NEW ISSUE

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the West Virginia Housing Development Fund (the "Housing Development Fund"), interest on the 2013 Series A Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). In the opinion of General Counsel to the Housing Development Fund, under existing statutes, the 2013 Series A Bonds and the income therefrom shall at all times be exempt from taxation by the State of West Virginia, or any county, municipality or other governmental subdivision of the State, except for death and gift taxes, taxes on transfers, sales taxes, real property taxes and business and occupation taxes. See "TAX MATTERS" herein.

$21,000,000

West Virginia Housing Development Fund

West Virginia Housing Development Fund
Housing Finance Bonds

$21,000,000 2013 Series A (Federally Taxable)

Dated: Date of Delivery **Due: As Shown on Inside Cover**

The 2013 Series A Bonds (the "2013 A Bonds") are issuable only as fully-registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository for the 2013 A Bonds. Individual purchases will be made in book-entry form only in denominations of $5,000 principal amount and integral multiples thereof. Beneficial Owners will not receive certificates representing their interest in the 2013 A Bonds.

Principal and interest are payable by the Trustee, United Bank, Inc., Charleston, West Virginia, to the securities depository, which will in turn remit such principal and interest to its participants for subsequent distribution to the Beneficial Owners of the 2013 A Bonds, as described herein. The 2013 A Bonds will bear interest from their date of initial delivery and will bear interest at the rates set forth on the inside cover page hereof, payable semiannually on each May 1 and November 1, commencing November 1, 2013. Interest on the 2013 A Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

The 2013 A Bonds are subject to redemption prior to maturity as more fully described herein.

BONDS ISSUED UNDER THE GENERAL RESOLUTION ARE GENERAL OBLIGATIONS OF THE HOUSING DEVELOPMENT FUND FOR WHICH ITS FULL FAITH AND CREDIT ARE PLEDGED.

THE HOUSING DEVELOPMENT FUND HAS NO TAXING POWER. THE STATE OF WEST VIRGINIA IS NOT LIABLE ON THE 2013 A BONDS AND THE 2013 A BONDS ARE NOT A DEBT OF THE STATE.

The 2013 A Bonds are offered when, as and if issued and received in book-entry form, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Housing Development Fund, and certain other conditions. Certain legal matters are subject to the approval of Jackson Kelly PLLC, Charleston, West Virginia, General Counsel to the Housing Development Fund. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Atlanta, Georgia. It is expected that the 2013 A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about May 9, 2013.

Raymond James

April 23, 2013

MATURITY SCHEDULE

$21,000,000

West Virginia Housing Development Fund
Housing Finance Bonds
2013 Series A (Federally Taxable)

$10,585,000 2013 Series A Serial Bonds

Maturity	Amount	Interest Rate	CUSIP Number[1]
November 1, 2013	$610,000	0.30%	95662M P20
May 1, 2014	600,000	0.50	95662M P38
November 1, 2014	600,000	0.55	95662M P46
May 1, 2015	600,000	0.58	95662M P53
November 1, 2015	605,000	0.68	95662M P61
May 1, 2016	605,000	0.94	95662M P79
November 1, 2016	610,000	1.04	95662M P87
May 1, 2017	610,000	1.23	95662M P95
November 1, 2017	615,000	1.30	95662M Q29
May 1, 2018	620,000	1.45	95662M Q37
November 1, 2018	625,000	1.55	95662M Q45
May 1, 2019	630,000	1.68	95662M Q52
November 1, 2019	635,000	1.78	95662M Q60
May 1, 2020	645,000	1.95	95662M Q78
November 1, 2020	650,000	2.05	95662M Q86
May 1, 2021	660,000	2.25	95662M Q94
November 1, 2021	665,000	2.30	95662M R28

$1,360,000 2.50% 2013 Series A Term Bonds due November 1, 2022; CUSIP [1] 95662M R36

$1,390,000 2.70% 2013 Series A Term Bonds due November 1, 2023; CUSIP [1] 95662M R44

$7,665,000 3.20% 2013 Series A Term Bonds due November 1, 2028; CUSIP [1] 95662M R51

Price of all 2013 Series A Bonds: 100%

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(1) The CUSIP numbers have been assigned to the 2013 A Bonds by an organization not affiliated with the Housing Development Fund and are included solely for the convenience of the bondholders. The Housing Development Fund shall not be responsible for the selection or use of these CUSIP numbers nor is any representation made as to their correctness on the 2013 A Bonds or as indicated herein.

No dealer, broker, salesman or other person has been authorized by the Housing Development Fund to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Housing Development Fund. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of the 2013 A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder may, under any circumstances, create any implication that there has been no change in the affairs of the Housing Development Fund since the date hereof.

The 2013 A Bonds may be offered and sold by the Underwriter to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE 2013 A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE AND THE RESOLUTIONS HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, BECAUSE OF AVAILABLE EXEMPTIONS THEREFROM.

IN MAKING AN INVESTMENT DECISION INVESTORS SHOULD MAKE AN INDEPENDENT DECISION WHETHER THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED MEETS HIS OR HER INVESTMENT OBJECTIVES AND FINANCIAL RISK TOLERANCE. THESE SECURITIES HAVE NOT BEEN APPROVED, DISAPPROVED, ENDORSED OR RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT (A) REVIEWED THIS OFFICIAL STATEMENT OR (B) CONFIRMED THE ACCURACY OR TRUTHFULNESS OF THIS DISCLOSURE, NOR WHETHER IT IS COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE 2013 A BONDS, THE UNDERWRITER MAY OVER-ALLOT AND EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2013 A BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statement involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Housing Development Fund does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, change.

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OFFICIAL STATEMENT

WEST VIRGINIA HOUSING DEVELOPMENT FUND

Housing Finance Bonds
$21,000,000 2013 Series A (Federally Taxable)

This Official Statement provides certain information concerning the West Virginia Housing Development Fund (the "Housing Development Fund") in connection with the sale of its Housing Finance Bonds, 2013 Series A (the "2013 A Bonds").

The 2013 A Bonds are being issued pursuant to the West Virginia Housing Development Fund Act, constituting Article 18 of Chapter 31 of the Code of West Virginia, 1931, as amended (the "Act"), the General Housing Finance Bond Resolution adopted by the Housing Development Fund on April 29, 1976, for the benefit of United Bank, Inc. as trustee (the "Trustee") as amended and supplemented (the "General Resolution"), the Forty-Sixth Supplemental Housing Finance Bond Resolution adopted by the Housing Development Fund on January 24, 2013 (the "Supplemental Resolution"), the direction of the Governor dated April 5, 2013, and a Certificate of Determinations signed by the Acting Executive Director or the Deputy Director of the Housing Development Fund, dated as of April 23, 2013 (the "Certificate").

Pursuant to the General Resolution, bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein. All such bonds, including the 2013 A Bonds, are herein called the "Bonds." Certain provisions of the General Resolution, the Supplemental Resolution and the Certificate (collectively, the "Resolutions") are summarized herein, and a glossary of certain words and terms defined in the General Resolution appears as **APPENDIX E** to this Official Statement. Words and terms defined in the Resolutions are used herein as so defined, except as expressly provided herein.

INTRODUCTION

The General Resolution authorizes Bonds to be issued to provide funds to finance mortgage loans to eligible persons for single family housing ("Program Loans") and mortgage loans to eligible persons or sponsors for multi-family rental housing accommodations ("Project Loans") within the State of West Virginia (the "State") and to provide funds for deposit into the various funds and accounts established under the General Resolution.

On January 24, 2013, the Housing Development Fund's Board of Directors approved a plan of finance authorizing the sale of up to $75,000,000 of Bonds to provide funds to finance Program Loans and up to $42,500,000 to refund the Housing Finance Bonds, 2003 Series A and 2003 Series B, for a total authorization of $117,500,000. The proceeds of the 2013 A Bonds, together with other available funds of the Housing Development Fund, will be used to refund in full the Housing Finance Bonds, 2003 Series A (the "Prior Bonds"). As a result of the refunding, mortgage loans and certain other amounts, which are currently allocated on the Housing Development Fund's books to the Prior Bonds and already pledged to the payment of the Prior Bonds (together, the "Transferred Amounts"), will be allocated to the 2013 A Bonds. Such Transferred Amounts are expected to be in the approximate aggregate principal amount of $21,000,000 on the date of such refunding.

Over $2 billion of Bonds has been issued under the General Resolution of which $347,760,000 will be outstanding after a scheduled redemption and scheduled debt service payment on May 1, 2013. Additional information concerning the currently outstanding issues of Bonds and the Mortgage Loans securing them is contained in the sections entitled "NATURE OF BONDS AND SOURCES OF PAYMENT – Debt Service and Estimated Revenues Including Prepayments" and "THE HOUSING FINANCE PROGRAM" and in **APPENDICES A-1, A-2, and A-3**.

The General Resolution provides for a Capital Reserve Fund to be held by the Trustee, which is required to have on deposit an amount, as of any computation date, equal to the greatest annual amount of Aggregate Debt Service for the current or any future Bond Year (the "Capital Reserve Fund Requirement"). As of February 28, 2013, the amount on deposit in the Capital Reserve Fund, valued in accordance with the General Resolution, was approximately $42,215,000, which amount was at least equal to the Capital Reserve Fund Requirement on such date. Upon the issuance of 2013 A Bonds, the amount on deposit in the Capital Reserve Fund will be at least equal to the Capital Reserve Fund Requirement.

Bonds issued under the General Resolution are general obligations of the Housing Development Fund for which its full faith and credit are pledged. Bonds are additionally secured by a pledge of the revenues derived from the Mortgage Loans financed pursuant to the General Resolution and moneys and securities held in any fund or account established thereunder. In addition, the Bonds are entitled to the benefit of the Mortgage Finance Bond Insurance Fund, a special trust fund established and maintained pursuant to the Act, to which amounts may be appropriated by the State Legislature as more fully described herein. See "MORTGAGE FINANCE BOND INSURANCE FUND."

THE HOUSING DEVELOPMENT FUND HAS NO TAXING POWER. THE STATE IS NOT LIABLE ON THE 2013 A BONDS AND THE 2013 A BONDS ARE NOT A DEBT OF THE STATE.

There follows in this Official Statement a brief description of the Housing Development Fund and its Housing Finance Program, together with summaries of certain terms of the 2013 A Bonds, the Resolutions and certain provisions of the Act. All references herein to the Act and the Resolutions are qualified in their entirety by reference to each such document, copies of which are available from the Housing Development Fund. All references to the 2013 A Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

Ratings

The 2013 A Bonds are rated “AAA” by Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc. (“S&P”) and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”).

Additionally, Moody’s and S&P rate the Housing Development Fund’s unsecured, long-term general obligation debt pledge “Aaa” and “AAA” respectively. Fitch Ratings (“Fitch”) rates the Housing Development Fund’s short-term general obligation debt pledge “F-1+”. These ratings are not assigned to any particular issue of debt, but rather, represent an overall credit assessment by the respective rating agencies of the Housing Development Fund’s general obligation debt pledge. The Housing Development Fund does, however, pledge its general obligation to the Bonds (see “Pledge of the General Resolution” under the caption “Nature of Bonds and Sources of Payment”). The Housing Development Fund makes no representation as to the meanings of such ratings.

The ratings are not recommendations to buy, sell or hold the 2013 A Bonds. There is no assurance that such ratings will be maintained for any period of time or that such ratings will not be withdrawn or revised downward by Moody’s, S&P or Fitch if, in their judgment, circumstances so warrant. Therefore, after the date hereof, investors should not assume that such rating is still in effect. The Housing Development Fund has not assumed any responsibility either to notify the owners of any proposed rating change or withdrawal of such rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Agreement (see “UNDERTAKING TO PROVIDE ONGOING DISCLOSURE” herein) or to contest any such revision or withdrawal. A downward revision or withdrawal of such rating, if taken, could have an adverse effect on the market price of bonds issued by the Housing Development Fund, including the 2013 A Bonds.

An explanation of the Moody’s ratings may be obtained by writing to Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; an explanation of the S&P ratings may be obtained by writing to Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041; and an explanation of the Fitch rating may be obtained by writing to Fitch Ratings, One State Street Plaza, New York, New York 10004.

DESCRIPTION OF THE 2013 A BONDS

General

The 2013 A Bonds will be issued as fully registered bonds in denominations of $5,000 principal amount and integral multiples thereof. The 2013 A Bonds are available in book-entry form only in the name of Cede & Co., will be dated the date of issuance and delivery and will mature on the dates and in the amounts shown on the inside cover page of this Official Statement. Interest on the 2013 A Bonds is payable on May 1 and November 1 of each year until maturity or prior redemption, commencing November 1, 2013.

See "NATURE OF BONDS AND SOURCES OF PAYMENT – Debt Service and Estimated Revenues Including Prepayments" regarding the scheduling of maturities of the 2013 A Bonds.

So long as Cede & Co. is the registered owner of the 2013 A Bonds as nominee of The Depository Trust Company, New York, New York ("DTC"), references herein to the holders or registered owners of the 2013 A Bonds (*except* under "TAX MATTERS") mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the 2013 A Bonds. Beneficial Owners of the 2013 A Bonds will not receive certificates representing their interest in the 2013 A Bonds. DTC will act as securities depository for the 2013 A Bonds. One fully registered Bond certificate for each maturity of the 2013 A Bonds will be issued and deposited with DTC. For a summary of DTC's policies and procedures relating to the 2013 A Bonds see **APPENDIX F**.

The Housing Development Fund may issue additional Bonds under the General Resolution. See "NATURE OF BONDS AND SOURCES OF PAYMENT -- Additional Bonds."

Redemption Provisions

The 2013 A Bonds are subject only to optional and mandatory sinking fund redemption as described below.

Optional Redemption

The 2013 A Bonds are subject to redemption at the option of the Housing Development Fund, as a whole or in part, at any time, in such amounts as the Housing Development Fund shall determine, at a redemption price equal to the Make-Whole Redemption Price plus accrued interest to the date of redemption.

"Make-Whole Redemption Price" means the greater of (i) 100% of the principal amount of the 2013 A Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2013 A Bonds to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the mean of the bid and ask quotations of the U.S. Treasury security having a remaining term comparable to the weighted average remaining term of the 2013 A Bonds to be redeemed.

Mandatory Sinking Fund Redemption

The 2013 A Bonds maturing November 1, 2022, November 1, 2023 and November 1, 2028 are subject to redemption in part, by lot, at a redemption price equal to the principal amount thereof and interest thereon, from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem such 2013 A Bonds on the respective dates and in the respective principal amounts as set forth below.

2013 Series A Term Bonds due November 1, 2022

Date	Amount	Date	Amount
May 1, 2022	$675,000	November 1, 2022	$685,000 †

2013 Series A Term Bonds due November 1, 2023

Date	Amount	Date	Amount
May 1, 2023	$690,000	November 1, 2023	$700,000 †

2013 Series A Term Bonds due November 1, 2028

Date	Amount	Date	Amount
May 1, 2024	$710,000	November 1, 2026	$770,000
November 1, 2024	725,000	May 1, 2027	785,000
May 1, 2025	735,000	November 1, 2027	800,000
November 1, 2025	745,000	May 1, 2028	810,000
May 1, 2026	760,000	November 1, 2028	825,000 †

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†Final Maturity.

