 65..... | 7/10/97 | 6.67(t) | 84,249(r) | 8,099 | 6.57 |
| 66..... | 7/10/97 | 4.17(t) | 20,501(u) | 3,169 | 4.59 |
| 67..... | 9/24/97 | 5.93(t) | 118,772(s) | 16,260 | 5.80 |
| 68..... | 9/24/97 | 6.04 | 3,091(v) | 183 | 6.02 |
| 69..... | 3/19/98 | 6.07(t) | 84,350(w) | 12,513 | 5.99 |
| 70..... | 3/19/98 | 5.85(t) | 36,279 | 5,553 | 5.80 |
| 71..... | 7/9/98 | 4.93(t) | 124,576(x) | 30,871 | 4.76 |
| 72..... | 7/9/98 | 5.08(t) | 39,223(y) | 7,631 | 4.82 |
| 73A..... | 9/24/98 | 5.44(t) | 89,115(dd) | 17,433 | 5.35 |
| 73B/74..... | 9/30/99 | 5.78(t) | 38,201 | 5,526 | 5.72 |
| 77A/78A..... | 12/22/98 | 5.50(t) | 75,272 | 13,471 | 5.40 |
| 77B/78B..... | 11/23/99 | 6.62(t) | 58,879 | 5,947 | 6.51 |
| 79/80..... | 3/24/99 | 5.67(t) | 135,284 | 21,381 | 5.60 |
| 82/83..... | 7/8/99 | 6.47(t) | 170,370 | 18,424 | 6.44 |
| 84/85..... | 9/30/99 | 5.08 | 89,929 | 20,813 | 4.71 |
| 88/89..... | 11/23/99 | 6.93(t) | 102,834(ee) | 9,059 | 6.90 |
| 90/91..... | 3/16/00 | 6.25(t) | 135,795(ff) | 16,269 | 5.14 |
| 94/95..... | 12/14/00 | 5.48(t) | 69,739(gg) | 17,699 | 5.47 |
| 96(pp)..... | n.a. | n.a. | n.a. | 1,753 | 7.60 |
| 97/98..... | 7/12/01 | 5.16(t) | 116,543(hh) | 34,803 | 5.16 |
| 99(pp)..... | n.a. | n.a. | n.a. | 1,739 | 8.20 |
| 101/102..... | 7/11/02 | 5.22(t) | 144,136(ii) | 45,093 | 5.21 |
| 104/105..... | 10/24/02 | 5.14(t) | 52,967 | 17,378 | 5.15 |
| 106/107..... | 9/25/03 | 4.51(t) | 76,000 | 33,938 | 4.48 |
| 109/110..... | 12/23/03 | 4.54(t) | 126,507 | 59,534 | 4.54 |
| 111/112..... | 3/25/04 | 4.64(t) | 124,808 | 60,627 | 4.67 |
| 113/114/115... | 7/13/04 | 4.67(t) | 121,333 | 58,329 | 4.66 |
| 116/117/118... | 11/10/04 | 4.83(t) | 121,066 | 61,500 | 4.83 |
| 120/121/122... | 1/13/05 | 4.81(t) | 71,904 | 40,049 | 4.78 |
| 123/124/125... | 7/14/05 | 5.08(t) | 95,714 | 52,017 | 5.09 |
| 127/128/129... | 11/17/05 | 5.07(t) | 95,845 | 51,719 | 5.09 |
| 130/131/132... | 3/9/06 | 5.13(t) | 100,007 | 55,370 | 5.13 |
| 133/134/135... | 7/13/06 | 5.42(t) | 103,689 | 56,032 | 5.41 |
| 137/138/139... | 10/12/06 | 5.75(t) | 117,555 | 63,144 | 5.75 |
| 140/141/142... | 2/1/07 | 5.25(t) | 86,010(jj) | 45,023 | 5.18 |
| 143/144..... | 6/7/07 | 5.43(t) | 85,276(kk) | 48,167 | 5.42 |
| 145/146/147... | 9/20/07 | 5.70(t) | 104,602(ll) | 62,208 | 5.69 |
| 148/149/150... | 12/14/07 | 5.72(t) | 118,732 | 72,222 | 5.73 |
| 151/152/153... | 3/27/08 | 5.63(t) | 91,889 | 57,448 | 5.65 |
| 154/155/156/157 | 8/14/08 | 5.70(t) | 158,856 | 97,674 | 5.69 |
| 158/159..... | 10/30/08 | 5.88(t) | 104,062 | 63,376 | 5.90 |
| 160/161/162... | 1/22/09 | 6.02 | 78,180 | 55,915 | 5.99 |
| 163/164..... | 9/22/11 | 0.0(mm) | 15,331(mm) | 14,365 | 0.00 |
| 165..... | 11/16/11 | 4.64(nn) | 47,921(nn) | 43,192 | 4.63 |

Mortgage Loans — Series Lendable Proceeds Expended

| Series | Date When Money First Available to Purchase Mortgage Loans | Weighted Average Mortgage Loan Coupon Rate at Origination as of October 31, 2013 | Approximate Original Balance as of October 31, 2013 of Mortgage Loans Purchased (000s)^(pp) | Approximate Current Balance as of October 31, 2013 of Mortgage Loans Purchased (000s)^(qq) | Approximate Current Weighted Average Mortgage Loan Coupon Rate (%) as of October 31, 2013 |
|-------------------|---|---|--|---|--|
| 168(rr)..... | 3/9/12 | 4.48 | 44,243 | 42,219 | 4.49 |
| 176/177..... | 11/1/12 | 3.92 | 101,615 | 93,372 | 3.91 |
| 178..... | 7/18/13 | 3.45 | 76,471 | 76,052 | 3.45 |
| HMB Revenues (oo) | n.a. [†] | 4.87%(t) | \$ 204,393 | \$ 173,183 | 4.77% |
| TOTAL | | | <u>\$7,543,650(pp)(ss)</u> | <u>\$2,035,716(qq)(ss)</u> | |

- (a) Prior to October 1, 1991, the Agency originated Mortgage Loans financed with proceeds of the Series EE-4 Bonds (“Series EE-4 Mortgage Loans”) in the approximate aggregate principal amount of \$18.4 million, with coupon rates ranging from 8.10% to 8.40% per annum, with a weighted average coupon rate of 8.37% per annum. From October 1, 1991 to February 1, 1993, the Agency originated approximately \$4.8 million aggregate principal amount of Series EE-4 Mortgage Loans, with a coupon rate of 6% per annum during the first five years of any such loan, and 8% per annum thereafter. Such loans were underwritten at the initial coupon rate.
- (b) Prior to October 1, 1991, the Agency originated Mortgage Loans financed with proceeds of the Series HH-4 Bonds (“Series HH-4 Mortgage Loans”) in the approximate aggregate principal amount of \$26.2 million, with coupon rates ranging from 8.10% to 8.40% per annum, with a weighted average coupon rate of 8.36% per annum. From October 1, 1991 to February 1, 1993, the Agency originated approximately \$5.5 million aggregate principal amount of Series HH-4 Mortgage Loans, with a coupon rate of 6% per annum during the first five years of any such loan, and 8% per annum thereafter. Such loans were underwritten at the initial coupon rate. From February 1, 1993 to April 1, 1993, the Agency originated approximately \$2.2 million aggregate principal amount of Series HH-4 Mortgage Loans, with a coupon rate of 5% per annum during the first five years of any such loan, and 6% per annum thereafter. Such loans were underwritten at the initial coupon rate. From April 1, 1993 to April 22, 1994, the Agency originated Series HH-4 Mortgage Loans in the following approximate aggregate principal amounts and at the following coupon rates per annum: \$13.8 million at 4.50%; \$8.3 million at rates ranging from 5.75% to 6.50%, with a weighted average rate of 5.92%; \$321,000 at 6.50% during the first three years and 7.90% thereafter (underwritten at the initial coupon rate); and \$56,000 at 7.25% during the first five years and 8.125% thereafter (underwritten at the initial coupon rate). A portion of each of the mortgage loans described in the immediately preceding sentence in the approximate aggregate principal amount of \$5,000,000 (the “HH-4 Non-Bonds Participation Interest”) represents amounts, other than proceeds attributable to the Bonds, applied to finance such mortgage loans, with a coupon rate of 0% per annum. Coupon rates described in this footnote on Series HH-4 Mortgage Loans are rates to the mortgagor. The HH-4 Non-Bonds Participation Interest is not a source of payment or security for the Bonds, including the Series HH-4 Bonds.
- (c) Prior to March 16, 1992, the Agency originated Mortgage Loans financed with proceeds of the Series TT Bonds, Series UU Bonds, and Series VV Bonds (“Series TT Mortgage Loans,” “Series UU Mortgage Loans,” and “Series VV Mortgage Loans,” respectively) in the respective approximate aggregate principal amounts of \$38.2 million, \$54.9 million, and \$80.6 million, with coupon rates of 8.30%, 8.30%, and ranging from 8% to 8.50%, respectively, per annum. From March 16, 1992 to February 5, 1993, the Agency originated Series TT Mortgage Loans, Series UU Mortgage Loans, and Series VV Mortgage Loans in the respective approximate aggregate principal amounts of \$1.4 million, \$2.2 million, and \$45.2 million, with a coupon rate of 7.25% per annum during the first five years of any such loan, and 8.20% per annum thereafter. Such loans were underwritten at the initial coupon rate.
- (d) Prior to October 1, 1992, the Agency originated Mortgage Loans financed with proceeds of the Series 27 Bonds and Series 28 Bonds (“Series 27 Mortgage Loans” and “Series 28 Mortgage Loans,” respectively) in the respective approximate principal amounts of \$60.3 million and \$42.0 million, with a coupon rate of 7.25% per annum during the first five years of any such loan, and 8.125% per annum thereafter. Such loans were underwritten at the initial coupon rate. From October 1, 1992 to February 1, 1993, the Agency originated Series 27 Mortgage Loans and Series 28 Mortgage Loans in the respective approximate aggregate principal amounts of \$6.2 million and \$23.2 million, with a coupon rate of 6.50% per annum during the first three years of any such loan, and 7.90% per annum thereafter. Such loans were underwritten at the initial coupon rate. From February 1, 1993 to April 9, 1993, the Agency originated Series 28 Mortgage Loans in the approximate aggregate principal amount of \$1.9 million, with coupon rates ranging from 8% to 8.30% per annum, with a weighted average coupon rate of 8.11% per annum.
- (e) Prior to February 1, 1993, the Agency originated Mortgage Loans financed with proceeds of the Series 29 and Series 30 Bonds (“Series 29 and 30 Mortgage Loans”) in the approximate aggregate principal amount of \$31.6 million, with a coupon rate of 6.50% per annum during the first three years of any such loan, and 7.90% per annum thereafter. Such loans were underwritten at the initial coupon rate. Prior to February 1, 1993, the Agency also originated Series 29 and 30 Mortgage Loans in the approximate aggregate principal amount of \$7.5 million, with a coupon rate of 7.25% per annum during the first five years of any such loan, and 8.125% per annum thereafter. Such loans were underwritten at the initial coupon rate. From February 1, 1993 to February 18, 1994, the Agency originated Series 29 and 30 Mortgage Loans in the approximate aggregate principal amounts of \$14.1 million, \$13.2 million, \$8.8 million, \$0.6 million, and \$0.4 million, with respective approximate aggregate principal balances as of October 31, 2013 of \$1.6 million, \$1.9 million, \$0.7 million, and \$0.1 million, in the form of HMB Participation Interests. The respective coupon rates per annum to the mortgagor at origination on the mortgage loans described in the immediately preceding sentence as of October 31, 2013 were an approximate weighted average rate of 5.75%; an approximate weighted average rate of 5.9%; an approximate weighted average rate of 6.0%; and an approximate weighted average rate of 6.5%. For the mortgage loans described in the two immediately preceding sentences, the approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 was 6.13% per annum, and the approximate weighted average coupon rate to such mortgagors as of October 31, 2013 was 6.02% per annum.