SOURCES AND USES OF FUNDS

The proceeds of the 2013 A Bonds and certain other amounts currently held under the General Resolution are expected to be applied as follows:

Sources	
Principal Amount of 2013 A Bonds	$21,000,000.00
Other Funds of the Housing Development Fund	$4,471,452.23
Total	$25,471,452.23

Uses	
Redemption of Principal Amount of Prior Bonds	$25,000,000.00
Other Costs of Redemption[(1)]	$135,243.06
Underwriter's Compensation	$147,709.17
Other Costs of Issuance	$188,500.00
Total	$25,471,452.23

[(1)]Including provision for interest accruing on the Prior Bonds to the Redemption Date.

Upon the issuance of the 2013 A Bonds and the refunding of the Prior Bonds, the Transferred Amounts, which are currently allocated on the Housing Development Fund's books to the Prior Bonds and already pledged to the payment of the Bonds, will be allocated to the 2013 A Bonds.

NATURE OF BONDS AND SOURCES OF PAYMENT

Pledge of the General Resolution

The General Resolution is a contract among the Housing Development Fund, the Trustee and the holders of all Bonds issued thereunder, and the provisions thereof are for the equal benefit, protection and security of the holders of all such Bonds, each of which, regardless of time of issue or maturity, is to be of equal rank without preference, priority or distinction except as provided in the General Resolution. See "**APPENDIX E** - DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE GENERAL RESOLUTION – Remedies."

The Bonds are general obligations of the Housing Development Fund payable from any funds of the Housing Development Fund available therefor pursuant to the Act, which excludes payment from the Housing Development Fund's Land Development Fund, Jobs Development Fund and assets of the New Issue Bond Program. To further secure the payment of the principal, redemption price, and interest on the Bonds, the General Resolution creates a continuing pledge of and lien on the following revenues and assets:

(a) The Pledged Receipts, which consist of (i) the scheduled payments of principal and interest from any Mortgage Loan financed pursuant to the General Resolution (the "Acquired Mortgages") or amounts received in lieu thereof with respect to any Acquired Mortgage as a result of default, (ii) fees, charges and other income paid to the Housing Development Fund with respect to such Acquired Mortgages (excluding, however, servicing fees, escrow payments and Recoveries of Principal, as described below, and/or fees, charges and other income received prior to the financing of a Mortgage Loan pursuant to the General Resolution or amounts which are required by the Act to be deposited in the Mortgage Finance Bond Insurance Fund), and (iii) amounts received as a result of the investment or deposit of amounts held in any Fund or Account established pursuant to the General Resolution which are in excess of any losses on such investment or deposits;

(b) The Recoveries of Principal, which consist of all amounts received by the Housing Development Fund as a recovery of the principal amount of any Acquired Mortgage (i) as a result of the acceleration of the due date thereon through foreclosure or other proceeds of foreclosure or condemnation, (ii) as a result of the prepayment thereof, including any penalty, fee, premium or additional charge, or (iii) on account of the sale, assignment, endorsement or other disposition thereof, or from the sale of the whole or any part of the property originally covered by a Mortgage Loan subsequent to the acquisition of such property by the Housing Development Fund as a result of default, or insurance proceeds received as a result of default; and

(c) All amounts held in any Fund or Account established pursuant to the General Resolution, including Investment Securities on deposit therein.

Additional Bonds

Additional series of Bonds may be issued as provided in the General Resolution on a parity with the Bonds of all other series, secured by an equal charge and lien on such revenues and assets and payable equally therefrom, but no series of Bonds may be issued unless the principal amount of all Bonds issued or to be issued will not exceed any limitation imposed by law and unless, upon the issuance of such Bonds, the amount credited to the Capital Reserve Fund will not be less than the Capital Reserve Fund Requirement. The Housing Development Fund reserves the right to adopt additional general bond resolutions and to issue other obligations.

Certain revenues and assets of the Housing Development Fund have been pledged to the payment of certain obligations other than the Bonds. See "THE HOUSING DEVELOPMENT FUND - Management Discussion and Analysis – General Fund" and "OTHER PROGRAMS OF THE HOUSING DEVELOPMENT FUND."

Capital Reserve Fund

The General Resolution provides for a Capital Reserve Fund to be held by the Trustee which, as of any computation date, is required to have on deposit an amount equal to the greatest annual amount of Aggregate Debt Service for the current or any future Bond Year (the "Capital Reserve Fund Requirement"). In the event that other funds available to the Housing Development Fund under the General Resolution are insufficient to pay, when due, interest on the Bonds or the principal or Redemption Price thereof (whether redeemed from Sinking Fund Payments or otherwise), the Trustee is required to apply amounts in the Capital Reserve Fund to make such payments. Except for such payments, no withdrawal may be made from the Capital Reserve Fund which reduces the amount in the Capital Reserve Fund to less than the Capital Reserve Fund Requirement. The Housing Development Fund has covenanted to make no withdrawals therefrom unless it has determined that the amounts withdrawn are not necessary to make the scheduled payments of principal and interest on the Bonds. The General Resolution also provides that after the required monthly application of Pledged Receipts for Program Expenses and the provision of the amounts for the payment of principal of and interest on the Bonds, any amounts remaining are to be deposited in the Capital Reserve Fund to the extent necessary to meet the Capital Reserve Fund Requirement. As of February 28, 2013, the amount on deposit in the Capital Reserve Fund, valued in accordance with the General Resolution, was approximately $42,215,000, which amount was at least equal to the Capital Reserve Fund Requirement on such date. Upon the issuance of the 2013 A Bonds, the amount on deposit in the Capital Reserve Fund will be at least equal to the Capital Reserve Fund Requirement.

Debt Service and Estimated Revenues Including Prepayments

The ability of the Housing Development Fund to pay principal of, and interest on, the Bonds and Program Expenses depends upon the receipt by the Trustee of sufficient payments of principal and interest on the Acquired Mortgages and the investment or reinvestment of moneys held pursuant to the General Resolution.

The Housing Development Fund expects payments under the mortgage loans and moneys and securities held under the Resolutions and the income thereon to be sufficient to pay, when due, the principal (including Sinking Fund Payments) of and interest on the Outstanding Bonds (including the 2013 A Bonds).

Maturities and Sinking Fund Payments, if any, with respect to the 2013 A Bonds were not scheduled based upon any assumed rate of prepayment of Program Loans allocated to the Transferred Amounts. A prepayment rate of 75% of the Securities Industry and Financial Markets Association prepayment standard model (the "PSA Prepayment Model") approximates an equivalent to such rate had one been assumed. The original principal amount of such Program Loans was $24,961,050, and the remaining principal balance thereof as of February 28, 2013 was $21,677,563. Since Program Loan prepayments cannot be predicted, the actual principal amount of and characteristics of the related Program Loans may differ from such assumptions. The Housing Development Fund makes no representation that actual experience will conform to such prepayment assumptions.

The 2013 A Bonds are not subject to special redemption prior to maturity from such prepayments. See “DESCRIPTION OF THE BONDS – Redemption Provisions” herein.

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of mortgage loans. One hundred percent of the PSA Prepayment Model assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such 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, 100 percent of the PSA Prepayment Model assumes a constant prepayment rate of the mortgage loans of six percent per year. Multiples will be calculated from this prepayment rate sequence; e.g., 200 percent of the PSA Prepayment Model 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.

The following table provides information regarding prior Series of Bonds for which prepayments of Program Loans were assumed to be received at a level other than 0% in connection with scheduling related maturities and Sinking Fund Payments:

Housing Finance Bond Series	*Prepayment Assumption (expressed as a percentage of the PSA Prepayment Model)*	*Original Principal Amount of Related Program Loans*	*Remaining Principal Balance of Related Program Loans as of February 28, 2013*
2003 B	25% PSA	$17,500,000	$14,283,350
2004 A	50% PSA	30,000,000	15,764,972
2004 C	50% PSA	35,000,000	21,413,675
2005 A	50% PSA	30,000,000	16,152,898
2008 A and B	50% PSA	30,000,000	21,683,011
2010 A and B	50% PSA	88,918,920	62,561,824
2011 A	296% PSA†	48,702,288	39,862,618

† Maturities and Sinking Fund Payments with respect to these Bonds were not scheduled based upon any assumed rate of prepayment of Program Loans. The listed percentage of the PSA Prepayment Model approximates an equivalent to such rate had one been assumed.

The General Resolution requires that the Housing Development Fund deliver a Statement of Projected Revenues at least once annually, and in connection with the issuance of each Series of Bonds and upon the occurrence of certain events as provided in the General Resolution. Each Statement of Projected Revenues is run with various sets of assumptions, one of which is that no prepayments are received with respect to the Acquired Mortgages. To date, each Statement of Projected Revenues run with such prepayment assumption demonstrates all scheduled principal of and interest on the Bonds being paid when due.

Project Loans are generally subject to prepayment penalties sufficient to allow the Housing Development Fund to pay any applicable redemption premium related to the Bonds and, only in limited circumstances, are subject to prepayment without penalty. By their terms, Program Loans are subject to prepayment without a penalty. The Housing Development Fund has experienced early terminations of Program Loans and Project Loans both as a result of prepayments and defaults. (See "**APPENDIX A-1**" and **"APPENDIX A-2"** and "THE HOUSING FINANCE PROGRAM - Financing Activities of the Housing Finance Program.")

Special redemption provisions of the Bonds provide the Housing Development Fund the ability to cross-call Bonds between different series under the Resolutions as well as the ability to target specific Bond maturities for redemption. As a result of this practice, the original maturity structures of various Bond issues can and have been altered.

Due to the many factors that influence economic and financial market conditions, the Housing Development Fund is unable to predict the level of prepayments and default terminations on Mortgage Loans financed with Bonds. Prepayments received in excess of scheduled principal installments have been used to redeem Bonds and to finance additional Mortgage Loans as discussed under "THE HOUSING FINANCE PROGRAM" below. Certain historical information regarding prepayments is set forth in APPENDICES A-1, A-2 and A-3.

If, on any interest payment date, the amount on deposit in the Revenue Fund is insufficient to pay principal and interest due on Outstanding Bonds, the deficiency is to be provided from available amounts in the Capital Reserve Fund, Surplus Fund, Mortgage Finance Bond Insurance Fund, the General Fund or, under certain circumstances, the Mortgage Loan Fund.

Mortgage Finance Bond Insurance Fund

The Act created and established a special trust fund within the State Treasury designated as the "Mortgage Finance Bond Insurance Fund" (the "Bond Insurance Fund"). The Bond Insurance Fund is under the supervision and control of the West Virginia Municipal Bond Commission (the "Bond Commission") and is kept separate and apart from all other funds of the Housing Development Fund, the Bond Commission, and the State. The Housing Development Fund is permitted to pledge amounts in the Bond Insurance Fund to the payment of certain bonds (herein called "Mortgage Finance Bonds") in the manner, to the extent, and on such terms and conditions as may be provided by the Housing Development Fund. Currently, the only Mortgage Finance Bonds outstanding are the Housing Finance Bonds and the bonds issued under the Housing Development Fund's General New Issue Bond Program Resolution (the "NIBP Resolution"). See "OTHER PROGRAMS OF THE HOUSING DEVELOPMENT FUND" herein. The Housing Development Fund reserves the right to adopt additional general bond resolutions and to issue other obligations secured by the Bond Insurance Fund and designated as Mortgage Finance Bonds.

Except for federally insured/guaranteed mortgage loans, the Housing Development Fund is required to charge a special commitment fee in the amount of one percent of the principal amount and special monthly premiums at a rate of one-half of one percent per annum on all loans made or purchased with the proceeds of the sale of such Mortgage Finance Bonds, and such fees and premiums are required to be deposited in the Bond Insurance Fund.

In the General Resolution, the Housing Development Fund has pledged the amounts in the Bond Insurance Fund to the payment of the Bonds and has covenanted that it will not issue any other obligations secured by the pledge or lien on such amounts prior to or having a preference over the pledge and lien thereby created. The Act requires that the Housing Development Fund deposit an amount for the 2013 A Bonds, which together with the sum of the amount then on deposit in the Bond Insurance Fund and in the Capital Reserve Fund, shall equal the "minimum bond insurance requirement" (as herein defined). However, pursuant to the General Resolution, amounts on deposit in the Bond Insurance Fund will not be taken into account when computing the Capital Reserve Fund Requirement.

Pursuant to the Act, the "minimum bond insurance requirement" means, as of any particular date of computation, an amount of money equal to the greatest of the respective amounts, for the then current or any future calendar year, of annual debt service of the Housing Development Fund on all outstanding Mortgage Finance Bonds secured by a pledge of amounts in the Bond Insurance Fund; such annual debt service for any calendar year being the amount of money equal to the aggregate of (a) all interest payable during such calendar year on such Mortgage Finance Bonds on such date of computation, plus (b) the principal amount of such Mortgage Finance Bonds outstanding which matures during such calendar year, other than Mortgage Finance Bonds for which annual sinking fund payments have been or are to be made in accordance with the general resolution authorizing such bonds, plus (c) the amount of all annual sinking fund payments payable during such calendar year with respect to any such Mortgage Finance Bonds, all calculated on the assumption that such bonds will after said date of computation cease to be outstanding by reason, but only by reason, of the payment of such bonds when due, and application in accordance with the general resolution authorizing such bonds of all such sinking fund payments payable at or after said date of computation.

If, at any time, the Housing Development Fund determines that because of defaults or other reasons the moneys available therefor are insufficient to pay the principal, including the annual sinking fund payments, of and interest on Mortgage Finance Bonds becoming due during the next ensuing six-month period, the Housing Development Fund must give written notice to the Bond Commission of the amount of moneys required for such payment, and must request that the Bond Commission make such payment on or before the time and to such trustee or paying agent for any of the Mortgage Finance Bonds as shall be specified in such notice, and the Bond Commission shall make such transfer.

In order to assist in maintaining an amount equal to the minimum bond insurance requirement in the Bond Insurance Fund, the Act provides that:

"In the event that the sum of the amount held in the mortgage finance bond insurance fund and in reserves set aside with a trustee or trustees and held pursuant to the resolution or resolutions authorizing the issuance of such bonds only for the payment of designated mortgage finance bonds prior to, or at, their maturity, shall be less than the minimum bond insurance requirement, the chairman of the housing development fund shall certify, on or before the first day of December of each year, the amount of such deficiency to the governor of the State, for inclusion, if the governor shall so elect, of the amount of such deficiency in the budget to be submitted to the next session of the Legislature for appropriation to the state sinking fund commission† for deposit in the mortgage finance bond insurance fund: Provided, that the Legislature shall not be required to make any appropriation so requested, and the amount of such deficiencies shall not constitute a debt or liability of the state."

†The State Legislature has changed the name of the State Sinking Fund Commission to the "Municipal Bond Commission".

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Summary of Revenues, Expenses and Changes in Net Assets - Bond Insurance Fund

Set forth in the following table is a summary of Revenues, Expenses and Changes in Net Assets for the Housing Development Fund's Bond Insurance Fund for the fiscal years ended June 30, 2008 through 2012:

BOND INSURANCE FUND
SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Dollars in Thousands)

	Years Ended June 30,				
	2012	2011	2010	2009	2008
OPERATING REVENUES					
Interest on Loans	$ 1,165	$ 1,168	$ 1,025	$ 1,110	$ 1,155
Fees	17	19	22	27	30
	1,182	1,187	1,047	1,137	1,185
OPERATING EXPENSES					
Program and Administrative Expenses, Net	26	189	132	45	130
OPERATING INCOME	1,156	998	915	1,092	1,055
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Interest on Investments	787	1,065	1,697	1,745	1,881
Unrealized Gain (Loss) on Investments	404	(331)	1,181	(419)	221
	1,191	734	2,878	1,326	2,102
CHANGE IN NET ASSETS	2,347	1,732	3,793	2,418	3,157
NET ASSETS AT BEGINNING OF YEAR	64,987	63,255	59,462	57,044	55,387
Inter-program Transfers, Net	(2,720)	-	-	-	(1,500)
NET ASSETS AT END OF YEAR	$ 64,614	$ 64,987	$ 63,255	$ 59,462	$ 57,044

Management Discussion and Analysis - Bond Insurance Fund

Based on the current levels of the Capital Reserve Fund and net assets of the Mortgage Finance Bonds to which the Bond Insurance Fund is pledged, the Housing Development Fund currently expects transfers from the Bond Insurance Fund will not be required to meet the Capital Reserve Fund Requirements of any currently outstanding Mortgage Finance Bonds. The Housing Development Fund has withdrawn funds from the Bond Insurance Fund to fund various programs as explained below under *Inter-program Transfers, Net*. The Housing Development Fund may make additional withdrawals from the Bond Insurance Fund for other purposes.

The following provides a brief explanation of the individual line items in the above table under the heading "Summary of Revenues, Expenses and Changes in Net Assets – Bond Insurance Fund."

Interest on Loans is mortgage loan interest income earned by the Bond Insurance Fund from both single family and multifamily mortgages held for investment purposes. The single family loans were loans remaining from retired single family bond resolutions. The multifamily loans include federally insured and federally guaranteed loans purchased as an investment from other programs operated by the Housing Development Fund.

Fees represent the amounts required by the Act to be charged on privately insured or uninsured mortgage loans made or purchased with the proceeds of Mortgage Finance Bonds. The Act requires a special commitment fee in the amount of one percent of the principal amount and a special monthly premium at a rate of one-half of one percent per annum on those mortgage loans. Since 1986, the Housing Development Fund has paid such fees and premiums on behalf of the borrowers from available funds. As the principal amount of mortgage loans whose special monthly premium is not paid by the Housing Development Fund continues to decrease, the amount of fees earned by the Bond Insurance Fund continues to decrease. This is reflected by the decline in *Fees* from fiscal year 2008 through 2012.

Since 1986, the Housing Development Fund has withdrawn funds from the Bond Insurance Fund pursuant to Section 20b(c) of the Act. Such withdrawals were in amounts sufficient to subsidize the special bond insurance commitment fees and the special monthly premiums due on privately insured or uninsured Mortgage Loans originated with proceeds of previous Bonds. The Summary of Revenues, Expenses and Changes in Net Assets of the Bond Insurance Fund is not affected by these withdrawals.

Program and Administrative Expenses, Net represents staff and other costs related to the administration of the Bond Insurance Fund as well as foreclosed property expenses and mortgage loan loss provisions. The fluctuations from year to year are primarily related to fluctuations in loss provision expenses.

Interest on Investments is income earned on the investment of funds in the Bond Insurance Fund. The decrease in fiscal 2012 was primarily due to a decrease in investment rates. As long-term investments mature or are redeemed the Bond Insurance Fund's long-term average rates are decreasing due to the current lower yield opportunities for the reinvestment of these funds.

Unrealized Gain (Loss) on Investments: The Governmental Accounting Standards Board (GASB) Statement #31 requires certain investments be recorded at fair value and the unrealized gains or losses be reported in the Summary of Revenues, Expenses and Changes in Net Assets.

Inter-program Transfers, Net represents permanent funds transfers to or from other Housing Development Fund programs.

- In fiscal 2008, the Housing Development Fund withdrew $1,500,000 from the Bond Insurance Fund and transferred the funds to the Housing Finance Program to fund Housing Finance Program capital reserves.

- In fiscal 2012, the Housing Development Fund withdrew $2,720,000 from the Bond Insurance Fund and transferred the funds to its New Issue Bond Program to fund New Issue Bond Program capital reserves.

THE HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in 1968 as a governmental instrumentality of the State and a public body corporate. Its primary corporate purpose is to increase the supply of residential housing in the State for persons and families of low and moderate income and, among other things, it is empowered by the Act to provide construction and permanent mortgage financing to public and private sponsors of such housing.

The Housing Development Fund is authorized under the Act to issue bonds or notes up to a limit of $1,250,000,000 outstanding at any one time, exclusive of refunded obligations, for the purpose of carrying out its various programs. The Housing Development Fund expects to have a principal maturity amount of $464,230,000 bonds outstanding following the delivery of the 2013 A Bonds and the corresponding refunding of the Prior Bonds. In addition to Bonds under the General Resolution, the bonds outstanding include the bonds under the NIBP Resolution in the amount of $109,955,000 and three series of limited, special obligations of the Housing Development Fund in the amount outstanding of $9,515,000. These special obligation bonds are secured by loan repayments and deeds of trust on three respective projects. None of the Housing Development Fund's other assets or revenues including the Mortgage Finance Bond Insurance Fund and amounts held in any Fund or Account established pursuant to the General Resolution are pledged to the payment of these special obligations. Furthermore, these special obligations are not secured by the Housing Development Fund's general obligation debt pledge or its moral obligation.

Powers and Purposes

In 1969, the Supreme Court of Appeals of West Virginia unanimously affirmed the constitutionality of the Act as then in effect and the validity of the Housing Development Fund and its purposes. Since then, several amendments were made to the Act which expanded the scope of the Housing Development Fund's powers with respect to its housing programs including providing housing for persons of higher income, providing temporary housing for homeless people, disaster victims, battered persons, families with hospitalized persons, and students and handicapped persons, and providing home improvement and rehabilitation loans. In 1989, the Act was extensively amended to grant the Housing Development Fund significant new powers, including the making of loans for "nonresidential projects" as well as loans for residential housing. A "nonresidential project" is broadly defined to include any project determined by the Housing Development Fund as likely to foster and enhance economic growth and development in the State.

In 1992 the Act was amended to create a new "Special Project Account" in the Land Development Fund, into which the Housing Development Fund transferred $10,000,000. From this amount $5,450,000 was used to provide the State match for the Water Pollution Control Revolving Fund already existing under State law, and $4,550,000 was used to finance soil conservation projects.

The 1992 amendment also required the Housing Development Fund to transfer the sum of $10,000,000 to a new fund created within the Housing Development Fund to be known as the "Jobs Development Fund". Such funds were transferred on July 1, 1992 and are available solely to fund, as requisitioned from time to time, the activities of the Jobs Investment Trust, which is a public body corporate of the State. None of the moneys in the Jobs Development Fund are available for use by the Housing Development Fund nor are those funds reflected in the financial statements of the Housing Development Fund.

Under the Act, the State has pledged and agreed to the holders of any notes and bonds issued pursuant to the Act, including the 2013 A Bonds, that the State will not limit or alter the rights vested in the Housing Development Fund to fulfill the terms of any agreements made with the holders of any such notes or bonds, or in any way impair the rights and remedies of such holders until such notes or bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses for which the Housing Development Fund is liable in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The Act authorizes the Housing Development Fund to include this pledge and agreement of the State in any agreement with the holders of such notes and bonds, and the Housing Development Fund has so covenanted in the Resolutions.

Operations to Date

Through its various programs, the Housing Development Fund has financed or assisted in the development or provision of over 114,000 housing units in the State. The Housing Development Fund finances single family mortgage loans through the issuance of bonds using an advance commitment procedure. Using this procedure, mortgage loans are acquired which have been specifically originated for purchase by the Housing Development Fund. The Housing Development Fund's multifamily loan portfolio is entirely self originated. The Housing Development Fund operates a secondary market program as a Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), and Government National Mortgage Association ("GNMA") seller/servicer. The Housing Development Fund services all single and multifamily loans in its portfolio and is the largest loan servicer in the State.

In planning and operating its various programs, the management of the Housing Development Fund takes into consideration various economic and regulatory factors which affect its business activities and legislative mandate. Such factors, including prevailing economic conditions, mortgage interest rates, investment rates, the demand for housing, the cost of housing and of operating housing programs, the volume of mortgage lending activity in the State and other factors affecting the supply of housing in the State may affect the financing activities of the Housing Development Fund. The programs operated by the Housing Development Fund have been and may again be affected by State and federal administrative, regulatory and legislative actions.

Organization and Membership

The Housing Development Fund is governed by an eleven-member Board of Directors consisting of the Governor, Attorney General, Commissioner of Agriculture and Treasurer, all of whom serve ex-officio as public directors, and seven members chosen as private directors from the general public residing in the State. All public directors may designate representatives to serve on their behalf. The offices of Governor, Attorney General, Commissioner of Agriculture and Treasurer are elective and the current terms of such offices expire in January 2017. The Governor with the advice and consent of the State Senate appoints private directors for staggered terms of four years. No more than four of the private directors may be from the same political party. The Act, as amended in January 2005, designates the Governor or his or her designee as the Chair of the Board of Directors. This amendment also provides that the Governor shall appoint the executive director, with the advice and consent of the State Senate, and that the executive director will serve at the Governor's will and pleasure.

The members and officers of the Housing Development Fund, their State office or private affiliation, and the dates of expiration of their terms as directors of the Housing Development Fund are as follows:

EARL RAY TOMBLIN, Chair of the Board of Directors – Governor, State of West Virginia (ex-officio) (term expires January 2017).

JOHN PERDUE, Treasurer of the Board of Directors - Treasurer, State of West Virginia (ex-officio) (elective term expires January 2017).

PATRICK J. MORRISEY, Attorney General, State of West Virginia (ex-officio) (elective term expires January 2017).

WALT D. HELMICK, Commissioner of Agriculture, State of West Virginia (ex-officio) (elective term expires January 2017).

JULIA ELBON, Owner, Prime Properties, Inc., Elkins, West Virginia (term expired October 30, 2010).*

DAN MOORE, Owner, Moore Auto Group, Williamson, West Virginia (term expired October 30, 2008).*

EVERETT SULLIVAN, Retired West Virginia Council of Carpenters, St. Albans, West Virginia (term expired October 30, 2008).*

SAM KAPOURALES, Owner/President, Kapourales Properties, LLC, Pharmacist and past Mayor of Williamson, West Virginia (term expired October 30, 2011).*

J. D. STRICKLEN, Real Estate Developer and Homebuilder, Blue Creek, West Virginia (term expires October 30, 2015).

R. FRED CLARK, Retired banker, Bank of Ripley and retired consultant with R.F. Clark Consulting, Logan, West Virginia (term expires October 16, 2016).

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*Members whose term expires continue to serve until reappointed or replaced. Currently, there is one vacancy on the Board of Directors pending appointment.

On February 28, 2013, the permanent staff of the Housing Development Fund consisted of 103 persons, including professional staff members qualified in the fields of accounting, appraisal, finance, law, mortgage underwriting, mortgage loan servicing, secondary mortgage markets, planning, site and market analysis, architecture, cost estimating, construction, inspection and housing management. The Housing Development Fund provides services in these fields for its programs as required and utilizes professional consulting services from time to time to supplement its own staff. The principal officers and staff of the Housing Development Fund are as follows:

ERICA L. BOGGESS, Acting Executive Director - On January 1, 2012, Ms. Boggess was appointed Acting Executive Director by Governor Tomblin. Ms. Boggess joined the Housing Development Fund in 1986 serving in various accounting and finance positions and was appointed Deputy Director in January 2005 and served as the Assistant Treasurer to the Board of Directors. Prior to joining the Housing Development Fund she worked in public accounting. Ms. Boggess graduated from Marshall University and is a Certified Public Accountant.

STEPHEN A. FISHER, Deputy Director of Program Operations - Mr. Fisher was appointed Deputy Director of Program Operations in March 2012. He joined the Housing Development Fund in 1985. Mr. Fisher is a graduate of The Ohio State University where he received a Bachelor of Science degree, and West Virginia Graduate College where he received a Master of Business Administration degree.

DAVID RATHBUN, Senior Director, Single Family Loan Origination - Mr. Rathbun joined the Housing Development Fund in 1991 as manager of the Secondary Market Program. In 1992, he became the Director of Loan Originations. He was appointed to his current position in June 2004. He formerly worked sixteen years in the banking industry specializing in the secondary market. Mr. Rathbun is a graduate of Wayne State University.

NANCY F. PARSONS, Senior Director, Asset Management - Ms. Parsons joined the Housing Development Fund in 1983 as a Housing Management Officer and was appointed to Director of Asset Management in 1985. She was named Senior Director in June 2004. She formerly worked for the City of Montgomery, West Virginia. Ms. Parsons is a graduate of The University of Charleston, with a Bachelor of Arts, 1981, and a Master of Business Administration, 1990.

SHERRY B. BOSSIE, Senior Director, Tax Credits and Compliance - Ms. Bossie joined the Housing Development Fund in 1989, initially responsible for the administration of the Low-Income Housing Tax Credit Program and then, additionally, the Internal Audit function. She was appointed to her present position in June 2004. Prior to 1989, Ms. Bossie worked in public accounting, primarily performing financial audits. She graduated from West Virginia University and is a Certified Public Accountant.

ADOLA S. MILLER, Senior Director, - Human Resources and Communications - Ms. Miller joined the Housing Development Fund in 1977 serving in various executive and human resource positions and was appointed to her present position in November 2007. She has twenty plus years of experience in all facets of Human Resources and serves as an Officer of the Housing Development Fund and as Assistant Secretary to its Board of Directors.

CRYSTAL TONEY, Senior Director - Accounting and Administrative Services - Ms. Toney joined the Housing Development Fund in 1990 as the Accounting Officer and was appointed to Manager of Accounting and Investments in 1998 and to Managing Director of Accounting and Information Services in 2005. She was named Senior Director in June 2012. Ms. Toney is a graduate of Glenville State College, with a Bachelor of Science, Business Administration - Accounting, 1990.

JULIE DAVIS, Senior Director - Finance and Quality Control - Ms. Davis joined the Housing Development Fund in 1992 as an accounting analyst. She was appointed to Managing Director of Debt Administration and Federal Programs in 2005 and was appointed to her current position in June 2012. Ms. Davis is a graduate of Lander University and West Virginia State University.

KRISTIN SHAFFER, Legal Counsel - Ms. Shaffer joined the Housing Development Fund in 2011 as Assistant Legal Counsel. She graduated from West Virginia University in 2003 and earned her law degree from the West Virginia University College of Law in 2006.