Footnotes continued on next page

Footnotes continued from previous page

Interests. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 67 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 5.93% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such mortgage loans was 5.78% per annum.

- (t) Mortgage Loans financed by this Series included Construction Incentive Loans. The initial interest rate on Construction Incentive Loans increased by two percentage points after the first 48 payments. The loans were underwritten at the initial coupon rate. Set forth in the following chart are the approximate original principal balances (as of October 31, 2013) of Mortgage Loans purchased and applicable coupon rates by Series, except that the principal balances include participation interests financed by moneys derived from such Series and participation interests financed by other Series of Bonds or HMB Participation Interests. In calculating the Weighted Average Mortgage Loan Coupon Rate at Origination as of October 31, 2013 shown for each such Series in the main chart, a weighted average coupon rate was used for each Mortgage Loan ("CIP"). However, in calculating the Approximate Current Weighted Average Mortgage Loan Coupon Rate as of October 31, 2013 shown for each such Series in the main chart, the current actual coupon was used for each Construction Incentive Loan.

Footnotes continued on next page

**Approximate Original Balances as of October 31, 2013 of
Construction Incentive Loans Purchased at
Applicable Stepped-Coupon Rates (\$000s)**

| Series | 3.375%- <u>5.375%</u> | 3.625%- <u>5.625%</u> | 3.875%- <u>5.875%</u> | 4%- <u>6%</u> | 4.125%- <u>6.125%</u> | 4.25%- <u>6.25%</u> | 4.375%- <u>6.375%</u> | 4.5%- <u>6.5%</u> | 4.625%- <u>6.625%</u> | 4.75%- <u>6.75%</u> | 4.875%- <u>6.875%</u> | 5%- <u>7%</u> | 5.25% <u>7.25%</u> | 5.5%- <u>7.5%</u> | 5.75%- <u>7.75%</u> | 6%- <u>8%</u> | |
|-----------------|--------------------------|--------------------------|--------------------------|------------------|--------------------------|------------------------|--------------------------|----------------------|--------------------------|------------------------|--------------------------|------------------|-----------------------|----------------------|------------------------|------------------|--------|
| 42/43 | | | | | | | | | | | | | | | | | 11,556 |
| 44/45 | | | | | | | | | | | | | | | | | 13,101 |
| 46/47 | | | | | | | | | | | | | | | | | 18,403 |
| 48 | | | | | | | | | | | | | | | | | 6,695 |
| 49 | | | | | | | | | | | | | | | | | 92 |
| 50 | | | | | | | | | | | | | | | | | 1,698 |
| 51 | | | | | | | | | | | | | | | | | 419 |
| 52 | | | | | | | | | | | | | | | | | 140 |
| 53 | | | | | | | | | | | | | 111 | | | | 464 |
| 54 | | | | | | | | | | | | | | | | | 767 |
| 54(CIP) | | | | | | | | | | | | | 38,336 | | | | |
| 55(CIP) | | | | | | | | | | | | | 11,686 | | | | |
| 56 | | | | | | | | | | | | | 0 | 0 | 279 | | 150 |
| 56(CIP) | | | | | | | | | | | | | 0 | 14,230 | | | |
| 57(CIP) | | | | | | | | | | | | | 119 | 36,763 | 239 | | |
| 58 | | | | | | | | | | | | | | 1,093 | 142 | | 138 |
| 60 | | | | | | | | | | | | | | | 227 | | |
| 61 | | | | | | | | | | | | | 315 | | 199 | | |
| 63 | | | | | | | | | | | | | 2,117 | | 15,420 | | |
| 64 | | | | | | | | | | | | | 74 | | | | |
| 65 | | | | | | | | | | | | | 2,670 | 1,373 | 16,300 | | 0 |
| 66 | | | | | | | | | | | | | | 93 | 107 | | |
| 67 | | | | | | | | | | | | | 9,977 | 2,695 | 6,164 | | |
| 69 | | | | | | | | | | 489 | | | 4,587 | 848 | 983 | | |
| 70 | | | | | | | | | | 1,639 | | | 1,032 | 182 | 192 | | |
| 71 | | | | | | | | | | 4,235 | | | 1,990 | 78 | 297 | | |
| 72 | | | | | | | | | | 2,476 | | | 138 | | 100 | | |
| 73A | | | | | | | 210 | | | 6,468 | | | 279 | | | | |
| 73B/74 | | | | | | | 2,013 | | | 1,037 | | | | | | | |
| 77A/78A | | | | | | | 1,670 | | | 3,243 | | 284 | | | | | |
| 77B/78B | | | | | | | 3,430 | | | 0 | | 5,996 | | | 316 | | |
| 79/80 | | | | | | | 6,680 | | | 3,003 | | | | | | | |
| 82/83 | | | | | | | 14,678 | | | 941 | | | 5,803 | | | | |
| 88/89 | | | | | | | 682 | | | 121 | | | 3,019 | | 2,308 | | 134 |
| 90/91 | | | | | | | 315 | | | | | | 2,662 | | 14,854 | | 4,188 |
| 94/95 | | | 310 | | | 1,622 | | 325 | | | | | | 161 | | | 492 |
| 97/98 | | | 5,900 | 2,195 | | 856 | | | | | | | 1,835 | 468 | | | |
| 101/102 | | | 1,207 | 20,236 | | 1,113 | | | | | | | | 139 | | | |
| 104/105 | | | 191 | 14,393 | | 85 | | | | | | | | | | | |
| 106/107 | 361 | | | 5,822 | | | | | | | | | | | | | |
| 109/110 | 2,894 | 931 | | 3,338 | | | | | | | | | | | | | |
| 111/112 | 1,322 | 5,545 | 144 | 3,178 | | | | | | | | | | | | | |
| 113/114/115 | 120 | 2,428 | 828 | 80 | | | | | | | | | | | | | |
| 116/117/118 | 99 | 3,785 | 2,017 | 321 | | | | | | | | | | | | | |
| 120/121/122 | | 1,428 | 2,810 | | | | | | | | | | | | | | |
| 123/124/125 | | | 4,815 | | | | | | | | | | | | | | |
| 127/128/129 | | | 5,099 | | | | | | | | | | | | | | |
| 130/131/132 | | | 1,817 | 110 | | 359 | | | | | | | | | | | |
| 133/134/135 | | | 1,823 | | | 1,004 | 120 | | | | | | | | | | |
| 137/138/139 | | | 1,415 | 654 | | 194 | 2,231 | 660 | | | | | | | 355 | | |
| 140/141/142 | | | | 591 | 770 | 391 | 271 | 1,069 | 714 | | | | | | 378 | | |
| 143/144 | | | | 570 | | 176 | 162 | 1,046 | 470 | | | | | | 1,130 | | |
| 145/146/147 | | | | 300 | 208 | 223 | | 1,463 | 308 | 870 | | | | | 293 | | |
| 148/149/150 | | | | 168 | 595 | 372 | 135 | 1,363 | 686 | 417 | | | | | 539 | | |
| 151/152/153 | | | | 362 | 633 | | | 589 | 1,660 | 342 | | | | | | | |
| 154/155/156/157 | | | | | | | | 228 | 148 | 596 | 152 | | | | | | |
| 158/159 | | | | | | 290 | | | | 108 | | | | | | | |
| HMB 2008-2009 | | | | | 1,658 | | 339 | | 4,442 | | | | | | | | |
| Prepayments(oo) | | | | | | | | | | | | | | | | | |
| TOTAL | <u>\$4,796</u> | <u>\$14,117</u> | <u>\$28,376</u> | <u>\$52,575</u> | <u>\$3,864</u> | <u>\$6,685</u> | <u>\$3,258</u> | <u>\$36,421</u> | <u>\$8,428</u> | <u>\$25,985</u> | <u>\$2,847</u> | <u>\$18,277</u> | <u>\$75,266</u> | <u>\$95,438</u> | <u>\$62,938</u> | <u>\$56,787</u> | |