ALICIA DELIGNE, Legal Counsel, Compliance - Ms. Deligne joined the Housing Development Fund in 2013 as Legal Counsel for Compliance. She graduated from Marshall University in 2002 with a Bachelor of Science in Business Administration – Accounting and earned her law degree from the West Virginia University College of Law in 2006.

CHAD M. LEPORT, Managing Director of Internal Audit - Mr. Leport joined the Housing Development Fund in 2004 as the Internal Auditor. He was appointed to his present position in June 2012. Prior to 2004, Mr. Leport worked in public accounting. Mr. Leport is a graduate of West Virginia University, with a Bachelor of Science in Business Administration – Accounting, and the University of Charleston where he received a Master of Business Administration degree. He is a Certified Public Accountant.

Jackson Kelly PLLC, Charleston, West Virginia, has served as General Counsel to the Housing Development Fund since 1968.

Summary of Revenues, Expenses and Changes in Net Assets - General Fund

Set forth in the following table is a summary of Revenues, Expenses and Changes in Net Assets for the Housing Development Fund's General Fund for the fiscal years ended June 30, 2008 through 2012:

GENERAL FUND
SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Dollars in Thousands)

	Years Ended June 30,				
	2012	2011	2010	2009	2008
OPERATING REVENUES					
Interest on Loans	$ 70	$ 215	$ 141	$ 79	$ 145
Fees	6,715	6,704	7,274	6,944	7,054
Other Revenues	737	673	762	578	482
	7,522	7,592	8,177	7,601	7,681
OPERATING EXPENSES					
Program and Administrative Expenses, Net	7,903	7,296	8,316	7,659	6,682
OPERATING INCOME (LOSS)	(381)	296	(139)	(58)	999
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Interest on Investments	55	77	161	294	764
	55	77	161	294	764
CHANGE IN NET ASSETS	(326)	373	22	236	1,763
NET ASSETS AT BEGINNING OF YEAR	18,497	13,459	13,437	13,201	11,438
Inter-program Transfers, Net	230	4,665	-	-	-
NET ASSETS AT END OF YEAR	$ 18,401	$ 18,497	$ 13,459	$ 13,437	$ 13,201

Management Discussion and Analysis - General Fund

The General Fund includes certain programs funded from excess reserves of the Housing Development Fund, single family mortgage loans, results of the Housing Development Fund's loan servicing operations and refinancing program, fees for the contract administration of the Department of Housing and Urban Development's ("HUD") Section 8 Housing Assistance Payments ("HAP") Program, the administrative expenses of its operations and the operating revenues and expenses of the Housing Development Fund's office building.

Pursuant to the Act and its agreements with the holders of its notes and bonds, substantial portions of the Housing Development Fund's current and long-term assets are pledged to secure specific obligations, or are otherwise restricted. Assets of restricted funds and programs may be transferred to the General Fund for general purposes, subject to the provisions of the respective bond and note resolutions. There can be no assurance that circumstances will not occur that will require expenditure of amounts in the General Fund or that losses in the General Fund will not occur.

The following provides a brief explanation of the individual line items in the above table under the heading "Summary of Revenues, Expenses and Changes in Net Assets – General Fund."

Interest on Loans represents the loan interest income earned on single family loans purchased for investment purposes, single family loans which were transferred to the General Fund following retirement of their corresponding bonds or loans warehoused in the General Fund in anticipation of upcoming bond issues. As these loan balances fluctuate, so does Interest on Loan revenues. The increases in 2010 and in 2011 are due to the purchase of single family loans warehoused in the General Fund prior to being transferred to the single family bond program upon the issuance of additional bonds.

Fees represent earnings on the Housing Development Fund's loan servicing activities. Also included in this line item are fees earned in connection with the administration of the HAP Program and the Low-Income Housing Tax Credit program. The decrease in 2009 is primarily related to a decrease in Low-Income Housing Tax Credit fees and a decrease in servicing fees. The increase in 2010 is primarily related to an increase in Low-Income Housing Tax Credit fees and an increase in servicing fees. The decrease in 2011 is primarily due to a decrease in Low-Income Housing Tax Credit fees and a decrease in fees earned in the HAP Program. The increase in 2012 is primarily due to an increase in Low-Income Housing Tax Credit fees, a decrease in fees earned in the HAP Program and a decrease in servicing fees. HUD is in the process of rebidding the contracts under which the Housing Development Fund currently administers the HAP Program. If the Housing Development Fund is not the winning bidder pursuant to such process, it will no longer receive fee income for this function. Currently, such fee income is approximately $1,500,000 annually. The Housing Development Fund does not expect the loss of such fee, if any, to impair its administration of the Housing Finance Program.

Other Revenues consist primarily of rental income from the Housing Development Fund's building and to a lesser extent net gains on the sale of foreclosed properties. The increase in 2009 is due to an increase in rental income. The increase in 2010 is primarily related to the receipt of Neighborhood Stabilization Program administrative fees for assistance provided to the State of West Virginia. The decrease in 2011 was primarily due to the reclassification of Neighborhood Stabilization Program administrative fees. These fees were recorded as <u>*Other revenues*</u> in fiscal year 2010 and recorded as <u>*Administrative expenses, net*</u> in fiscal year 2011. The increase in 2012 is due to an increase in rental income.

Program and Administrative Expenses, Net primarily includes wages, Special Needs and other grant programs, operating expenses of the loan servicing department, operations of the Housing Development Fund's building, provision for loan losses, servicing release fees paid for single family bond loans and loans purchased for sale in the Secondary Market Program, and loan origination fees paid on behalf of borrowers in the HOME Program.

Program and Administrative Expenses increased in 2009 primarily due to an increase in servicing release fees paid for secondary market loans and an increase in expenses related to the planning and design phase of the Housing Development Fund's new office building site. The increase in 2010 is primarily related to an increase in Low- Income Housing Tax Credit monitoring fees and an adjustment to loan loss provisions. The decrease in 2011 is primarily due to a decrease in Low-Income Housing Tax Credit monitoring fees and a decrease in cost of issuance expenses. The increase in 2012 is primarily due to an increase in building depreciation expenses on the Housing Development Fund's new office building, an increase in administrative expenses and a decrease in loan loss provisions. The Housing Development Fund constructed a new office building for its operations and moved into the building in August 2011.

Interest on Investments is interest earned on the investment of funds in the General Fund. Since the Housing Development Fund maintains a high level of liquidity in the General Fund it is particularly impacted by fluctuations in short term interest rates. *Interest on Investments* decreased in fiscal 2009, 2010, 2011 and 2012 due to lower interest rates.

Inter-program Transfers, Net, primarily includes transfers to and from the General Fund for funding allocations relating to programs such as the Economic Development, Homeownership Assistance, Revolving Loan, Flood, and the Leveraged Loan Program. Also included on this line are transfers to the General Fund of mortgage loans and other assets remaining in certain bond programs following the retirement of the bonds. To a lesser extent, transfers have been made from the General Fund to various bond programs for other purposes.

- During fiscal 2011, $4,665,000 was transferred to the General Fund from Other Loan Programs to fund the construction of the Housing Development Fund's new office building.

- During fiscal 2012, $230,000 was transferred to the General Fund from General New Issue Bond Program for reimbursement of cost of issuance expenses.

Assets and net assets of the General Fund are principally unrestricted. However, the Board of Directors has designated $1,000,000 of the General Fund's net assets to provide indemnification for its Directors and Officers.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" (OPEB). The Housing Development Fund adopted this pronouncement beginning with the fiscal year ending June 30, 2008. GASB 45 requires the Housing Development Fund to complete an actuarial based estimation of OPEB costs every three years.

The Housing Development Fund's most recent actuarial study is as of January 1, 2010. Based on this study, the assets set aside by the Housing Development Fund's management at December 31, 2009 are such that there is no unfunded liability. The Housing Development Fund has established an irrevocable trust to accumulate and invest future retiree health contributions based on the calculated Annual Required Contribution amount per GASB 45. Assets set aside for these costs are on deposit in the trust and the Housing Development Fund is making its annual required contribution. The Housing Development Fund has hired an actuarial firm to conduct an actuarial study of assets set aside by the Housing Development Fund at December 31, 2012, which study is expected to be completed by May 31, 2013.

THE HOUSING FINANCE PROGRAM

Financing Activities of the Housing Finance Program

The General Resolution authorizes the issuance of Bonds to provide funds for making or purchasing Mortgage Loans for rental or owner-occupied dwellings, including uninsured, federally insured or guaranteed, and privately insured loans. **APPENDIX A-3** sets forth the original principal amounts and amounts of Bonds expected to be outstanding following a scheduled redemption and scheduled debt service payment on May 1, 2013.

Since 1976, the Housing Development Fund has issued 51 series of taxable and tax-exempt Bonds to provide financing for both Project Loans and Program Loans. One issue, the 1991 Series A Bonds, was redeemed on May 1, 1992 from undisbursed proceeds. The Housing Development Fund has not had an unused original proceeds call on any bond issue since 1992.

As more fully described in **APPENDIX A-1**, there were 15 Project Loans, with a principal balance of $11,587,000 outstanding as of December 31, 2012. All but 6 of these Project Loans receive some level of Section 8 rental assistance payments. Many also are subject to some type of federal mortgage insurance or guarantee. In May 2007, the Housing Development Fund used $4,961,000 of prepayments from the 2003 Series C Bonds (federally taxable) to purchase four additional Project Loans originally funded from general reserves under the Housing Development Fund's Leveraged Loan Program. These Project Loans have a 90% guarantee from the USDA Section 538 Guaranteed Rural Rental Housing Program.

For some Project Loans that receive HUD Section 8 rental assistance payments, the Housing Development Fund deducts its monthly mortgage and escrow payment from the rental assistance payment due on the Project Loan and remits the balance to the project to ensure that the Housing Development Fund gets timely receipt of its monthly mortgage payments.

The 2000 Series D Bonds were issued to purchase certain existing Mortgage Loans from the West Virginia Investment Management Board (the "WVIMB"). These mortgages consist of Project Loans and Program Loans originated and serviced by the Housing Development Fund on behalf of the predecessor to the WVIMB. Due to the nature of these loans and the lack of federal mortgage insurance on the Project Loans, these existing Mortgage Loans were purchased at a significant discount from their outstanding principal balance.

Since 2001, a total of 21 Project Loans totaling $4,953,421 have been foreclosed or forgiven due to lack of marketability. Foreclosed projects are operated by the Housing Development Fund until the project is sold or the Project Loan is assumed by a new owner. No such foreclosed projects are currently held by the Housing Development Fund. Losses on foreclosed Project Loans have been immaterial. Twelve of the previously foreclosed Project Loans were assumed by a single non-profit organization. In June 2010, this non-profit organization indicated problems operating these projects and asked the Housing Development Fund for assistance and in February 2011, the debt of these projects was consolidated into one loan; hence, the drop in the number of project loans. In August 2011, the Housing Development Fund was contacted by the Internal Revenue Service regarding tax liens against one project with a loan balance of approximately $110,000. The Housing Development Fund is working with the Internal Revenue Service on this matter but at this time has not finalized any solution or remedy.

The HUD Mark-to-Market Program has been designed to restructure FHA-insured multifamily loans whose Section 8 rental assistance contracts have expired. The goal of this program is to reduce the federal government's long-term cost of rental assistance by reducing current rents through a reduction in financing costs. As of December 31, 2012, no Project Loans are seeking refinancing under the Mark-to-Market Program.

APPENDIX A-2 provides information on Program Loans financed under the Housing Finance Program. As of December 31, 2012, there were approximately 9,000 single family loans outstanding with a current principal balance of approximately $559,248,000. Of these loans, approximately 78% measured by principal balance are insured by the Federal Housing Administration ("FHA"), Veterans Administration ("VA"), United States Department of Agriculture Rural Development Rural Housing Service (the "USDA RHS") or private mortgage insurance. All Program Loans are fixed interest rate, level debt service loans, with generally a 30 year term.

The Housing Development Fund accepts Program Loan applications on a continuous basis. Lendable proceeds needed to cover these applications are provided from Bond proceeds, recycling of existing loan repayments and prepayments or excess revenues. The Housing Development Fund may also warehouse loans from general reserves in anticipation of upcoming Bond issues. As of February 28, 2013, the Housing Development Fund had $21,398,000 available to purchase Program Loans and loan applications and loans pending purchase of $5,111,000.

Combined Summary of Revenues, Expenses and Changes in Net Assets - Housing Finance Program

Set forth in the following table is a combined summary of Revenues, Expenses and Changes in Net Assets for the Housing Development Fund's Housing Finance Program for the fiscal years ended June 30, 2008 through 2012.

HOUSING FINANCE PROGRAM
SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Dollars in Thousands) (Unaudited)

	Years Ended June 30,				
	2012	2011	2010	2009	2008
OPERATING REVENUES					
Interest on Loans	$ 39,268	$ 44,047	$ 47,611	$ 51,832	$ 51,552
Fees	225	356	97	472	73
Other Revenues	33	72	127	98	103
	39,526	44,475	47,835	52,402	51,728
OPERATING EXPENSES					
Program and Administrative Expenses, Net	6,305	9,325	6,009	7,367	10,296
OPERATING INCOME	33,221	35,150	41,826	45,035	41,432
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Interest on Investments	3,303	3,447	4,497	4,931	6,482
Interest and Debt Expense	(23,067)	(29,260)	(32,905)	(36,809)	(37,893)
Net Gain on Sale of Investments	-	6	1	4	2
Unrealized Gain (Loss) on Investments	4,441	(1,113)	3,028	1,266	2,150
	(15,323)	(26,920)	(25,379)	(30,608)	(29,259)
CHANGE IN NET ASSETS	17,898	8,230	16,447	14,427	12,173
NET ASSETS AT BEGINNING OF YEAR	260,967	252,737	236,290	221,863	208,190
Inter-program Transfers, Net	(526)	-	-	-	1,500
NET ASSETS AT END OF YEAR	$ 278,339	$ 260,967	$ 252,737	$ 236,290	$ 221,863

Management Discussion and Analysis - Housing Finance Program

Surplus funds have been withdrawn from the Housing Finance Program to fund various programs. The Housing Development Fund may make additional withdrawals in the future. The Housing Development Fund has provided assurances to S&P and Moody's not to withdraw surplus funds of the Housing Finance Program in such a manner as would adversely affect the ratings on the Bonds.

The Housing Development Fund uses prepayments from mortgage loans either to redeem Housing Finance Program Bonds or to originate new mortgage loans. Bonds to be called have been selected based upon the relative cost of financing such loans as compared to savings achieved through the redemption of bonds.

The following provides a brief explanation of the individual line items in the above table under the heading "Summary of Revenues, Expenses and Changes in Net Assets – Housing Finance Program."

Interest on Loans represents interest income on mortgage loans made under the Housing Finance Program. During fiscal year 2009, interest on loans increased due to mortgage loan originations exceeding prepayments and repayments. In 2010, 2011 and 2012 interest on loans decreased due to prepayments and repayments exceeding mortgage loan originations.

Fees represent income related to the origination of Housing Finance loans and prepayment penalties received on the early prepayment of multifamily housing loans. Prepayment penalties were $435,000 in fiscal year 2009, $25,000 in fiscal year 2010, $290,000 in fiscal year 2011 and $207,000 in fiscal year 2012.