- (ee) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$7.8 million, with an approximate aggregate principal balance as of October 31, 2013 of \$0.7 million, are in the form of participating ownership interests in Mortgage Loans, with the balance of the participating ownership interests in such Mortgage Loans being purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 88/89 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 6.84% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such mortgage loans was 6.84% per annum.
- (ff) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$15.4 million, with an approximate aggregate principal balance as of October 31, 2013 of \$4.2 million, are in the form of participating ownership interests in Mortgage Loans, with the balance of the participating ownership interests in such Mortgage Loans being purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 90/91 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 5.43% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such mortgage loans was 5.34% per annum.
- (gg) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$68.9 million, with an approximate aggregate principal balance as of October 31, 2013 of \$17.5 million, are in the form of participating ownership interests in Mortgage Loans, with the balance of the participating ownership interests in such Mortgage Loans being purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 94/95 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 5.48% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such mortgage loans was 5.46% per annum.
- (hh) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$110.6 million, with an approximate aggregate principal balance as of October 31, 2013 of \$32.7 million, are in the form of participating ownership interests in Mortgage Loans, with the balance of the participating ownership interests in such Mortgage Loans being purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 97/98 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 5.16% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such mortgage loans was 5.10% per annum.
- (ii) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$22.7 million, with an approximate aggregate principal balance as of October 31, 2013 of \$7.0 million, are in the form of participating ownership interests in Mortgage Loans, with the balance of the participating ownership interests in such Mortgage Loans being purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 101/102 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 5.22% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such mortgage loans was 5.16% per annum.
- (jj) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$7.2 million, with an approximate aggregate principal balance as of October 31, 2013 of \$4.0 million, are in the form of participating ownership interests in Mortgage Loans, with the balance of the participating ownership interests in such Mortgage Loans being purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 140/141/142 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 5.61% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such mortgage loans was 5.58% per annum.
- (kk) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$85.3 million, with an approximate aggregate principal balance as of October 31, 2013 of \$48.1 million, are in the form of participating ownership interests in Mortgage Loans, with the balance of the participating ownership interests in such Mortgage Loans being purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 143/144 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 5.43% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such mortgage loans was 5.41% per annum.
- (ll) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$104.6 million, with an approximate aggregate principal balance as of October 31, 2013 of \$62.3 million, are in the form of participating ownership interests in Mortgage Loans, with the balance of the participating ownership interest in such Mortgage Loans being purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the Mortgagor at origination as of October 31, 2013 on mortgage loans financed in whole or in part with proceeds of the Series 145/146/147 Bonds (including but not limited to the mortgage loans described in the immediately preceding sentence) was 5.70% per annum, and the approximate weighted average coupon rate to the Mortgagor as of October 31, 2013 on such mortgage loans was 5.68% per annum.
- (mm) These Mortgage Loans in the approximate original aggregate principal amount of \$15.3 million, with an approximate aggregate principal balance as of October 31, 2013 of \$14.3 million, are in the form of participating ownership interests in Mortgage Loans. The balance of the participating ownership interests in such Mortgage Loans was purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on Mortgage Loans financed in whole or in part with proceeds of the Series 163/164 Bonds (including but not limited to the Mortgage Loans described in the immediately preceding sentence) was 4.54% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such Mortgage Loans was 4.53% per annum. An additional \$14.3 million remains available to finance Mortgage Loans, which the Agency expects will be in the form of participation ownership interests bearing 0.0% interest.
- (nn) A portion of these Mortgage Loans in the approximate original aggregate principal amount of \$47.9 million, with an approximate aggregate principal balance as of October 31, 2013 of \$43.2 million, are in the form of participating ownership interests in Mortgage Loans. The balance of the participating ownership interest in such Mortgage Loans was purchased with amounts attributable to other Series of Bonds. The approximate weighted average coupon rate to the mortgagor at origination as of October 31, 2013 on Mortgage Loans financed in whole or in part with proceeds of the Series 165/166/167 Bonds (including but not limited to the Mortgage Loans described in the immediately preceding sentence) was 4.64% per annum, and the approximate weighted average coupon rate to the mortgagor as of October 31, 2013 on such Mortgage Loans was 4.64% per annum.
- (oo) During the period beginning October 2008 and ending October 2009, as well as in 2012 and 2013, the Agency utilized available Revenues (including Principal Prepayments from Mortgage Loans financed by many of the above Homeowner Mortgage Revenue Bond Series) to acquire newly originated loans.
- (pp) The proceeds of the Series 35, 96, 99, 166, 167, 169, 170, 171, 172, 175, 179 and 180 Bonds were used to refund prior Series of Bonds and in connection with such refunding, a portion of the Mortgage Loans financed by the refunded Bonds was reallocated to the refunding Bonds.
- (qq) The amounts in this column for certain Series do not include the current principal balance of Mortgage Loans transferred to a different Series of Bonds as described in footnote (pp).
- (rr) Approximately \$4.7 million of moneys attributable to this Series are available to finance Mortgage Loans.
- (ss) The Agency expects to use a portion of the proceeds of the Series 181 Bonds and the Series 182 Bonds to purchase approximately \$42 million aggregate principal amount of Mortgage Loans bearing interest rates to be determined as of their respective dates of origination. The MRB Originated Mortgage Loans will become assets pledged under the Resolution once they are acquired with a portion of the proceeds of the Series 182

Bonds, the Series 183 and the Series 184 Bonds. The MRB Originated Mortgage Loans, as of December 31, 2013, had an approximate aggregate current balance of \$53.8 million, a weighted average maturity of approximately 207 months, rates of interest ranging from 4% to 9.4% and an approximate current weighted average Mortgage Loan coupon rate of 5.6%. For additional information concerning the MRB Originated Loans, see Appendix D —“Certain Agency Financial Information and Operating Data — MRB Originated Mortgage Loans.”

(†) Not applicable.

End of footnotes

The approximate current weighted average coupon rate for all of the outstanding Mortgage Loans, as of November 30, 2013, was 5.24%.

The approximate aggregate outstanding principal amounts, as of October 31, 2013, of Second Lien DPALS and Pledged CCALs are, respectively, \$5.2 million and \$13.2 million.

Mortgage Loans: Lendable Proceeds Not Fully Expended

As of the date of this Official Statement, there are \$61 million of lendable proceeds of Bonds available to finance Mortgage Loans. Moneys deposited in the Acquisition Fund and Bond Proceeds Fund (both of which funds are held under the General Resolution) in connection with future issuances of Bonds may be used to acquire Mortgage Loans (including Second Lien DPALS), to reimburse the General Fund for moneys in such Fund used to acquire Mortgage Loans (including Second Lien DPALS), or to acquire mortgage loans financed under the MRB Resolution.

Mortgage Loan Terms

The table below sets forth the approximate current unpaid principal balance of Mortgage Loans based upon their term to maturity at the time of origination. Each Mortgage Loan bears a fixed-rate and has level payments. The following table does not reflect any information with respect to Second Lien DPALS and Pledged CCALs.

| <u>Original Term (Years)</u> | <u>Approximate Percentage of Total Unpaid Principal Amount of Mortgage Loans as of November 30, 2013</u> |
|---|---|
| 30 | 94.20% |
| 40 | 5.46 |
| 20 | 0.34 |

Age of Mortgage Loan Portfolio

The following table provides information as of November 30, 2013 with respect to Mortgage Loans based upon their respective year of origination. The following table does not reflect any information with respect to Second Lien DPALS and Pledged CCALs.

Age of Mortgage Loan Portfolio

| <u>Year of Origination</u> | <u>Number of Mortgage Loans</u> | <u>Percentage of Total Outstanding Mortgage Loans</u> | <u>Cumulative Percentage of Total Outstanding Mortgage Loans</u> | <u>Approximate Current Balance</u> | <u>Percentage of Total Approximate Current Balance</u> | <u>Cumulative Percentage of Total Approximate Current Balance</u> |
|----------------------------|---------------------------------|---|--|------------------------------------|--|---|
| 1999 and Prior | 7,894 | 31.77% | 31.77% | \$ 328,368,782 | 16.03% | 16.03% |
| 2000 | 900 | 3.62 | 35.39 | 48,182,195 | 2.35 | 18.38 |
| 2001 | 357 | 1.44 | 36.83 | 19,598,682 | 0.96 | 19.34 |
| 2002 | 1,174 | 4.73 | 41.56 | 71,598,514 | 3.50 | 22.84 |
| 2003 | 1,001 | 4.03 | 45.58 | 66,135,204 | 3.23 | 26.06 |
| 2004 | 2,839 | 11.43 | 57.01 | 227,348,203 | 11.10 | 37.17 |
| 2005 | 1,338 | 5.39 | 62.40 | 119,307,577 | 5.83 | 42.99 |
| 2006 | 2,100 | 8.45 | 70.85 | 203,091,879 | 9.92 | 52.91 |
| 2007 | 1,724 | 6.94 | 77.79 | 180,087,160 | 8.79 | 61.70 |
| 2008 | 2,494 | 10.04 | 87.83 | 293,633,577 | 14.34 | 76.04 |
| 2009 | 691 | 2.78 | 90.61 | 91,165,990 | 4.45 | 80.49 |
| 2011 | 514 | 2.07 | 92.68 | 83,836,415 | 4.09 | 84.58 |
| 2012 | 699 | 2.81 | 95.49 | 110,539,335 | 5.40 | 89.98 |
| 2013 | <u>1,119</u> | <u>4.50</u> | 100.00 | <u>205,099,862</u> | <u>10.01</u> | 100.00 |
| Total | <u>24,844</u> | <u>100.00%</u> | | <u>\$2,047,993,375</u> | <u>100.00%</u> | |

Mortgage Pool Insurance Coverage

The following table sets forth, as of November 30, 2013, the amount of mortgage pool insurance coverage provided by each Mortgage Pool Insurer. Mortgage pool insurance coverage is not provided in connection with Second Lien DPALs and Pledged CCALs.

Amount of Mortgage Pool Insurance Coverage Provided By Each Mortgage Pool Insurer

| | <u>Approximate Unpaid Principal Amount of Mortgage Loans as of November 30, 2013</u> | <u>Approximate Percentage of Total Unpaid Principal Amount of Mortgage Loans as of November 30, 2013</u> |
|-------------------------|--|--|
| MIF ⁽¹⁾ | \$1,953,138,227 | 95.37% |
| Radian ⁽²⁾ | 59,906,968 | 2.93 |
| Genworth ⁽³⁾ | <u>34,948,180</u> | <u>1.70</u> |
| | <u>\$2,047,993,375</u> | <u>100.00%</u> |

⁽¹⁾ The Agency's Mortgage Insurance Fund. See Appendix B — "Mortgage Insurance and New York Foreclosure Procedures — Ratings Disclosure" to this Part 2.

⁽²⁾ Radian Guaranty Inc. See Appendix B — "Mortgage Insurance and New York Foreclosure Procedures — Ratings Disclosure" to this Part 2.

⁽³⁾ Genworth Mortgage Insurance Corporation. See Appendix B — "Mortgage Insurance and New York Foreclosure Procedures — Ratings Disclosure" to this Part 2.

The following table provides information as of October 31, 2013 with respect to each Policy covering Covered Loans. On or prior to its expiration, a Policy can be replaced with another mortgage pool insurance policy or with alternate forms of Supplemental Mortgage Coverage. As noted in the immediately preceding

paragraph, mortgage pool insurance coverage is not provided in connection with Second Lien DPALs and Pledged CCALs.

Mortgage Pool Insurance Coverage With Respect to Covered Loans

| Policy Number(s) | Pool Insurer | Covered Series, Portion of Series or Other Sources ⁽¹⁾ | Approximate Original Coverage Amount ⁽¹⁾ (000s) | Approximate Amount of Claims Paid as of 10/31/13 ⁽²⁾ (000s) | Approximate Remaining Coverage Amount as of 10/31/13 (000s) | Approximate Remaining Coverage as a Percentage of Current Principal Balance of Covered Loans as of 10/31/13 |
|-------------------------------|---------------------------|---|--|--|---|---|
| RADIAN⁽⁴⁾ | | | | | | |
| 88-066005/90-066012 | Radian | EE, FF, GG, HH, II, 96 | \$ 24,594.9 | \$ 7,959.0 | \$ 16,635.9 | 100.00% ⁽⁶⁾ |
| 88-066006 | Radian | BB | 4,428.6 | 2,119.8 | 2,308.8 | 100.00% ⁽⁶⁾ |
| 91-066003 | Radian | MM-1 | 2,827.9 | 570.6 | 2,257.3 | 100.00% ⁽⁶⁾ |
| 93-066028/93-106029 | Radian | 30-34,36-60 | 39,009.8 | 2,975.7 | 36,034.1 | 76.76% |
| 91-066011/310232 | Radian/MIF ⁽⁸⁾ | VV, 99/100 | 6,911.9 | 463.9 | 6,448.0 | 100.00% ⁽⁶⁾ |
| | | | <u>\$ 77,773.1</u> | <u>\$ 14,089.1</u> | <u>\$ 63,684.1</u> | |
| GENWORTH⁽⁵⁾ | | | | | | |
| 221 | Genworth | TT, UU, 99/100 | 5,315.4 | 1,180.7 | 4,134.7 | 100.00% ⁽⁶⁾ |
| 236 | Genworth | 27, 28 | 7,346.7 | 1,220.8 | 6,125.8 | 100.00% ⁽⁶⁾ |
| 238 | Genworth | 29-34, 36-46, HH | 17,551.4 | 2,139.9 | 15,411.5 | 53.07% |
| | | | <u>\$ 30,213.5</u> | <u>\$ 4,541.4</u> | <u>\$ 25,672.0</u> | |
| MIF⁽⁷⁾ | | | | | | |
| 310227 | MIF | RR, 96 | 3,453.7 | 687.9 | 2,765.8 | 100.00% ⁽⁶⁾ |
| 310228 | MIF | SS | 3,114.0 | 744.8 | 2,369.3 | 100.00% ⁽⁶⁾ |
| 310229 | MIF | JJ, KK, LL, MM-2, NN, 86, 87 | 14,284.4 | 4,140.7 | 10,143.7 | 100.00% ⁽⁶⁾ |
| 310231 ⁽¹⁰⁾ | MIF | EE-4, HH-4, 33/34, 96 | 2,882.4 | 191.1 | 2,691.3 | 100.00% ⁽⁶⁾ |
| 310238 | MIF | 38/39 | 2,815.4 | 632.2 | 2,183.2 | 25.51% |
| 310239 | MIF | 40-56 | 1,896.0 | 251.8 | 2,644.2 | 100.00% ⁽⁶⁾ |
| 310234 ⁽⁹⁾ | MIF | 33, 35 | 11,700.5 | 124.4 | 11,576.0 | 100.00% ⁽⁶⁾ |
| 310235 ⁽⁹⁾ | MIF | 35 | 18,543.2 | 526.8 | 18,016.4 | 100.00% ⁽⁶⁾ |
| 310240 | MIF | 46-69 | 22,564.9 | 1,143.7 | 21,421.2 | 59.65% |
| 310242 ⁽⁹⁾ | MIF | 57-88/89 | 27,964.2 | 995.3 | 26,968.9 | 23.16% |
| COOP CITY | MIF | 44/45 | 1.0 | 0.0 | 1.0 | 27.07% |
| 310243 | MIF | 48/49 | 155.9 | 0.0 | 155.9 | 100.00% |
| 310244 | MIF | 50 | 62.6 | 31.7 | 30.9 | 16.79% |
| 310246 | MIF | 48/49, 52-57, 60-67 | 1,163.1 | 13.5 | 1,149.6 | 65.63% |
| 310247 | MIF | 50 | 3,981.4 | 197.5 | 3,783.9 | 57.47% |
| 310248 | MIF | 51 | 677.5 | 3.2 | 674.3 | 90.29% |
| 310249 | MIF | 57-67 | 6,663.5 | 184.0 | 6,479.5 | 54.90% |
| 310250 ⁽¹⁰⁾ | MIF | 73A-104/105 | 30,939.7 | 955.6 | 29,984.1 | 26.64% |
| 310251 ⁽¹⁰⁾ | MIF | 94/95-137/138/139 | 38,026.7 | 1,946.3 | 36,080.4 | 8.89% |
| 310252 ⁽³⁾⁽⁹⁾ | MIF | 116/117/118-178/179/180 & HMB Principal Prepayments | 73,299.9 | 3,187.1 | 70,112.8 | 5.70% |
| | | | <u>\$265,189.9</u> | <u>\$15,957.6</u> | <u>\$249,232.3</u> | |

(1) Generally, each Policy provides coverage in an amount equal to a stated percentage (5½% in the case of each Policy covering Mortgage Loans financed with proceeds attributable to Bonds issued prior to the Series 46 Bonds, and 4% for all subsequent Series of Bonds) of the aggregate original principal amount of the Mortgage Loans covered by such Policy. Mortgage pool insurance coverage with respect to Series VV Mortgage Loans differs in certain respects from that with respect to other Mortgage Loans. Certain Mortgage Loans financed with proceeds attributable to the Series EE-4, HH-4, 33, and 34 Bonds bearing interest at a predetermined fixed rate during an initial period and adjusting to a higher predetermined rate for the remainder of such loan are covered under a Policy provided by the MIF providing coverage in an amount equal to 10% of the aggregate original principal amount of the mortgage loans covered by such Policy. Most of the Mortgage Loans financed with proceeds attributable to Series 54, 55, 56, and 57 Bonds which were part of the Agency's Construction Incentive Program are covered under Policy Number 310240. Policy Nos. 310243-310249 provide coverage for the mortgage loan participation interests funded with proceeds of the respective Series of Bonds in mortgage loans funded with both Bond proceeds and bonds issued under the MRB Resolution.