Other Revenues consist primarily of gains on the disposition of foreclosed properties and rental income from foreclosed multifamily properties that the Housing Development Fund manages until sold. The fluctuations from year to year are related to the rental income on foreclosed multifamily properties and fluctuations in the gains on the disposition of foreclosed properties.

Program and Administrative Expenses, Net represents administrative expenses for operating the Housing Finance Program, loan servicing fees paid to the General Fund, loan origination fees paid to lenders and, to a lesser extent, costs of issuance paid on certain Housing Finance Program Bonds. The decrease in 2010 as compared to 2009 is due to a decrease in provision for loan loss expenses, a decrease in cost of issuance expenses and a decrease in loan origination fees and loan servicing fees. The increase in 2011 is primarily related to an increase in cost of issuance expenses and an increase in losses on the sale of foreclosed properties. The decrease in 2012 is due to a decrease in origination fees and loan servicing fees, a decrease in cost of issuance expenses, a decrease in loan loss provision expenses and a decrease in losses on the sale of foreclosed properties.

Interest on Investments represents interest income earned on the investment of short term funds pending the purchase of loans or the payment of debt service and income earned on the capital reserve fund investments which are primarily long-term securities. The decrease in fiscal year 2009 is related to a decrease in both interest rates and in funds invested. The decreases in 2010 and 2011 are related to a decrease in interest rates. The decrease in 2012 is related to a decrease in both interest rates and in funds invested.

Interest and Debt Expense is the interest paid or accrued on outstanding bonds. The decreases in fiscal 2009, 2010, 2011 and 2012 are due to the decrease in the balance of bonds outstanding.

Net Gain on Sale of Investments are amounts received in excess of the book value of the Capital Reserve Fund investments liquidated by the Housing Development Fund, or those redeemed by the issuer prior to their stated maturity date.

Unrealized Gain (Loss) on Investments: GASB Statement #31 requires certain investments be recorded at fair value and the unrealized gains or losses be reported in the Summary of Revenues, Expenses and Changes in Net Assets.

Inter-program Transfers, Net, reflect net contributions to or from other funds of the Housing Development Fund.

- During fiscal 2008, $1,500,000 was transferred to the Housing Finance Program from the Bond Insurance Fund to fund the Capital Reserve Fund Requirement.

- During fiscal 2012, $526,000 was transferred from the Housing Finance Program to the General New Issue Bond Program related to the refunding of Housing Finance Bonds into the General New Issue Bond Program.

Single Family Procedures and Policies

In connection with its single family financings, the Housing Development Fund has established program standards relating to its single family lending activities which set out general requirements and policies with respect to qualifications of Participating Lenders and Eligible Borrowers (all as defined below), as well as the basic requisites applicable to all Program Loans and the dwellings which are mortgaged to secure such Program Loans. The Housing Development Fund's Procedural Guide (the "Procedural Guide") sets forth more particular instructions for its Participating Lenders, and includes procedures and documentation requirements established to enable the Housing Development Fund to comply with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”). It is expected that there may be variations in particular cases and the policies and procedures of the Housing Development Fund may be modified from time to time. Those modifications will be consistent with the Act, the Resolutions, the Code and the procedures applicable to mortgage loans insured by FHA, guaranteed by USDA RHS (formerly the Farmer’s Home Administration) or the VA or insured by private mortgage insurance companies. The Housing Development Fund has generally conformed its single family procedures and policies, in most respects, to the procedures followed by Fannie Mae, Ginnie Mae, and Freddie Mac, and other major secondary mortgage market institutions. Such procedures have been designed to permit loans financed under them to meet the requirements for Program Loans under the General Resolution and applicable provisions of the Code.

Program Loan Requirements. Program Loans must meet the origination standards set forth in the Procedural Guide and must provide for substantially level payments of principal and interest on the first day of each month. In addition, Program Loans must conform to the eligibility and credit underwriting standards set forth in the Procedural Guide and to the requirements/limitations of the applicable federal or private mortgage insurer/guarantor.

Program Loans may be used for the purchase of owner-occupied one unit dwellings or two-to-four unit dwellings by residents of the State whose annual gross income does not exceed certain maximum amounts determined from time to time by the Housing Development Fund ("Eligible Borrowers").

Each Eligible Borrower must (a) possess legal capacity to enter into the Program Loan; (b) have a satisfactory credit standing as determined by the Participating Lender and/or the Housing Development Fund; (c) intend to purchase the home for a permanent principal residence; (d) agree not to rent the home during the term of the Program Loan except under certain limited conditions; and (e) with limited exceptions, not have had a present ownership interest in a principal residence at any time during the three-year period prior to the closing date of the applicable Program Loan (“first-time homebuyers restrictions”).

Housing Development Fund policies and the requirements of the Code have resulted in the establishment of maximum purchase price limits and family income limits with respect to Program Loans. The Housing Development Fund, consistent with the Code, may from time to time revise the income eligibility requirements and the purchase price limitations.

Proceeds of each Program Loan must be applied to the permanent financing for the purchase or construction of a residential dwelling unit. Properties eligible for a Program Loan must be located in the State, be structurally sound and functionally adequate and meet all applicable zoning and similar requirements. Such dwelling units include detached and attached one-family houses or townhouses, condominium units or units in a planned unit development and subject to certain limitations, manufactured housing units permanently constructed or affixed on a mortgagor's property.

A Program Loan may be assumed with the consent of the Housing Development Fund, but only if (a) an assumption agreement is entered into by the person or persons assuming the Program Loan; (b) the Program Loan continues to be insured or guaranteed by all applicable insurance policies or guarantees; (c) such Program Loan is assumed by a person who qualifies as an Eligible Borrower, including compliance with the requirements of the Code (if required); and (d) the sales price of the residence is within the applicable purchase price limitations under the Program at the time of assumption (if required).

APPENDIX B provides information concerning certain federal insurance programs covering single family and multifamily loans financed by the Housing Development Fund.

The Housing Development Fund currently makes second mortgage loans available to certain Eligible Borrowers who are qualified to obtain a Program Loan. Such loans, not to exceed the amount authorized by the Board (currently $15,000), are to assist borrowers with certain closing costs and down payments in connection with the purchase of the home. These second mortgage loans are currently funded by general reserves or from other available funds. A de-minimis amount of these loan repayments are pledged to the payment of the Bonds.

Procedures for Origination and Purchase. The Housing Development Fund purchases Program Loans from lenders who, in the regular course of their business, have demonstrated an ability to originate mortgage loans and have indicated an interest in participating in the Program (the "Participating Lenders").

The Housing Development Fund establishes a pool of money from which lenders are able to apply for commitments of funds to purchase Program Loans. Participating Lenders draw from this pool by receiving a forward commitment at the time of the Participating Lender's prequalification of the Program Loan. Participating Lenders are required to enter into Program Loan Purchase Agreements under which each agrees that only Program Loans meeting the qualifications described in the Procedural Guide will be sold to the Housing Development Fund.

Participating Lenders are expected to deliver Program Loans to be purchased under the Housing Finance Program to the Housing Development Fund at a price of 100% of their respective principal amounts plus accrued interest. The Participating Lenders are expected to receive an origination fee not exceeding 150 basis points of the principal amount of the Program Loan to be purchased or a minimum of $1,500. Such fee may come from funds paid by the Eligible Borrower or the seller but in most cases will be paid from funds provided by the Housing Development Fund. Additionally, the Housing Development Fund will pay the Participating Lender a servicing release fee as discussed below.

Upon submission of a loan for purchase, the Participating Lender must warrant, among other things, that (a) the Program Loan is in conformity with the terms of the Code and has been made to an Eligible Borrower; (b) all required hazard, title and mortgage insurance has been obtained; (c) the Participating Lender has not advanced funds or solicited any such advance for the required payments under any Program Loan; (d) information supplied by the Participating Lender has been accurately stated and the Participating Lender knows of no material misstatement or omission in such information or in the documentation supplied by the Eligible Borrower; (e) the lien securing the Program Loan has been properly perfected by recordation and has not been impermissibly satisfied, subordinated or impaired; (f) the Program Loan is not subject to any assignment or pledge; (g) the Participating Lender has good title to the Program Loan the lien of which is subject only to permitted encumbrances which do not materially affect the security for the Program Loan, and (h) the Participating Lender has full right and authority to carry out the sale and delivery of it to the Housing Development Fund.

The Housing Development Fund has implemented various procedures to monitor the performance of Participating Lenders. Mortgage loans are reviewed for conformity with the standards set out in the Procedural Guide. The staff of the Housing Development Fund may also review property appraisals or make an on-site inspection of the property.

The Housing Development Fund has implemented a quality control system (the "System") to assure that Program Loans purchased are of a general quality acceptable to institutional and secondary market investors. The System operates independently from the Underwriting and Servicing Departments and has no management authority or responsibility for any of the activities it examines. The System reviews a sample of the loans purchased for compliance with the Code, Fannie Mae, Ginnie Mae, Freddie Mac, insurer and guarantor requirements. Certain loan files are examined to determine that credit documents have been processed, loans are underwritten and closed in accordance with the Housing Development Fund's policies and procedures, and investor, insurer or guarantor and regulatory requirements. Review appraisals may be obtained on a percentage of the loans reviewed to monitor the accuracy and quality of the information supplied and additional credit reports may be obtained to monitor the accuracy of the reports relied upon for lending decisions.

If the Housing Development Fund discovers any substantial error or defect which could invalidate or jeopardize the lien securing the Program Loan or any other major violation of mortgage eligibility requirements, the Participating Lender must cure such error or defect. If the error or defect is not cured, the Program Loan may be subject to repurchase by the Participating Lender. In addition, the Housing Development Fund may sell, assign or otherwise dispose of a Program Loan.

Servicing. **The Housing Development Fund will service all Program Loans financed or acquired with the proceeds of the Bonds.** The Housing Development Fund currently services all of the Project Loans and Program Loans held pursuant to the General Resolution and all other loans originated and owned by the Housing Development Fund. The Housing Development Fund currently allows a servicing fee of 1/4 to 3/8 of 1% per annum computed monthly on the basis of the outstanding aggregate principal amount of Program Loans serviced. The Housing Development Fund pays a servicing release fee to all Participating Lenders originating Program Loans and services those Program Loans directly and collects the servicing fee mentioned above.

Requirements of the Code. The Code contains specific requirements related to mortgage loans made or purchased with proceeds allocable to tax-exempt bonds, and related eligible mortgagors, as well as investment and other limitations as described below. *These requirements do not apply to mortgage loans made or purchased with proceeds allocable to taxable bonds (including the 2013 A Bonds).*

The Code provides that an issue of tax-exempt bonds for single family loans will be treated as meeting the mortgage eligibility requirements only if (a) at least 95% of the lendable proceeds of such bonds is applied to the financing of mortgages which meet such requirements, (b) with respect to any defective mortgages, the Housing Development Fund must in good faith have attempted to satisfy all of the Code requirements before the mortgage loans were executed, and (c) the Housing Development Fund must correct such defects within a reasonable period after it discovers such defects.

These requirements currently limit the use of tax-exempt bond proceeds to the financing of single family, one to four unit, residences which premises the borrower intends to use as a principal residence, and the borrower (a) with limited exceptions, has not had a prior homeownership interest within the last three years, (b) is not refinancing an existing mortgage, and (c) meets certain income limits depending on the location of the residence. The requirements also limit assumptions of the loan to Eligible Borrowers and limit the acquisition price of the residence based on location. (See "Program Loan Requirements" above.)

The Code, in the case of mortgage loans made or purchased with proceeds allocable to tax-exempt bonds, requires a payment to the United States from certain mortgagors upon sale of their homes. This requirement provides that an assumed subsidy amount (but not in excess of 50% of any gain on the sale of the house) be recaptured on disposition of the house. The recapture amount increases over the period of ownership, with full recapture occurring if the house is sold at the end of the fifth year. The recapture amount declines ratably to zero with respect to sales occurring between five and nine full years after the closing of the Program Loan. An exception excludes from recapture part or all of the subsidy in the case of certain mortgagors whose incomes are less than prescribed amounts at the time of the disposition.

Under procedures established by the Housing Development Fund to comply with the Code, Participating Lenders will be responsible for reviewing each mortgage loan application and the accompanying documentation including, but not limited to, the Application Affidavit, the Seller Affidavit, and the borrower's past three years of federal income tax returns. Normal and appropriate measures may be undertaken to verify the information given, either independently or concurrently with credit reviews when applicable.

Prior to purchasing a Program Loan, the Housing Development Fund conducts a review of the relevant documents for compliance with the requirements of the Code. To the extent these requirements are not complied with, the Participating Lender is contacted to provide sufficient additional explanation or documentation to enable the Housing Development Fund to make a determination regarding the status of the loan application.

The Code requires that the effective interest rate on the Program Loans financed or refinanced with proceeds of an issue of tax-exempt Bonds may not exceed the yield on such issue by more than 1.125%.

Multifamily Procedures and Policies

Tenant Selection, Marketing and Management. Each FHA insured, USDA Rural Development 538 Guaranteed Rural Rental Housing Program ("USDA") insured and Housing Development Fund financed development is subject to a Regulatory Agreement between FHA, USDA, if applicable, the Housing Development Fund, and the mortgagor which regulates the rents, profits, occupancy, management and operation of the development. The management of the development is also governed by a Management Agreement between the mortgagor and its managing agent which may, in some cases, be affiliated with the mortgagor. This agreement is reviewed and approved by the Housing Development Fund, FHA, and USDA. The Housing Development Fund and/or FHA and/or USDA have the right to terminate the Management Agreement for failure of the managing agent to perform in accordance with Housing Development Fund, FHA and USDA standards.

The Housing Development Fund's Asset Management Department is responsible for monitoring the standards and procedures for the management of the developments.

The Project Loan mortgagor is required to submit a variety of reports to FHA, USDA and the Housing Development Fund's Asset Management Department, which may include the following: (a) an annual operating budget; (b) a quarterly budget comparison with actual operating expenses and receipts; (c) a monthly listing of all occupancies; and (d) a summary of leasing and occupancy activity upon request. The Project Loan mortgagor is also required to submit to FHA, USDA and the Housing Development Fund annual audited financial statements for the development prepared by a certified public accountant. The Regulatory Agreement and the Management Agreement require that FHA and/or USDA must approve any changes in the rental rates for a development. The staff of the Housing Development Fund reviews proposed changes, and appropriate comments are transmitted to FHA and USDA for consideration.

Reserve for Replacement and Escrow for Real Estate Taxes, Mortgage Insurance Premiums and Insurance Premiums. The Regulatory Agreement requires each mortgagor to pay monthly amounts to fund a Reserve for Replacement Account for each development. The mortgagor may request the Housing Development Fund to disburse funds from the Reserve for Replacement Account from time to time for payment of costs of replacement items and/or major capital improvements. These requests are reviewed by HUD for each FHA or USDA insured development and the Housing Development Fund's Asset Management Department for all other requests. Disbursements are made in accordance with HUD's and/or the Housing Development Fund's determinations as to what is in the best interest of the development.