(2) Prior to submitting any claims under Policy Number 88-066005/90-066012 or Policy Number 88-066006, there were net losses attributable to such Policies equal to the respective deductible amounts of \$872,317 and \$165,313.

(3) Amounts available to finance Mortgage Loans that will be covered by this Policy had not yet been fully expended as of October 31, 2013. This Policy provides or will provide coverage in an amount equal to 4% of the aggregate original principal amount of the mortgage loans covered by such Policy.

(4) Radian Guaranty Inc.

(5) Genworth Mortgage Insurance Corporation.

(6) Notwithstanding the percentage shown, the maximum aggregate principle amount payable under the applicable mortgage pool insurance policy is limited to the aggregate principal amount of the currently outstanding Mortgage Loans insured by such mortgage pool insurance policy plus certain expenses incurred by the Mortgage Lenders or the Agency as well as accrued interest on delinquent Mortgage Loans, including interest accrued through completion of foreclosure proceedings in connection with such Mortgage Loans. The coverage amount in excess of the maximum aggregate principle amount payable under any one mortgage pool insurance policy is not available to pay losses with respect to Mortgage Loans insured under other mortgage pool insurance policies.

Footnotes continued on next page

Footnotes continued from previous page

- (7) The Agency's Mortgage Insurance Fund (the "MIF").
- (8) Mortgage Loans financed by respective portions of Series VV Bonds and Series 99-100 Bonds have pool insurance coverage under separate policies issued by Radian and the MIF, respectively.
- (9) This Policy provides coverage for a pool that includes Mortgage Loans as well as MRB Loans. The information in this table reflects information about Mortgage Loans. The Mortgage Loans include some MRB Originated Mortgage Loans that were added to the insured under this Policy following their acquisition on March 13, 2014. The respective coverage amounts will be reallocated to reflect the respective interests of the Resolution and the MRB Resolution.
- (10) This Policy provides coverage for a pool that includes Mortgage Loans as well as MRB Loans, including certain MRB Originated Mortgage Loans. Certain Mortgage Loans insured under this Policy had been insured under this Policy as MRB Originated Mortgage Loans prior to their acquisition on March 13, 2014. The respective coverage amounts will be reallocated to reflect the respective interests of the Resolution and the MRB Resolution.

As of October 31, 2013, the Agency had received advances under Policies provided by the MIF in the aggregate amount of \$1,917,537 through November 1998. The Agency has never requested advances under Policies with Radian Guaranty Inc. (formerly CMAC) and Genworth Mortgage Insurance Corporation (formerly GEMICO) and has not requested advances under the MIF Policies in more than 14 years. Under its current operating procedure, the Agency will not request advances under Policies provided by the MIF. The Agency reserves the right in the future to request advances under one or more Policies.

PMI Coverage

Based on Current PMI Coverage. With respect to Mortgage Loans, the following table sets forth the PMI provider, or whether the Mortgage Loan is insured by FHA, or is uninsured, with respect to the principal balance of such loans as of November 30, 2013. As more fully described under Part 2 "Sources of Payment and Security for the Bonds — Mortgage Loans — Requirements of the Series Resolutions," PMI coverage is not required to be maintained with respect to a Mortgage Loan once the principal amount of such loan is less than certain preset amounts, which varied over the more than 20-year period during which Mortgage Loans have been originated. *As a result, Mortgage Loans described in the following table that were covered by PMI at the respective times of origination may no longer be covered by such PMI.* Primary mortgage insurance is not provided in connection with Second Lien DPALs and Pledged CCALs.

| <u>PMI Provider</u> | <u>Current Principal Amount of Mortgage Loans as of November 30, 2013 (000s)</u> | <u>Approximate Current Percentage of Total Mortgage Loans as of November 30, 2013</u> | <u>Ratings⁽¹⁾ (S&P/Moody's)</u> |
|--|--|---|--|
| Genworth Mortgage Insurance Corporation ⁽²⁾ | \$ 585,091.2 | 28.57% | BB-/Ba1 |
| MIF ⁽²⁾ | 107,610.8 | 5.25 | NA/Aa1 |
| Radian Guaranty Inc ⁽²⁾ | 37,932.2 | 1.85 | BB-/Ba3 |
| Mortgage Guaranty Insurance Corp ⁽²⁾ | 801.5 | 0.04 | BB/Ba3 |
| PMI Mortgage Insurance Co ⁽²⁾ | 150.6 | <0.01 | NA/NA ⁽³⁾⁽⁴⁾ |
| FHA | 12.9 | <0.01 | NA ⁽⁴⁾ /Aa2 |
| Uninsured | <u>1,316,394.3</u> | <u>64.28</u> | NA ⁽⁴⁾ |
| Total | <u>\$2,047,993.4</u> | <u>100.00%</u> | |

⁽¹⁾ As of March 13, 2014.

⁽²⁾ See Appendix B — "Mortgage Insurance and New York Foreclosure Procedures — Ratings Disclosure" to this Part 2.

⁽³⁾ The Arizona Department of Insurance (the "Department") took possession, management and control of PMI Mortgage Insurance Co. and instituted a partial claim payment plan pursuant to which claim payments by PMI Mortgage Insurance Co. will be made at 50%, with the remaining amount deferred as a policyholder claim (the "Partial Distribution Plan"). On March 14, 2012, the Arizona Superior Court, Maricopa County, entered an Order for Appointment of a Receiver and Injunction, as requested by the Department, appointing the Arizona Director of Insurance as receiver. This order placed PMI Mortgage Insurance Co. into receivership and granted the receiver the sole discretion whether or not to continue, terminate or modify the Partial Distribution Plan. S&P and Moody's ratings have been withdrawn.

⁽⁴⁾ Not Applicable.

Delinquencies

The Agency has been experiencing significant increases in the respective time periods during which Mortgage Loans are treated as 90+ days' delinquent or are in foreclosure. See "The Program — Mortgage Loan Servicing."

The following table describes the status of delinquencies of Mortgage Loans as of October 31, 2013 (it does not reflect any delinquency information with respect to Second Lien DPALs and Pledged CCALs):

| <u>Days Delinquent</u> | <u>Number of Mortgage Loans</u> | <u>Approximate Percentage of Total Number of Mortgage Loans</u> [†] | <u>Aggregate Principal Balance</u> | <u>Approximate Percentage of Total Unpaid Principal Amount of Mortgage Loans</u> |
|-------------------------------|--|---|---|---|
| 60 days | 247 | 0.99% | \$ 19,791,403 | 0.97% |
| 90-plus days | 335 | 1.35 | 33,989,176 | 1.67 |
| In foreclosure | <u>596</u> | <u>2.40</u> | <u>64,737,174</u> | <u>3.18</u> |
| Total | <u>1,178</u> | <u>4.74%</u> | <u>\$118,517,753</u> | <u>5.82%</u> |

[†] The New York State and National data published in the September 30, 2013 Mortgage Bankers Association of America National Delinquency Survey stated that 1.18%, 2.91%, and 6.34% (for a total of 10.43%) of loans in the State and 1.13%, 2.57%, and 3.08% of loans nationally (for a total of 6.78%) were, respectively 60 days delinquent, 90-plus days delinquent, and in foreclosure. As of September 30, 2013, 1.15%, 1.17% and 2.48% (for a total of 4.80%) of Mortgage Loans were, respectively, 60 days, 90-plus days, and in foreclosure.

The following table describes the status of delinquencies of Mortgage Loans for each semi-annual period beginning January 31, 2004 and ending July 31, 2013 (it does not reflect the semi-annual delinquency status of Second Lien DPALs and Pledged CCALs):

| <u>Semi-Annual Period Ending</u> | <u>Aggregate Principal Balance 60+ Days Delinquent</u> | <u>Approximate Percentage of Total Unpaid Principal Amount of Mortgage Loans</u> |
|---|---|---|
| 1/31/2004 | \$ 39,987,361 | 1.73% |
| 7/31/2004 | 33,446,501 | 1.47% |
| 1/31/2005 | 36,466,159 | 1.54% |
| 7/31/2005 | 31,184,487 | 1.37% |
| 1/31/2006 | 29,723,766 | 1.30% |
| 7/31/2006 | 26,634,639 | 1.14% |
| 1/31/2007 | 26,818,479 | 1.10% |
| 7/31/2007 | 26,742,193 | 1.10% |
| 1/31/2008 | 33,251,488 | 1.29% |
| 7/31/2008 | 29,947,231 | 1.12% |
| 1/31/2009 | 42,327,881 | 1.48% |
| 7/31/2009 | 43,735,492 | 1.57% |
| 1/31/2010 | 66,098,059 | 2.39% |
| 7/31/2010 | 65,481,983 | 2.47% |
| 1/31/2011 | 81,386,684 | 3.22% |
| 7/31/2011 | 82,147,510 | 3.51% |
| 1/31/2012 | 98,295,570 | 4.30% |
| 7/31/2012 | 98,336,776 | 4.51% |
| 1/31/2013 | 105,418,088 | 5.09% |
| 7/31/2013 | 112,742,323 | 5.65% |

Title to property formerly securing Mortgage Loans may pass to the Agency through foreclosure, acceptance of a deed in lieu of foreclosure, or otherwise (see Appendix B — “Mortgage Insurance and New York Foreclosure Procedures — New York Foreclosure Procedures and Federal Bankruptcy Law” to this Part 2). As of October 31, 2013, the Agency held title to approximately 51 such properties, and the approximate aggregate unpaid principal with respect to such properties as of such date was \$4,691,575. Such properties and any amounts received upon disposition of such properties constitute Pledged Property under the General Resolution.

Loan-to-Value Ratios (“LTVs”)

The table below sets forth the principal amount of Mortgage Loans at different LTVs. As used in the table below, LTV is the current unpaid principal amount of each Mortgage Loan divided by the lesser of the original purchase price or original appraised value of the home financed by such Mortgage Loan. Approximately 58.4% of the Mortgage Loans originated since January 2004 have LTVs ratios at the time of origination above 90%. Over 31% of the Mortgage Loans had LTVs at the time of origination of 80% or less. In addition, the Agency has used Bond proceeds and available moneys to make Second Lien DPALs and Pledged CCALs. Since August 2006, when the Agency implemented a higher rate (currently 37.5 basis points higher, though such rate had been 50 basis points higher until March 2011) for mortgagors opting for Pledged CCALs or Second Lien DPALs, approximately 65.8% of new borrowers have utilized Pledged CCALs or Second Lien DPALs. As of the date of this Official Statement, the Agency is no longer offering CCALs. The table set forth below does not reflect any LTV information with respect to Second Lien DPALs and Pledged CCALs.

| <u>LTV Range</u> | <u>Unpaid Principal Amount of Mortgage Loans as of November 30, 2013 (000s)</u> | <u>Approximate Percentage of Total Unpaid Principal Amount of Mortgage Loans as of November 30, 2013</u> |
|-------------------------|--|---|
| 50% and under | \$ 207,543.7 | 10.13% |
| 50.01% to 60% | 198,499.0 | 9.69 |
| 60.01% to 70% | 357,692.3 | 17.47 |
| 70.01% to 80% | 551,137.1 | 26.91 |
| 80.01% to 90% | 513,488.9 | 25.07 |
| 90.01% to 97% | 212,838.7 | 10.39 |
| Over 97% | <u>6,793.7</u> | <u>0.33</u> |
| Total: | <u>\$2,047,993.4</u> | <u>100.00%</u> |

Since the above LTV Range is based on the financed property’s original appraised value, the LTV as a percentage of the current appraised value may be different from those reflected in the above table.

Mortgage Loan Principal Prepayments Received from November 1, 2009 through October 31, 2013

During the forty-eight months ending October 31, 2013, the Agency received the approximate aggregate principal amounts of Principal Prepayments of Mortgage Loans as follows (the following table does not reflect any Principal Prepayments received with respect to Second Lien DPALs, or Revenues received with respect to Pledged CCALs):

| | <u>(000s)</u> |
|----------------|------------------|
| November 2009 | \$ 14,612 |
| December 2009 | 15,539 |
| January 2010 | 9,809 |
| February 2010 | 7,689 |
| March 2010 | 13,284 |
| April 2010 | 12,944 |
| May 2010 | 13,856 |
| June 2010 | 16,919 |
| July 2010 | 14,163 |
| August 2010 | 12,265 |
| September 2010 | 15,930 |
| October 2010 | 17,172 |
| November 2010 | 21,682 |
| December 2010 | 18,222 |
| January 2011 | 16,018 |
| February 2011 | 16,441 |
| March 2011 | 13,156 |
| April 2011 | 13,951 |
| May 2011 | 12,352 |
| June 2011 | 14,922 |
| July 2011 | 13,236 |
| August 2011 | 15,248 |
| September 2011 | 13,356 |
| October 2011 | 19,872 |
| November 2011 | 21,155 |
| December 2011 | 20,559 |
| January 2012 | 15,364 |
| February 2012 | 18,319 |
| March 2012 | 16,648 |
| April 2012 | 22,077 |
| May 2012 | 22,170 |
| June 2012 | 21,002 |
| July 2012 | 20,462 |
| August 2012 | 23,681 |
| September 2012 | 19,046 |
| October 2012 | 20,771 |
| November 2012 | 19,683 |
| December 2012 | 18,827 |
| January 2013 | 17,052 |
| February 2013 | 17,039 |
| March 2013 | 19,417 |
| April 2013 | 21,842 |
| May 2013 | 20,557 |
| June 2013 | 18,539 |
| July 2013 | 19,649 |
| August 2013 | 19,700 |
| September 2013 | 15,791 |
| October 2013 | <u>16,215</u> |
| | <u>\$798,203</u> |

MRB Originated Mortgage Loans

The information set forth below describes mortgage loans originally financed by the Agency with proceeds of the Agency’s Mortgage Revenue Bonds that the Agency acquired with a portion of the proceeds of the Series 182 Bonds and the Series 183 Bonds and all of the proceeds of the Series 184 Bonds (the “MRB Originated Mortgage Loans”). With the acquisition, the MRB Originated Mortgage Loans became Mortgage Loans and will be included as part of the assets pledged under the Resolution. Principal prepayments and repayments of the MRB Originated Mortgage Loans may occur between December 31, 2013 (the “as of” date with respect to the information set forth below) and their expected date of acquisition. As a result, the information set forth below may differ from the corresponding MRB Originated Mortgage Loans information as of their acquisition date.

Servicers of MRB Originated Mortgage Loans

The table below sets forth the approximate principal amount and approximate percentage of MRB Originated Mortgage Loans being serviced, as of December 31, 2013, by each Servicer. See “The Program — Mortgage Loan Servicing” in this Part 2 for information regarding Mortgage Loan (including MRB Originated Mortgage Loan) servicing and certain Servicers.

| Servicers of Greater Than 3% in Principal Amount of MRB Originated Mortgage Loans as of <u>December 31, 2013</u> | Approximate Principal Amounts of MRB Originated Mortgage Loans Being Serviced as of <u>December 31, 2013</u> | Approximate Percentage of MRB Originated Mortgage Loans Being Serviced as of <u>December 31, 2013</u> |
|---|---|--|
| M & T Bank..... | \$34,890,135 | 64.8% |
| HSBC Bank USA, N.A..... | 4,600,158 | 8.5 |
| Bank of New York Mellon | 4,661,659 | 8.7 |
| All Other Servicers | <u>9,658,579</u> | <u>17.9</u> |
| Total | <u>\$53,810,531</u> | <u>100.0%</u> |

MRB Originated Mortgage Loan Terms

The table below sets forth the approximate current unpaid principal balance of the MRB Originated Mortgage Loans upon their term to maturity at the time of origination. Each MRB Originated Mortgage Loan bears a fixed-rate and has level payments.

| Original Term (Years) | Approximate Percentage of Total Unpaid Principal Amount of MRB Originated Mortgage Loans as of <u>December 31, 2013</u> |
|----------------------------------|--|
| 30 | 98.15% |
| 20 | 1.20 |
| 40 | 0.33 |
| 25 | 0.32 |

Age of MRB Originated Mortgage Loan Portfolio

The following table provides information as of December 31, 2013 with respect to the MRB Originated Mortgage Loans based upon their respective year of origination.

Age of MRB Originated Mortgage Loan Portfolio

| <u>Year of Origination</u> | <u>Number of MRB Originated Mortgage Loans</u> | <u>Percentage of Total MRB Originated Mortgage Loans</u> | <u>Cumulative Percentage of Total Outstanding MRB Originated Mortgage Loans</u> | <u>Approximate Current Balance</u> | <u>Percentage of Total Approximate Current Balance</u> | <u>Cumulative Percentage of Total Approximate Current Balance</u> |
|----------------------------|--|--|---|------------------------------------|--|---|
| 1986 | 3 | 0.31% | 0.31% | \$ 60,137 | 0.11% | 0.11% |
| 1987 | 20 | 2.08 | 2.39 | 462,697 | 0.86 | 0.97 |
| 1988 | 83 | 8.63 | 11.02 | 2,213,262 | 4.11 | 5.08 |
| 1989 | 30 | 3.12 | 14.14 | 793,586 | 1.47 | 6.56 |
| 1990 | 5 | 0.52 | 14.66 | 160,812 | 0.30 | 6.86 |
| 1992 | 7 | 0.73 | 15.38 | 251,937 | 0.47 | 7.33 |
| 2001 | 115 | 11.95 | 27.34 | 5,747,898 | 10.68 | 18.01 |
| 2002 | 447 | 46.47 | 73.80 | 27,737,718 | 51.55 | 69.56 |
| 2003 | <u>252</u> | <u>26.20</u> | 100.00 | <u>16,382,485</u> | <u>30.44</u> | 100.00 |
| Total | <u>962</u> | <u>100.00%</u> | | <u>\$53,810,531</u> | <u>100.00%</u> | |

Mortgage Pool Insurance Coverage

Of the approximately \$53,810,531 aggregate principal amount of the MRB Originated Mortgage Loans, approximately \$50,963,231 aggregate principal amount (approximately 94.7%) are the subject of mortgage pool insurance policies provided by the MIF (see Appendix B — “Mortgage Insurance and New York Foreclosure Procedures — Ratings Disclosure” to this Part 2 for information concerning the rating of the MIF Single Family Pool Insurance Account). Coverage under some of these policies are for a pool of Mortgage Loans and mortgage loans originated under the MRB Resolution (including MRB Originated Mortgage Loans). Each such policy provides coverage in an amount equal to 4.0% of the aggregate original principal amount of the mortgage loans covered by such policy. The remaining approximately \$2,847,300 aggregate principal amount of the MRB Originated Mortgage Loans (approximately 5.3%) are not insured under any mortgage pool insurance policies or PMI.