An escrow account for the payment of real estate taxes is maintained by the Housing Development Fund for each development it services and is funded by monthly payments by the mortgagor of one-twelfth of the estimated annual real estate tax assessments by all taxing authorities for the next following tax year. Mortgagors are required to contribute additional funds in the event of a deficiency in the escrow account.

An escrow account for the payment of annual federal mortgage insurance premiums is also maintained by the Housing Development Fund for each development serviced by it and funded by monthly payments by or on behalf of the mortgagor.

The Housing Development Fund requires each mortgagor to provide fire and extended coverage insurance, public liability and rent loss insurance and a fidelity bond for the managing agent in forms and amounts and with insurers acceptable to the Housing Development Fund. An escrow account for the payment of fire and extended coverage insurance is maintained by the Housing Development Fund.

OTHER PROGRAMS OF THE HOUSING DEVELOPMENT FUND

As a public body with statewide responsibility for a range of housing needs, the Housing Development Fund has implemented a number of other programs to provide technical, consultative and financial assistance for the provision of sanitary, decent and safe residential housing for persons of low and moderate income. These activities, which do not typically involve the use of any of the proceeds of the Bonds, are described below.

Other Bond Programs

In 2009, in connection with the U.S. Treasury's New Issue Bond Program ("NIBP"), the Housing Development Fund established the NIBP Resolution. In December 2009, October 2011 and March 2012, the Housing Development Fund issued bonds under the NIBP Resolution; such bonds are expected to be outstanding in the aggregate principal amount of $109,955,000 following a scheduled redemption and scheduled debt service payment on May 1, 2013. A portion of the proceeds of such bonds were applied to redeem the Housing Finance Bonds, 2001 Series D and the Housing Finance Bonds, 1997 Series C and the balance was used to finance new single family mortgages. Although no additional bonds may be issued under the U.S. Treasury's NIBP, the Housing Development Fund may issue additional bonds under the NIBP Resolution. The Housing Development Fund does not currently expect to issue any additional bonds under the NIBP Resolution. The Bonds, including the 2013 A Bonds, are not secured by the NIBP Resolution.

In addition, the Housing Development Fund has issued under separate resolutions three series of limited, special obligation bonds, currently outstanding in the amount of $9,575,000. These special obligation bonds are secured by loan repayments and deeds of trust on three respective projects. None of the Housing Development Fund's other assets or revenues including the Mortgage Finance Bond Insurance Fund and amounts held in any Fund or Account established pursuant to the General Resolution are pledged to the payment of these special obligation bonds. Furthermore, these special obligation bonds are not secured by the Housing Development Fund's general obligation debt pledge or its moral obligation.

Land Development Program

With an initial appropriation by the State Legislature of $2,000,000 in 1973, the Housing Development Fund established the Land Development Fund from which below-market interest rate loans are made to qualified builders and developers for the purpose of acquiring and making improvements to land for residential housing and nonresidential construction. The Housing Development Fund has transferred an additional $4,930,000 to the Land Development Fund from the General Fund, Bond Insurance Fund and Housing Finance Program.

The Housing Development Fund owns various land parcels and developments that have been directly developed by the Housing Development Fund or foreclosed on due to market conditions. This includes land developed for emergency and permanent housing for victims of various floods. The Housing Development Fund markets these properties to individuals or builders at current market prices. All assets of the Land Development Program are restricted in accordance with the Act.

Other Housing Programs

Other housing programs consist of a variety of single and multifamily programs funded by the Housing Development Fund's general reserves and earnings. These programs are designed to provide a full range of housing assistance to the citizens of the State and to meet the Housing Development Fund mission of providing safe, decent and affordable housing. In certain instances, repayment from borrowers is not required. In these instances the Housing Development Fund has established loss provisions. The net assets of these programs are generally unrestricted and are available, as needed, to satisfy the general obligations of the Housing Development Fund, including the Bonds.

Other loan programs include a Secondary Market Program designed to provide liquidity to small lenders by providing a market for loans which would otherwise be held in their portfolios. Mortgage loans purchased in the Secondary Market Program are sold to FNMA, GNMA or FHLMC. This program is intended to encourage the making of loans on more favorable terms than are available from small State lenders.

The Movin' Up Program provides financing from unrestricted earnings within the General Resolution for borrowers who may have outgrown their current residence. Because these earnings are unrestricted, the Movin' Up Program does not have the first-time homebuyer requirement. To maintain the Housing Development Fund's mission of helping low to moderate income borrowers, the house price and income limits remain in this program. Earnings from this program will recycle to create a self sustaining program that will provide financing for borrowers who cannot take advantage of the standard Mortgage Revenue Bond Program because they have previously owned homes. The Movin' Up Program was approved by the Board of Directors on December 6, 2012.

The Leveraged Loan Program provides permanent financing for multifamily rental projects, which may receive part of their financing from equity raised through the syndication of Low-Income Housing Tax Credits and other permanent lenders. Many of these loans are guaranteed under the USDA Section 538 Guaranteed Rural Rental Housing Program.

The Down Payment and Closing Cost Homeownership Assistance Program assists borrowers in the Housing Development Fund's single family bond program with down payment and closing costs associated with the purchase of a home. Under the Down Payment and Closing Cost Homeownership Assistance Program a borrower can get an additional loan of up to $15,000 to cover these costs.

The Mini-Mod Rehabilitation Program allows owners of rental properties to borrow up to $25,000 per unit to rehabilitate existing rental units. The amount of the loan depends upon the Housing Development Fund's lien position and whether the project receives any federal rental assistance.

HELP provides funds for emergency repairs to owner-occupied structures to address conditions posing a threat to the health and safety of the occupants or the structural integrity of the home. The guiding principle of HELP is to fund basic improvements that result in safe, warm and dry family environments. Loan amounts range from $1,000 to $10,000 to cover such items as new heating systems, plumbing, or wiring, or roof repairs. Currently, this program is inactive.

The Demolition Program provides loans to assist cities and counties throughout the State in the acquisition and demolition of blighted properties which constitute health and safety hazards. Communities participating in the program acquire the abandoned properties through a variety of methods, demolish the dilapidated structures, return the properties to private ownership, and then repay the Housing Development Fund.

The Low Income Assisted Mortgage Program (LAMP) was established to help non-profit housing groups increase their production of owner-occupied housing for very low-income families. LAMP provides a secondary market where non-profit groups can sell their existing single family loans to participating lenders or the Housing Development Fund. The proceeds of those loan sales can then be used to construct additional housing units. In 1993, LAMP was one of ten recipients of a $100,000 grant from the Ford Foundation as a winner of its Innovations in State and Local Government awards administered by the John F. Kennedy School of Government at Harvard University.

The West Virginia Homeless Shelters/Special Needs Program was established to help improve the quality and quantity of emergency shelters, transitional and permanent housing for the State's homeless population. Funding for the program is provided from the Housing Development Fund general reserves.

Flood Assistance Programs

From time to time, the Housing Development is called upon to provide housing assistance to flood victims. Assistance is provided from various sources including Federal Programs, Bond Programs, the General Fund, Other Loan Programs and the Land Development Program to provide permanent and emergency housing in flood areas. The Housing Development Fund maintains a Flood Program account funded from general reserves and will likely be involved in any future flood recovery efforts.

On-Site Systems Loan Program

The On-Site Systems Loan Program (OSLP) was created in September 2007 in partnership with the West Virginia Department of Environmental Protection (the "DEP"). Under this program the Housing Development Fund may borrow up to $1,000,000 from the DEP Clean Water Revolving Loan Fund. These funds will then be loaned to State residents to upgrade, replace or repair inadequate septic systems. The Housing Development Fund is obligated to repay the amount borrowed from the DEP only to the extent the Housing Development Fund receives payments from loan recipients. On March 21, 2013 the Board approved an additional $1,000,000 for this program.

The HOME Investment Partnership Program

In March 1991, the Housing Development Fund began operating HUD's HOME Investment Partnership Program (the "HOME Program") for the development and financing of housing for persons at or below 80% of the State's median income. For federal fiscal year 2012, the Housing Development Fund received approximately $4 million in HOME funds in addition to approximately $2 million in repayment funds. A minimum of fifteen percent of HOME Program funds are spent for projects developed by approved Community Housing Development Organizations and ten percent is used to offset the administrative costs incurred by the Housing Development Fund. This program is restricted by federal regulations.

Low-Income Housing Tax Credit Program

The Low-Income Housing Tax Credit Program facilitates the development of quality rental housing in the State by offering a conduit through which owners, builders and organizations may qualify for a federal income tax credit. The Housing Development Fund, as the State's authorized issuer of Low-Income Housing Tax Credits, can allocate up to the State's applicable annual housing credit ceiling in housing credit dollars.

In 2009, the American Recovery and Reinvestment Act appropriated funds for the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program (TCEP). Both of these programs were temporary and expired in fiscal year 2012. The TCAP is a grant program to provide funds for capital investments in Low-Income Tax Credit Program properties. The TCEP is a federal grant from the Treasury that allows the exchange of certain tax credits for cash assistance. The Housing Development Fund administered these programs for the State.

Mortgage Credit Certificates

The Housing Development Fund is authorized to act as the State's issuer of Mortgage Credit Certificates. This program permits qualified homebuyers to receive a federal tax credit for a portion of the interest paid on the homebuyer's mortgage loan. This program is currently not active.

Mortgage Loan Refinance Program

Whenever loans repay, the Housing Development Fund loses the corresponding mortgage loan servicing revenue. In order to reduce the effect of prepayments on this revenue, the Housing Development Fund has developed a refinancing program for those customers who want to reduce their borrowing costs. This allows the Housing Development Fund to continue to earn servicing income on the loan. Generally these loans are funded from general reserves and are then sold in the secondary market.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Housing Development Fund, interest on the 2013 A Bonds is included in gross income for federal income tax purposes pursuant to the Code.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2013 A 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 after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise.

Certain Federal Income Tax Consequences

The following discussion is a brief summary of certain United States federal income tax consequences of the acquisition, ownership and disposition of the 2013 A Bonds by original purchasers of the 2013 A 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 2013 A 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 2013 A 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 the 2013 A 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 the 2013 A 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 2013 A Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption or other disposition (which would include a legal defeasance) of a 2013 A Bond, a holder generally will recognize taxable gain or loss 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 holder's adjusted tax basis in the 2013 A Bond. The Housing Development Fund may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the 2013 A Bonds to be deemed to be no longer outstanding under the Resolutions (a "defeasance"). (See "APPENDIX E — DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE GENERAL RESOLUTION"). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the 2013 A Bonds subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest and the proceeds of the sale of a 2013 A Bond before maturity within the United States. Backup withholding may apply to holders of 2013 A Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service (the "Service").

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a 2013 A 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.

Prospective purchasers of the 2013 A Bonds should consult their own tax advisors regarding the foregoing matters.

IRS Circular 230 Disclosure

The advice under the caption, "Tax Matters", concerning certain income tax consequences of the acquisition, ownership and disposition of the 2013 A Bonds, was written to support the marketing of the 2013 A Bonds. To ensure compliance with requirements imposed by the Service, holders of 2013 A Bonds are advised that (i) any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written by Bond Counsel to the Housing Development Fund to be used, and that it cannot be used, by any holder of 2013 A Bonds, for the purpose of avoiding penalties that may be imposed on a holder of 2013 A Bonds under the Code and (ii) holders of 2013 A Bonds should seek advice based on their particular circumstances from an independent tax advisor.

West Virginia Taxes

Under the Act, the 2013 A Bonds and the income therefrom shall at all times be exempt from taxation by the State, or any county, municipality or other governmental subdivision of the State, except for death and gift taxes, taxes on transfers, sales taxes, real property taxes and business and occupation taxes.

The State also imposes a corporation net income and a business franchise tax on corporations and partnerships doing business and owning property in the State. The corporation income and business franchise tax statutes contain a formulary adjustment decreasing the amount of income and capital subject to these taxes for corporations or partnerships owning bonds such as the 2013 A Bonds.

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 2013 A Bonds under state law and could affect the market price or marketability of the 2013 A Bonds. Prospective purchasers of the 2013 A Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

Prior to the issuance of the 2013 A Bonds, the Housing Development Fund will enter into a Continuing Disclosure Agreement with the Trustee pursuant to which the Housing Development Fund will agree to provide ongoing disclosure pursuant to the requirements of Section (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Financial statements and other operating data will be provided at least annually to the Municipal Securities Rulemaking Board (the "MSRB") and notices of certain events will be issued pursuant to the requirements of Section (b)(5)(i) of the Rule. Information will be filed with the MSRB through its Electronic Municipal Market Access (EMMA) system, unless otherwise directed by the MSRB. **APPENDIX G** contains the form of the Continuing Disclosure Agreement.

A failure by the Housing Development Fund to comply with this undertaking will not constitute an Event of Default under the Resolutions. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker or dealer before recommending the purchase or sale of the 2013 A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2013 A Bonds and their market price and the ability of the Housing Development Fund to issue and sell bonds in the future.

During the past five years, the Housing Development Fund has not failed to comply in any material respect with any Continuing Disclosure Agreements it has entered into with respect to the Rule.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2013 A Bonds, or in any way contesting or affecting the validity of the 2013 A Bonds or any proceedings of the Housing Development Fund taken with respect to moneys or security provided for the payment of the 2013 A Bonds, or the existence or powers of the Housing Development Fund insofar as they relate to the authorization, sale and issuance of the 2013 A Bonds or such pledge or the application of moneys and security.

APPROVAL OF LEGALITY

In connection with the issuance of the 2013 A Bonds, legal matters incident to the authorization, issuance, sale and delivery of the 2013 A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Housing Development Fund. The proposed form of the opinion of Bond Counsel is included in **APPENDIX D**. Certain legal matters will be passed on for the Housing Development Fund by its General Counsel, Jackson Kelly PLLC, Charleston, West Virginia. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Atlanta, Georgia.

FINANCIAL STATEMENTS OF THE HOUSING DEVELOPMENT FUND

Included in A**PPENDIX C** to this Official Statement are the basic financial statements for the Housing Development Fund, as of and for the fiscal years ended June 30, 2012 and 2011. The financial statements have been audited by Gibbons & Kawash, CPAs. These financial statements are also available on the Housing Development Fund website at www.wvhdf.com.

UNDERWRITING

The 2013 A Bonds are being offered by Raymond James & Associates, Inc. (the "Underwriter") at the initial offering prices set forth on the inside cover page hereof. The Underwriter will be paid a fee of $147,709.17, which will include reimbursement of certain expenses, with respect to the offering and sale of the 2013 A Bonds. The initial public offering prices may be changed, from time to time, by the Underwriter.

The Housing Development Fund has been advised that the Underwriter expects to make a market in the 2013 A Bonds. However, the Underwriter is not obligated to make such markets and may discontinue making such markets at any time without notice. Neither the Housing Development Fund nor the Underwriter can give any assurance that secondary markets will develop.

The following paragraph has been provided by the Underwriter.

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

FINANCIAL ADVISOR

Piper Jaffray & Co. has been engaged to provide financial advisory services for the issuance of Bonds under the January 24, 2013 plan of finance (including the 2013 A Bonds).

ADDITIONAL INFORMATION

Certain provisions of the Act and the Resolutions are summarized in this Official Statement. Such summaries do not purport to be comprehensive or definitive and reference is made to such documents, copies of which are available upon request, for a full and complete statement of their respective provisions.

The Housing Development Fund has filed Annual and Quarterly Secondary Market Disclosure Reports and other materials with the MSRB's EMMA system. This information is also available on the Housing Development Fund website at **www.wvhdf.com**.

The information contained in this Official Statement is subject to change without notice and no implication shall be derived therefrom or from the sale of the 2013 A Bonds that there has been no change in the affairs of the Housing Development Fund from the date hereof.

Pursuant to the Resolutions, the Housing Development Fund has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolutions and to cause such books to be audited for each fiscal year. The Resolutions require that such books be open to inspection by the holder of an aggregate of not less than 5% of the Outstanding Bonds during regular business hours of the Housing Development Fund and that the Housing Development Fund furnish a copy of the auditor's report, when available, upon the request of the holder of any Outstanding Bonds.

Copies of the Housing Development Fund's future audited financial statements, when available, may be requested from the Housing Development Fund at 5710 MacCorkle Avenue, SE, Charleston, WV (304) 391-8600, or accessed on the Housing Development Fund website, **www.wvhdf.com**.

This Official Statement is submitted in connection with the offering of the 2013 A Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statements in this Official Statement involving matters of opinion or estimate, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Housing Development Fund and the purchasers or holders of any of the 2013 A Bonds. The distribution of this Official Statement has been approved by the Board of Directors of the Housing Development Fund. Additional information may be obtained from the undersigned at 5710 MacCorkle Avenue, SE, Charleston, WV 25304, telephone (304) 391-8600.

WEST VIRGINIA HOUSING DEVELOPMENT FUND

By /s/Erica L. Boggess
Acting Executive Director

Dated: April 23, 2013

APPENDIX A-1
Project Loans Financed with Housing Finance Bonds
As of December 31, 2012

	Project Loan	Location	Mortgage Interest Rate	Original Mortgage Balance	Outstanding Mortgage Balance	Mortgage Note Maturity	Federal Subsidy Insurance or Guarantee	Section 8 Subsidy Expiration	Total # of Units	%of Section 8 Subsidized Units	Occupancy Rate	# Days Delinquent
	Housing Finance Bonds 1998 Series F											
(2)(6)	Clay Apts.	Clay	6.00%	$333,140	$96,399	04/01/15	None	04/11/15	8	100%	25%	Over 90
				$333,140	**$96,399**				**8**			
	Housing Finance Bonds 1998 Series E (held from various issues)											
(1)	Fifth Avenue	Huntington	0.00%	$984,000	$410,000	04/01/19	None	N/A	(3) 52	0%	90%	None
	The Virginian	Huntington	5.75%	$252,864	$131,202	07/01/28	None	N/A	12	0%	100%	None
	Hillcrest Apts.	Beckley	7.00%	$2,245,700	$226,288	05/01/14	236 (4)	09/30/13	150	49%	100%	None
	Pinewood Village	Parkersburg	7.08%	$2,678,000	$530,035	10/01/15	236 (4)	08/31/15	125	88%	98%	30
	Oakwood Terrace	Charleston	7.06%	$3,921,962	$720,751	08/01/15	236 (4)	07/31/13	152	82%	95%	None
	Parkland Place	Parkersburg	9.00%	$3,136,600	$1,102,846	08/01/17	221(d)(3)	11/30/30	133	100%	99%	None
	Franklin Manor	Martinsburg	8.25%	$1,581,200	$842,522	09/01/21	221(d)(4)	05/31/13	48	100%	98%	None
(5)	Mountain Cap		2.00%	$1,580,000	$1,450,105	03/01/29	None					None
	Orient Hills	Orient Hills					None	12/20/14	8	100%	38%	
	Hunter Ridge I	Bradley					None	02/22/32	8	100%	100%	
	Hunter Ridge II	Bradley					None	02/22/32	8	100%	100%	
	Rupert Apartments	Rupert					None	03/25/32	8	100%	88%	
	Spruce Villa	Phillipi					None	03/18/32	8	100%	100%	
	Woodland Heights	Salem					None	08/26/13	8	100%	100%	
	Cherry Falls	Webster Springs					None	09/30/13	6	100%	100%	
	Hunter Ridge III	Bradley					None	12/22/32	8	100%	88%	
	Quinwood Apts.	Quinwood					None	11/15/32	8	100%	75%	
	Rainelle Apts.	Rainelle					None	03/06/13	8	100%	75%	
	Rainelle Apts. II	Rainelle					None	03/06/13	8	100%	100%	
	Rupert Apts. II	Rupert					None	03/06/13	8	100%	75%	
				$16,380,326	**$5,413,749**				**766**			

APPENDIX A-1
Project Loans Financed with Housing Finance Bonds
As of December 31, 2012

	Project Loan	Location	Mortgage Interest Rate	Original Mortgage Balance	Outstanding Mortgage Balance	Mortgage Note Maturity	Federal Subsidy Insurance or Guarantee	Section 8 Subsidy Expiration	Total # of Units	%of Section 8 Subsidized Units	Occupancy Rate	# Days Delinquent
					Housing Finance Bonds 2003 Series C							
(7)	Alderson Apts.	Alderson	14.304%	$269,200	$0	10/01/12	None	N/A	N/A	N/A	N/A	None
	Dylan Heights	Summersville	7.370%	$1,475,000	$1,411,765	03/01/45	USDA 538	N/A	48	0%	96%	None
	Jenna Landing	Sissonville	6.25%	$1,403,000	$1,324,518	03/01/45	USDA 538	N/A	48	0%	92%	None
	Plateau Oaks	Oak Hill	7.54%	$786,028	$751,359	10/01/44	USDA 538	N/A	32	0%	84%	None
	Princeton Towers	Princeton	7.50%	$3,260,000	$1,309,296	05/01/19	221(d)(4)	09/23/14	119	100%	100%	None
	Woda Cantebury	Elkins	6.250%	$1,350,000	$1,279,537	08/01/45	USDA 538	N/A	50	0%	100%	None
				$8,543,228	**$6,076,475**				**297**			
	GRAND TOTAL:			**$25,256,694**	**$11,586,623**				**1,071**			

(1) This loan was previously foreclosed but is currently under new ownership.
(2) Two separate notes exist for this project.
(3) Private HAP contract exists with local Housing Authorities.
(4) The 236 program is a federal subsidy program which pays a portion of the Project Loan monthly interest costs.
(5) The debt of the projects listed below were restructured and consolidated into one Project Loan. Their subsidy and occupancy information is listed by project.
(6) The Housing Development Fund assumed management of this project in February 2012.
(7) Alderson Apartments mortgage was paid in full on October 25, 2012.

APPENDIX A-1
Project Loans Financed with Housing Finance Bonds
As of December 31, 2012

IN FORECLOSURE

Project Name	Original Mortgage Balance	Mortgage Interest Rate	Foreclosed Balance	Original Maturity Date	Foreclosed Date	Housing Finance Bond Issue
TOTAL IN FORECLOSURE	0		$0			

PREPAYMENTS

Bond Issue	Number	Prepaid Amount	
1976 A and 1977 A Bonds	1	$1,798,000	
1987 B Bonds	1	$4,190,000	
1992 E Bonds	9	$3,446,000	
1998 F Bonds	6	$1,113,000	
2000 D Bonds	21	$2,669,000	(1)
2001 D Bonds	26	$54,657,000	
2002 BC Bonds	6	$16,771,000	
2003 C Bonds	11	$13,472,000	
TOTAL PREPAYMENTS	81	$98,116,000	

(1) Includes a payment of $150,000 in lieu of foreclosure.

APPENDIX A-2
Certain Information Relating to the Housing Finance Bond Program Loans
As of December 31, 2012 (unaudited)
($ in thousands)

The following tables set forth various characteristics of the single family mortgage loans financed with Housing Finance Bonds ("Program Loans"). The information about the status of Program Loans is provided solely for the purpose of describing the experience of the Housing Development Fund under the Housing Finance Resolution. This information does not include 488 loans in the aggregate amount of $6,540,838 made under a special program for the 2001 flood victims and a special program for down payment assistance. The flood loans, made from revenues, are primarily structured with no payments due before maturity and the down payment assistance loans are deferred with principal payments only after deferral.

PROGRAM LOANS BY TYPE OF INSURANCE/GUARANTEE

Type of Insurance /Guarantee	Number of Loans	Percentage of Portfolio	Original Balance	Current Balance	
FHA	2,710	25.80%	$ 185,436	$ 144,358	
Privately Insured	2,008	28.23%	175,373	157,857	
Uninsured	2,518	22.31%	165,741	124,741	**(1)**
VA	550	5.34%	40,363	29,853	
USDA RHS	1,161	18.32%	118,736	102,439	
Totals	8,947	100.00%	$ 685,649	$ 559,248	

PROGRAM LOANS BY LOAN-TO-VALUE RATIO
(If sales price or appraised value was not available, the original loan balance was used to calculate the LTV ratio)**(2)**

Loan-to-Value Ratio	Number of Loans	Percentage of Portfolio	Original Balance	Current Balance
80% or less	5,498	45.57%	$ 349,211	$ 254,879
81 to 85%	1,423	19.57%	125,124	109,420
86 to 90%	1,278	21.47%	131,796	120,076
91 to 95%	732	13.03%	77,429	72,865
over 95%	16	0.36%	2,089	2,008
Totals	8,947	100.00%	$ 685,649	$ 559,248

PROGRAM LOANS PURCHASED BY ORIGINAL PRINCIPAL AMOUNT

		Number of Program Loans				
Program Loan	Amount	Uninsured	Privately Insured	VA	FHA	RHS
Less than $30,000	$ 4,150	174	20	11	83	9
30,000 to 39,999	16,405	300	73	52	313	36
40,000 to 49,999	36,496	421	148	99	471	72
50,000 to 59,999	53,454	436	245	79	493	90
60,000 to 69,999	65,481	354	322	75	387	144
70,000 to 79,999	60,576	247	278	56	293	113
80,000 to 89,999	53,522	154	236	55	207	107
90,000 to 99,999	36,071	97	140	29	97	79
100,000 and over	233,093	335	546	94	366	511
Totals	$ 559,248	2,518	2,008	550	2,710	1,161

(1) The amount of uninsured loans includes both Program Loans that were uninsured from inception due to high down payments and Program Loans which were privately insured at the time of closing but have since met the requirements of The Homeowner's Protection Act of 1998 for termination of private mortgage insurance.

(2) The Housing Development Fund makes no representation regarding the current value being equivalent to the original loan balance.

APPENDIX A-2
Certain Information Relating to the Housing Finance Bond Program Loans
As of December 31, 2012 (unaudited)
($ in thousands)

PRIVATE MORTGAGE INSURERS OF PROGRAM LOANS

Private Mortgage Insurance Company **(1)**	Number of Program Loans Insured	Current Principal Amount	Percentage of PMI Loans	Percentage of Portfolio
MGIC	632	$ 49,411	31.30%	8.84%
GE Mortgage Insurance	716	63,141	40.00%	11.29%
PMI Insurance Company	375	23,908	15.15%	4.27%
United Guarantee	117	8,741	5.54%	1.56%
RMIC	81	6,351	4.02%	1.14%
Radian	34	2,389	1.51%	0.43%
Other PMI Companies	53	3,916	2.48%	0.70%
Totals	2,008	$ 157,857	100.00%	28.23% **(2)**

DELINQUENCY STATISTICS ON PROGRAM LOANS

The following table sets forth the percentage of Program Loans delinquent or in foreclosure as of the dates noted.
The West Virginia and the United States data is based on The National Delinquency Survey prepared by
the Economic and Research Department of the Mortgage Bankers' Association of America at December 31, 2012
Loans in forclosure include loans undergoing loan modification agreements and contribute to the increase in this %.

Months Past Due	Housing Finance Program Percentage Delinquent						West Virginia	USA
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	12/31/2012	12/31/2012	12/31/2012
One	3.10%	3.87%	4.20%	4.49%	4.74%	7.77%	4.70%	3.21%
Two	1.10%	1.44%	1.55%	1.46%	1.33%	2.16%	1.74%	1.26%
Three	0.52%	0.55%	0.64%	0.56%	0.79%	1.11%	2.29%	3.04%
In foreclosure	0.97%	1.39%	1.55%	1.58%	1.70%	2.27%	1.60%	3.74%

PROGRAM LOANS BY INCOME LEVELS

Borrower Income (At Date of Origination)

	Less than $20,000	$20,000 to $29,999	$30,000 to $39,999	$40,000 to $49,000	Above $50,000	Totals
FHA	436	954	857	326	137	2,710
Privately Insured	125	503	714	435	231	2,008
Uninsured	437	906	700	291	184	2,518
VA	51	177	196	82	44	550
RHS	65	306	393	238	159	1,161
Totals	1,114	2,846	2,860	1,372	755	8,947
Original Principal Amount	$ 49,688	$ 169,793	$ 224,296	$ 138,771	$ 103,101	$ 685,649
Percentage of Portfolic	12.45%	31.81%	31.97%	15.33%	8.44%	100.00%

(1) The Housing Development Fund makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies.

(2) See Appendix B for PMI coverage requirements.

APPENDIX A-2
Certain Information Relating to the Housing Finance Bond Program Loans
As of December 31, 2012 (unaudited)
($ in thousands)

PROGRAM LOAN PREPAYMENTS, EARLY BOND REDEMPTIONS AND RECYCLED LOAN FUNDS

These amounts do not include Bonds refunded by new Bond issues.

Fiscal Year	Program Loan Prepayments	Redemptions from Excess Revenue and Repayments	Recycled Funds
2013 (to date)	$35,264	$58,370	$8,999
2012	66,328	61,290	6,352
2011	51,483	68,380	19,793
2010	47,743	50,905	28,164
2009	47,231	45,435	21,142
	$ 248,049	$ 284,380	$ 84,450

APPENDIX A-3
Summary of Housing Finance Bonds Outstanding
As of May 1, 2013
(Dollars in Thousands)

Issue		Interest Rates of Outstanding Maturities	Original Issue Amount	Scheduled Maturities and Sinking Fund Payments	Early Redemptions from Prepayments, Excess Revenues, and Reserves	Amount Outstanding May 1, 2013*
1998 F (1)(2)	(m)	5.70%	2,235	2,125	-	110
2003 A(1)	(s)	4.75%	25,000	-	-	25,000
2003 B(1)	(s)	4.90%	17,500	-	-	17,500
2003 C (1)(2)	(m)	4.00%	16,800	13,800	3,000	-
2004 A (1)	(s)	4.40%	30,000	9,535	5,995	14,470
2004 C (1)	(s)	4.35%	35,000	10,310	4,680	20,010
2005 A (1)	(s)	4.375%	30,000	7,610	7,215	15,175
2005 B	(s)	4.40%	60,110	11,105	27,610	21,395
2005 C	(s)	4.50%	30,000	2,625	11,395	15,980
2006 A	(s)	4.70%	30,000	2,765	-	27,235
2006 C	(s)	5.00%	40,000	3,190	16,690	20,120
2006 D	(s)	3.90%-5.75%	35,000	3,465	25,080	6,455
2007 A	(s)	3.95%-5.50%	60,000	5,970	21,270	32,760
2007 B	(s)	4.35%-6.00%	40,000	3,085	31,050	5,865
2007 C	(s)	4.00%-5.75%	35,000	2,420	27,255	5,325
2008 AB (3)	(s)	4.10%-4.95%	30,000	4,035	14,490	11,475
2010 ABC	(s)	1.30%-4.75%	130,870	17,500	47,700	65,670
2011 A (2)	(s)		50,000	6,785	-	43,215
Totals			$ 697,515	$ 106,325	$ 243,430	$ 347,760

(m) - primarily issued to finance Project Loans (s) - primarily issued to finance Program Loans.