The Agency has not requested advances under policies with the MIF in more than 10 years and, under its current operating procedure, the Agency will not request advances under such policies. The Agency reserves the right in the future to request advances under one or more policies.

PMI Coverage

Based on Current PMI Coverage. With respect to MRB Originated Mortgage Loans, the following table sets forth the PMI provider, or whether the MRB Originated Mortgage Loan is uninsured, with respect to the principal balance of such loans as of December 31, 2013. Pursuant to the MRB Resolution, PMI coverage is not required to be maintained with respect to a MRB Originated Mortgage Loan once the principal amount of such loan is less than or equal to 80% of the original value of the property, or when the MRB Originated Mortgage Loan reaches the midpoint of its amortization schedule, whichever comes first. ***As a result, MRB Originated Mortgage Loans described in the following table that were covered by PMI at the respective times of origination may no longer be covered by such PMI.***

| PMI Provider | Current Principal Amount of MRB Originated Mortgage Loans as of November 30, 2013 (000s) | Approximate Current Percentage of Total MRB Originated Mortgage Loans as of November 30, 2013 | Ratings⁽¹⁾ (S&P/Moody's) |
|--|---|--|--|
| Uninsured | \$52,907.4 | 98.3% | NA ⁽³⁾ |
| Radian Guaranty Inc ⁽²⁾ | 513.2 | 1.0 | BB-/Ba3 |
| MIF ⁽²⁾ | 389.9 | 0.7 | NA/Aa1 |
| Total | <u>\$53,810.5</u> | <u>100.0%</u> | |

⁽¹⁾ As of March 13, 2014.

⁽²⁾ See Appendix B — “Mortgage Insurance and New York Foreclosure Procedures — Ratings Disclosure” to this Part 2.

⁽³⁾ Not Applicable.

Delinquencies

The Agency has been experiencing significant increases in the respective time periods during which its mortgage loans (including MRB Originated Mortgage Loans) are treated as 90+ days’ delinquent or are in foreclosure. See “The Program — Mortgage Loan Servicing.”

The following table describes the status of delinquencies of MRB Originated Mortgage Loans as of December 31, 2013:

| <u>Days Delinquent</u> | <u>Number of MRB Originated Mortgage Loans</u> | <u>Approximate Percentage of Total Number MRB Originated Mortgage Loans</u> [†] | <u>Aggregate Principal Balance</u> | <u>Approximate Percentage of Total Unpaid Principal Amount of MRB Originated Mortgage Loans</u> |
|-------------------------------|---|---|---|--|
| 60 days | 4 | 0.42% | \$ 356,136 | 0.66% |
| 90-plus days | 7 | 0.73 | 692,436 | 1.29 |
| In foreclosure | <u>7</u> | <u>0.73</u> | <u>815,158</u> | <u>1.51</u> |
| Total | <u>18</u> | <u>1.87%</u> | <u>\$1,863,730</u> | <u>3.46%</u> |

[†] The New York State and National data published in the September 30, 2013 Mortgage Bankers Association of America National Delinquency Survey stated that 1.18%, 2.91%, and 6.34% (for a total of 10.43%) of loans in the State and 1.13%, 2.57%, and 3.08% of loans nationally (for a total of 6.78%) were, respectively 60 days delinquent , 90-plus days delinquent, and in foreclosure.

Loan-to-Value Ratios (“LTVs”)

The table below sets forth the principal amount of MRB Originated Mortgage Loans at different LTVs. As used in the table below, LTV is the current unpaid principal amount of each MRB Originated Mortgage Loan divided by the lesser of the original purchase price or original appraised value of the home financed by such MRB Originated Mortgage Loan.

| <u>LTV Range</u> | <u>Unpaid Principal Amount of MRB Originated Mortgage Loans as of December 31, 2013 (000s)</u> | <u>Approximate Percentage of Total Unpaid Principal Amount of MRB Originated Mortgage Loans as of December 31, 2013</u> |
|-------------------------|---|--|
| 50% and under | \$ 7,844.6 | 14.58% |
| 50.01% to 60% | 5,863.2 | 10.90 |
| 60.01% to 70% | 13,186.6 | 24.51 |
| 70.01% to 80% | 26,013.1 | 48.34 |
| 80.01% to 90% | 721.9 | 1.34 |
| 90.01% to 97% | <u>181.2</u> | <u>0.34</u> |
| Total: | <u>\$53,810.6</u> | <u>100.00%</u> |

Since the above LTV Range is based on the financed property’s original appraised value, the LTV as a percentage of the current appraised value may be different from those reflected in the above table.

Investments

The Resolution permits the investment of Pledged Property in only Investment Obligations.

Certain earnings on investments of Pledged Property may be subject to rebate to the United States in order to prevent interest on the related Bonds from being included in gross income for federal income tax purposes and, therefore, will not be available to pay principal (including the Redemption Price) of and interest on the Bonds.

Acquisition Fund and Bond Proceeds Fund

At present, there is approximately \$61 million on deposit in the Acquisition Fund, invested in U.S. Treasury obligations, and no moneys on deposit in the Bond Proceeds Fund.

General Fund

The Agency has invested moneys on deposit in the General Fund in Mortgage Loans, which are permitted Investment Obligations for such Fund. See in this Part 2 “Summary of Certain Provisions of the General Resolution — Certain Definitions — Investment Obligations.” The amount in such Fund that is permitted to be invested in Mortgage Loans (including Second Lien DPALs) and the maximum time any Mortgage Loan (including any Second Lien DPAL) may be an investment in such Fund are limited. As of October 31, 2013, approximately \$21.3 million of General Fund moneys were invested in, collectively, Mortgage Loans and Second Lien DPALs. When moneys in the General Fund are invested in Mortgage Loans, the characteristics of such Mortgage Loans are substantially the same as the Agency’s other Mortgage Loans. The Agency expects to periodically use proceeds of Bonds, including the Offered Bonds, and of bonds issued under the MRB Resolution, to reimburse the General Fund for amounts used to purchase Mortgage Loans, when amounts in the General Fund are used for such purpose.

Debt Reserve Fund and Loan Loss Fund

As of October 31, 2013, the respective Amortized Values of the approximate aggregate amounts of investments on deposit in the Debt Reserve Fund and the Loan Loss Fund (both of which Funds are held under the General Resolution), valued in accordance with the General Resolution, were \$92,812,000 and \$32,942,000.

Amounts in the Debt Reserve Fund and the Loan Loss Fund as of October 31, 2013 were invested in U.S. Treasury Bonds, Bills and Notes, and Fannie Mae Obligations, and with JPMorgan Chase Bank, N.A., Portigon AG (formerly named Westdeutsche Landesbank Girozentrale) and Societe Generale in the amounts of approximately \$85,368,000, \$3,087,000, \$450,000, \$6,864,000, and \$29,985,000, respectively; at coupon rates of 0.125% to 8.875%; with maturity dates of May 31, 2014 to October 1, 2035, and had an aggregate book value as of such date of approximately \$125,754,000. All of such investments bear fixed rates of interest, and none of such investments are in reverse repurchase agreements, interest-only securities, principal-only securities, inverse floating-rate securities, or inverse variable floating-rate securities.

Special Redemption from Unexpended Proceeds

As stated in Part 1 under “The Offered Bonds — Redemption — Special Redemption,” no Agency single-family housing bonds, including Prior Series Bonds, have been redeemed from unexpended lendable proceeds for more than twenty years.

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**SUMMARY OF CERTAIN PROVISIONS OF THE
AMENDED AND RESTATED MASTER DISCLOSURE AGREEMENT**

Certain provisions of the Amended and Restated Master Disclosure Agreement between the Agency and the Trustee not previously discussed in this Official Statement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Amended and Restated Master Disclosure Agreement.

The Amended and Restated Master Disclosure Agreement dated as of September 15, 2011, was executed and delivered by the Agency and the Trustee for the benefit of the Holders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

Certain Definitions

Defined terms used in the Amended and Restated Master Disclosure Agreement and not otherwise defined therein have the meanings set forth in the General Resolution.

“**Beneficial Owner**” means a Beneficial Owner of Subject Bonds, as determined pursuant to the Rule.

“**Bonds**” means, at any time, all of the Agency’s then Outstanding Homeowner Mortgage Revenue Bonds, collectively.

“**50/51 Official Statement**” means the offering document of the Agency with respect to its Homeowner Mortgage Revenue Bonds, Series 50 and Series 51, dated August 17, 1995.

“**Fiscal Year**” means that period established by the Agency with respect to which its, as applicable, Audited Financial Statements or Unaudited Financial Statements are prepared. As of the date of the Amended and Restated Master Disclosure Agreement, the Agency’s Fiscal Year begins on November 1 and ends on October 31 of the next calendar year.

“**Holders**” means the registered owners of the Subject Bonds.

“**Listed Event**” means any of the events listed below under the heading “Reporting of Certain Events.”

“**MSRB**” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions of the MSRB contemplated by the Amended and Restated Master Disclosure Agreement.

“**Notice**” means written notice, sent for overnight delivery via the United States Postal Service or a private delivery service which provides evidence of delivery.

“**Notice Address**” means with respect to the Agency:

State of New York Mortgage Agency
641 Lexington Avenue
New York, New York 10022
Attention: Executive Director and President
and Chief Executive Officer

“**Participating Underwriter**” means any of the original underwriters of any Subject Bonds required to comply with the Rule in connection with the offering of such Subject Bonds.

“**Rule**” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the date of the Amended and Restated Master Disclosure Agreement including any official interpretations thereof.

“**SEC**” means the United States Securities and Exchange Commission.

“**Securities Counsel**” means legal counsel expert in Federal securities laws.

“**Subject Bonds**” means those Bonds with respect to which the terms of the Amended and Restated Master Disclosure Agreement are expressly incorporated into any one of the Agency documents authorizing the issuance of such Bonds.

Provision of Annual Financial Information

The Agency will, not later than 180 days after the end of each of the Agency’s Fiscal Years, commencing with the report for the 1995-1996 Fiscal Year, provide to the MSRB the Annual Financial Information. The audited financial statements of the Agency may be submitted separately from the balance of the Annual Financial Information, and later than the date required for the filing of the Annual Financial Information if not available by that date.

The Amended and Restated Master Disclosure Agreement requires the Agency to provide, in a timely manner, notice of any failure by it to provide Annual Financial Information to the MSRB on or before the date described in the first paragraph under this heading, to the MSRB.

Content of Annual Financial Information

The Agency’s Annual Financial Information shall contain or include by reference the following:

(a) the audited financial statements of the Agency for the Fiscal Year ended on the previous October 31, prepared in accordance with generally accepted accounting principles established by the Financial Accounting Standards Board, if available, or unaudited financial statements for such Fiscal Year; and

(b) financial information or operating data of the types included in Appendix D to Part 2 of the 50/51 Official Statement entitled “Certain Agency Financial Information and Operating Data” (such information or data is substantially similar to that included in Appendix D of this Official Statement).

If not provided as part of the Annual Financial Information by the date required (as described above under “Provision of Annual Financial Information”), the Agency shall provide audited financial statements, when and if available, to the MSRB.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities (i) available to the public on the MSRB Internet Web Site (currently www.emma.msrb.org) or (ii) filed with the SEC. (If such a document is an official statement within the meaning of the Rule, it must also be available from the MSRB.) Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Reporting of Certain Events

(a) With respect to Subject Bonds (i) issued on, or after, the date of issuance of the Series 163 Bonds and the Series 164 Bonds, or (ii) otherwise designed by the Agency, the Agency will give notice to the

MSRB of the occurrence of any of the following events, not in excess of ten (10) business days after the occurrence of such event, with respect to such Subject Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) modification to rights of Holders, if material;
- (4) Subject Bond calls, if material, and tender offers;
- (5) unscheduled draws on credit enhancements reflecting financial difficulties;
- (6) substitution of credit or liquidity providers, or their failure to perform;
- (7) defeasances;
- (8) rating changes;
- (9) 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 of determination with respect to the tax status of the Subject Bonds, or other material events affecting the tax status of any Subject Bonds;
- (10) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (11) release, substitution or sale of property securing repayment of the Subject Bonds, if material;
- (12) a change in the fiscal year of the Agency or a change in the accounting principles used to prepare the Annual Financial Information;
- (13) bankruptcy, insolvency, receivership or similar event of the Agency[†];
- (14) the consummation of a merger, consolidation, or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (15) appointment of a successor or additional trustee or the change of name of a trustee, if material.

[†] Note to clause 13: For the purposes of the event identified in clause 13 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Agency in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Agency, 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 the Agency.

(b) With respect to Subject Bonds other than those that meet the criteria set forth in (a) above, the Agency will give notice to the MSRB of the occurrence of any of the following events with respect to such Subject Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) modification to rights of Holders;
- (4) Subject Bond calls;
- (5) unscheduled draws on credit enhancements reflecting financial difficulties;
- (6) substitution of credit or liquidity providers, or their failure to perform;
- (7) defeasances;
- (8) rating changes;
- (9) adverse tax opinions or events adversely affecting the tax-exempt status (if applicable) of any Subject Bonds;
- (10) unscheduled draws on the debt service reserves reflecting financial difficulties; or
- (11) release, substitution or sale of property securing repayment of the Subject Bonds.

The Amended and Restated Master Disclosure Agreement requires the Trustee to promptly give Notice to the Agency at its Notice Address whenever, in the course of performing its duties as Trustee under the General Resolution, the Trustee identifies a Listed Event; *provided, however*, that the failure of the Trustee so to advise the Agency shall not constitute a breach by the Trustee of any of its duties and responsibilities under the Amended and Restated Master Disclosure Agreement or the General Resolution.

Transmission of Information, Notices and Documents

(1) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(2) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

Additional Information

Nothing in the Amended and Restated Master Disclosure Agreement will be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in the Amended and Restated Master Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by the Amended and Restated Master Disclosure Agreement. If the Agency chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event in addition to that which is specifically required by the Amended and Restated Master Disclosure Agreement, the

Agency will have no obligation under the Amended and Restated Master Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Amendment of Amended and Restated Master Disclosure Agreement

The Amended and Restated Master Disclosure Agreement may be amended by written agreement of the Agency and the Trustee, and any provision of the Amended and Restated Master Disclosure Agreement may be waived, without the consent of the Holders or Beneficial Owners, except as described in clause 4(ii) below, under the following conditions: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature, or status of the Agency or the type of business conducted thereby, (2) the Amended and Restated Master Disclosure Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of each primary offering of Subject Bonds affected by such amendment or waiver, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Agency shall have delivered to the Trustee an opinion of Securities Counsel, addressed to the Agency and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) a party unaffiliated with the Agency (such as the Trustee or bond counsel), acceptable to the Trustee and the Agency, has determined that the amendment or waiver does not materially impair the interests of the Beneficial Owners, or (ii) the Holders consent to the amendment or waiver of the Amended and Restated Master Disclosure Agreement pursuant to the same procedures as are required for amendments to the General Resolution with consent of Holders, and (5) the Agency shall have delivered copies of such amendment or waiver to the MSRB.

In addition to the foregoing, the Agency and the Trustee may amend the Amended and Restated Master Disclosure Agreement, and any provision of the Amended and Restated Master Disclosure Agreement may be waived, if the Trustee shall have received an opinion of Securities Counsel, addressed to the Agency and the Trustee, to the effect that the adoption and the terms of such amendment or waiver would not, in and of themselves, cause the undertakings in the Amended and Restated Master Disclosure Agreement to violate the Rule, taking into account any subsequent change in or official interpretation of the Rule.

Benefit; Third-Party Beneficiaries; Enforcement

The provisions of the Amended and Restated Master Disclosure Agreement will inure solely to the benefit of the Holders from time to time; *except* that Beneficial Owners will be third-party beneficiaries of the Amended and Restated Master Disclosure Agreement.

Except as described in this paragraph, the provisions of the Amended and Restated Master Disclosure Agreement will create no rights in any other person or entity. The obligation of the Agency to comply with the provisions of the Amended and Restated Master Disclosure Agreement are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data, and notices, by any Beneficial Owner of Outstanding Subject Bonds, or by the Trustee on behalf of the Holders of Outstanding Subject Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information, and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Subject Bonds; *provided, however*, that the Trustee shall not be required to take any enforcement action *except* at the direction of the Holders of not less than 25% in aggregate principal amount of the Subject Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity.

The Beneficial Owners', the Holders', and the Trustee's right to enforce the provisions of the Amended and Restated Master Disclosure Agreement are limited to a right, by action in mandamus or for specific performance, to compel performance of the Agency's obligations under the Amended and Restated Master Disclosure Agreement. Any failure by the Agency or the Trustee to perform in accordance with the Amended and Restated Master Disclosure Agreement will not constitute a default or an Event of Default under

the General Resolution, and the rights and remedies provided by the General Resolution upon the occurrence of a default or an Event of Default will not apply to any such failure.

Termination of Reporting Obligation

The Agency's and the Trustee's obligations under the Amended and Restated Master Disclosure Agreement with respect to the Subject Bonds terminate upon the legal defeasance under the General Resolution, prior redemption, or payment in full of all of the Subject Bonds. The Agency shall give notice of any such termination to the MSRB.

The Amended and Restated Master Disclosure Agreement, or any provision thereof, will be null and void to the extent set forth in the opinion of Securities Counsel described in clause (1) in the event that the Agency (1) delivers to the Trustee an opinion of Securities Counsel, addressed to the Agency and the Trustee, to the effect that those portions of the Rule which require the provisions of the Amended and Restated Master Disclosure Agreement, or any of such provisions, do not or no longer apply to the Subject Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as will be specified in such opinion, and (2) delivers notice to such effect to the MSRB.

Duties, Immunities, and Liabilities of Trustee

The Trustee will have only such duties under the Amended and Restated Master Disclosure Agreement as are specifically set forth therein, and the Agency will indemnify and save, but solely from the Pledged Property, the Trustee, its officers, directors, employees, and agents, harmless against any loss, expense, and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Amended and Restated Master Disclosure Agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's negligence or misconduct in the performance of its duties under the Amended and Restated Master Disclosure Agreement.

Governing Law

The Amended and Restated Master Disclosure Agreement will be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the Amended and Restated Master Disclosure Agreement will be instituted in a court of competent jurisdiction in the State, *provided that*, to the extent the Amended and Restated Master Disclosure Agreement addresses matters of federal securities laws, including the Rule, the Amended and Restated Master Disclosure Agreement will be construed in accordance with such Federal securities laws and official interpretations thereof.

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