(1) These issues were privately placed with institutional investors.
(2) Taxable Issues.
(3) $10,000,000 of these bonds are variable rate demand obligations.

*Inclusive of Special Redemptions in the principal amount of $15,305,000 scheduled for May 1, 2013.

APPENDIX B

SUMMARY OF CERTAIN FEDERAL HOUSING SUBSIDY AND MORTGAGE INSURANCE PROGRAMS AND EXPERIENCE WITH LOAN DEFAULTS

INTRODUCTION

The United States Department of Housing and Urban Development ("HUD"), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various federal programs authorized under the National Housing Act of 1934, as amended, and the United States Housing Act of 1937, as amended. The United States Department of Veterans Affairs, formerly Veterans Administration ("VA") administers the mortgage guaranty program authorized under the Servicemen's Readjustment Act of 1944, as amended. The Rural Housing Loan Program (the "Loan Guaranty Program") is administered by the United States Rural Housing Service ("RHS") (formally the Farmers Home Administration) under Sections 1980.301 et. seq. of the Code of Federal Regulations. These programs may be financed by annual appropriations from Congress, as well as by mortgage insurance premiums and fees; subsidies and insurance payments are in some cases made from trust funds established under the various programs.

Following is a summary of these programs as they affect mortgages that the Housing Development Fund has financed or intends to finance under the Housing Finance Program. This summary is intended only as a brief description and does not purport to summarize or describe all of the provisions of such programs and insurance. Reference is made to applicable statutes, regulations and agreements for more detailed information regarding FHA and VA program(s), Rural Housing and this summary is qualified in its entirety by reference to such statutes, regulations and agreements.

THE SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

The Section 8 project based program is provided by HUD and authorizes payments to the owners of qualified housing units. The housing assistance payments to the owner represent the differences between the "contract rents" for all eligible units in a rental dwelling, as established by HUD from time to time, and the eligible tenants' rental contributions. Housing assistance payments provide a subsidy for the benefit of families whose incomes do not exceed 50% of the median income, as determined by HUD, in the area where the housing is located.

Subsidy Contracts -- The Housing Development Fund administers the Section 8 project based subsidy program in the State. HUD gives allocations of Section 8 subsidies to the Housing Development Fund, which has contracted with developers to develop multifamily housing to be occupied by eligible tenants. The payment of subsidies under the Section 8 program is generally made pursuant to two contracts entered into with respect to each development assisted under such program: an annual contributions contract ("ACC"), between HUD and the Housing Development Fund, and a housing assistance payments contract (the "HAPC") between the Housing Development Fund and the owner of the development. The ACC obligates HUD to provide funds to the Housing Development Fund with which to make housing assistance payments to the owner pursuant to the HAPC.

The ACC establishes the maximum annual amount of the housing assistance payments to be made by HUD to the account of the owner of a development. This amount may not exceed the total of the contract rents, plus utilities allowances approved by HUD for all contract units in the project. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, the excess (initially an amount equal to the portion of the contract rents payable by the tenants) is required to be set aside by HUD in an account for the particular development, known as a "project account," and will be available for future years to fund increases in contract rents for the development, decreases in tenant rents or other costs specifically approved by HUD.

The HAPC is usually for an initial term of twenty years and unless the owner elects (or, in the case of an uninsured development the Housing Development Fund and the owner agree) to terminate, is automatically renewed for additional five-year terms, not to exceed thirty or forty years overall or the term of the Mortgage Loan, whichever is less. By the assignment of the HAPC to the Housing Development Fund the owners are required to renew the HAPC. An ACC remains in effect for as long as the HAPC is in effect. In the case of insured developments, the Housing Development Fund allows the term of the HAPC to be shorter than the term of the Mortgage Loan and in the case of uninsured developments, the Housing Development Fund requires the term of the HAPC to be equal to the term of the Mortgage Loan.

Amount and Payment of Subsidy -- The contract rent initially established for each unit in a development is limited to the fair market rent for the dwelling unit, which is the rent, as determined annually by HUD, which would be required to be paid to occupy privately developed and owned housing of a comparable nature with respect to each locality. In establishing contract rents, the Housing Development Fund is also required to reflect the savings, if any, due to tax-exempt financing. The HUD-established fair market rents may be exceeded by up to 10% with the approval of the HUD area or field office and by up to 20% with the approval of the HUD central office.

For each assisted unit, the amount of the subsidy actually payable to the Housing Development Fund for the account of the owner is equal to the contract rent less the payment to be made to the owner by the tenant(s), as approved by HUD. The tenant payment depends upon the family income, the extent of eligible unusual expenses and the number of minor children in the household. The total rental income from subsidized housing units payable to or for the account of the owner is equal to the contract rent, part being paid by the tenants directly to the owner and the remainder being paid by HUD through the Housing Development Fund. Tenants are required to report any changes in their income or household status and to certify their income and family composition at least annually.

Adjustments of Subsidy Amount -- HUD's Section 8 regulations and the HAPC provide that the initial contract rents for the assisted dwelling units in each development will be adjusted annually by HUD pursuant to an annual adjustment factor and/or a Rent Comparability Study. Such adjustments may increase or decrease the amount of the contract rents from time to time, but will not reduce the amount of the contract rents below the level initially established pursuant to the ACC and throughout the term of the HAPC. Additionally, special adjustments may be approved by HUD to reflect increases in the actual and necessary expenses of owning and maintaining the development which have resulted from substantial general increases in real property taxes, utility rates or similar costs (e.g., assessments and utilities not covered by regulated rates), but only to the extent that the adjusted rent does not exceed the reasonable rent as determined under the regulations.

On October 27, 1997, Congress enacted the Multi-family Assisted Housing Reform Act (MAHRA) which established new policies for renewal of Section 8 HAPCs, upon expiration. Renewal HAPC’s can be based upon comparable market rents instead of the Fair Market Rent (FMR) standard. Owners may elect from several options, the method used to establish rents and other financing objectives upon contract expiration and at each successive renewal term.

Vacancies and Debt Service -- Generally, the Section 8 subsidy is payable with respect to the dwelling unit only when it is occupied by an eligible family. However, the law and the regulations provide for payment of the subsidy under certain circumstances when the dwelling unit is not occupied.

Upon occurrence of a vacancy in a dwelling unit, a subsidy amounting to 80% of the contract rent is payable for a vacancy period of sixty days subject to compliance by the sponsor with certain conditions relating primarily to a diligent effort to rent the subsidized unit. The payment of a subsidy with respect to a vacant dwelling unit may continue, after such sixty-day period, for one or more additional periods of up to twelve months in an amount equal to the principal and interest payments required to amortize that portion of the debt attributable to the vacant unit, if a good faith effort is being made to rent the unit, the unit meets HUD’s required property standards and the owner has demonstrated to the satisfaction of HUD that the project can achieve financial soundness within a reasonable period of time. No such payment may be made if the owner of the development is receiving revenues in excess of the cost incurred by the owner with respect to the development. No restrictions apply to the number of times during the term of the mortgage that the owner may receive benefit of the subsidy for debt service on vacant units.

The regulations provide that HUD and the Housing Development Fund may reduce the number of contract units if the owner fails for a substantial period of time to lease or make available for leasing by eligible families the required percentage of contract units.

Pledge of Subsidy as Security for the Bonds -- HUD regulations permit the sponsor and the Housing Development Fund to pledge, or offer the federal subsidy payments as security for financing of the developments. The Housing Development Fund requires the sponsor for each development to pledge or offer as security such federal subsidy payments, with HUD approval, as security for the mortgage loan on the development by an assignment of the HAPC to the Housing Development Fund, and in the Resolution, the Housing Development Fund has pledged the revenues received from the Mortgage Loans to the payment of the Bonds.

The regulations provide that in the event of foreclosure, or assignment or sale to the Housing Development Fund in lieu of foreclosure, or in the event of an assignment or sale agreed to by the Housing Development Fund and approved by HUD (which approval shall not be unreasonably delayed or withheld), subsidy payments will continue in accordance with the HAPC.

Compliance with Subsidy Contracts -- The ACC and the HAPC each contain numerous agreements on the part of the Housing Development Fund and the sponsor.

Housing subsidies will continue as long as the owner complies with the requirements of the HAPC and has leased the assisted units to eligible tenants or has satisfied the criteria for receiving assistance for vacant units. The Housing Development Fund, which has primary responsibility for administering the HAPC, subject to review and audit by HUD, may require the owner to cure any default under the HAPC and may abate housing assistance payments and recover overpayments pending remedy for the default. If the default is not cured, the Housing Development Fund may terminate the HAPC or take other corrective actions, in its discretion or as directed by HUD. HUD has an independent right to determine whether the owner is in default and to take corrective action and apply appropriate remedies.

If HUD determines that the Housing Development Fund has failed to fulfill its obligations, HUD may, after notice to the Housing Development Fund and giving it a reasonable opportunity to take corrective action, require that the Housing Development Fund assign to it all rights under the HAPC.

FHA INSURANCE PROGRAMS

The National Housing Act of 1934, as amended, authorizes various Federal Housing Administration ("FHA") mortgage insurance programs. Insurance benefits are payable only upon foreclosure (or other acquisition or possession) and conveyance of the mortgaged premises to HUD or, in the case of multifamily loans, upon assignment of the defaulted loan to HUD.

With respect to the conveyance of defaulted home mortgage loans to HUD, the insured must first pursue a full range of loss mitigation efforts. Loss mitigation efforts include temporary or special forbearance, loan modification, partial claim, pre-foreclosure sale or a deed in lieu of foreclosure to cure the delinquency within a reasonable time, or to return a borrower to regular, full mortgage payments or to assist the borrower with disposition of the property without foreclosure. The loss mitigation strategy must be pursued consistent with the borrower's circumstances, before the mortgagee makes the determination to initiate foreclosure proceedings.

Under some of the FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under others, HUD has the option at its discretion to pay insurance claims in cash or in such debentures. The current HUD policy, subject to change at any time, is to make insurance payments on mortgages covering less than five dwelling units in cash with respect to all programs covering such units as to which it has discretion to determine the form of insurance payments. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debenture interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of default by the mortgagor, as defined in HUD regulations, and the mortgage holder generally is compensated for the unpaid principal balance plus six months of interest after the date of default. The regulations under all insurance programs described above provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When a property to be conveyed has been damaged by any cause, whether by accidental means or otherwise, it generally is required as a condition to payment of an insurance claim, that such property be restored excepting reasonable wear and tear to an established conveyance condition. When any property conveyed to HUD or subject to a mortgage to be assigned to HUD has been damaged by fire, earthquake, flood or tornado, it generally is required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage lender prior to such conveyance or assignment.

EXPERIENCE WITH MULTIFAMILY LOAN DEFAULTS

The Housing Development Fund is entitled to claim the benefits of federal mortgage insurance upon the occurrence and continuance for thirty days of certain events of default specified in its loan agreements with the project mortgagors, including failure of the mortgagor to make timely payments due under the Mortgage Loan. A notice of the existence of the default is sent to the mortgagor and reported electronically to HUD. The Housing Development Fund must pursue loss mitigation strategies prior to a decision to foreclose. Once all loss mitigation has failed to resolve the default, the Housing Development Fund may proceed with foreclosure and convey the property to HUD at which time the Housing Development Fund is eligible to receive the insurance proceeds, in an amount equal to 99% of the outstanding balance of the mortgage loan plus an amount, representative of accrued interest on the claim, at a rate equal to the FHA debenture rate in effect on the date of commitment or initial endorsement of the loan by HUD, whichever rate is higher (in the case of Section 236 insurance the interest rate applicable during the period between default and assignment is the mortgage rate). This rate may be higher or lower than the rate the mortgagor was obligated to pay. To date, the Housing Development Fund has requested payment from FHA on several Program Loans but has never assigned a Project Loan to FHA for payment. The Housing Development Fund has assigned one multifamily mortgage in the Bond Insurance Fund to FHA, and received payment under the insurance program.

VETERANS ADMINISTRATION GUARANTY PROGRAM*

**The VA has become the "Department of Veterans Affairs".*

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, a spouse) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase of a one-to-four family dwelling at interest rates permitted by VA. The program has no mortgage loan limits, requires no downpayment from the purchaser and permits the guaranty of mortgage loans of up to thirty years and thirty-two days duration.

For loans of $45,000 or less, the guaranty will be 50-percent of the loan amount. For loans of more than $45,000, but not more than $56,250, $22,500 of the loan is guaranteed, and for loans of more than $56,250 and less than $144,000, the guaranty will be the lesser of 40 percent of the loan amount or $36,000, with a minimum guaranty of $22,500. For loans greater than $144,000, the maximum guarantee amount is up to an amount equal to 25% of the county loan limit. For manufactured homes the guaranty will be the lesser of 40% of the loan amount or $20,000. In addition, a manufactured home loan is limited to 95% of the purchase price, requiring a minimum down payment of 5 percent. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premise is greater than the original guaranty as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to VA.

PRIVATE MORTAGE INSURANCE

The Housing Development Fund requires private mortgage insurance coverage for all Program Loans if the principal amount of the Program Loan exceeds eighty percent (80%) of the lesser of the purchase price or appraised value and the Program Loan is not guaranteed by VA or USDA/RD or insured by FHA.

The Housing Development Fund will allow privately insured Program Loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae under the Fannie Mae "My Community Mortgage" program. These loans must be approved through an automated underwriting system such as Desktop Underwriter with expanded approvals generally not acceptable. Such privately insured mortgage loans may have loan-to-value ratios no greater than 100% of the lesser of the purchase price or the appraised value.

Effective June 19, 2006 the Housing Development Fund's minimum requirement for private mortgage insurance coverage are as follows:

Loan-to-Value Ratio	PMI Coverage
97% to 100%	20%*
95% to ≤97%	18%
90% to ≤95%	16%
85% to ≤90%	12%
80% to ≤ 85%	6%

*No longer offered as this coverage is not available from private mortgage insurers.

See "APPENDIX A-2 – Certain Information Relating to the Housing Finance Bond Program Loans", for additional information regarding private mortgage insurance and the Program Loans.

Prior to a decision to foreclose on a loan in default, the Housing Development Fund must pursue loss mitigation strategies. The strategies include forbearance, loan modification, pre-sale of the mortgaged property, or a deed-in-lieu of foreclosure. Once all loss mitigation strategies have been exhausted, the Housing Development Fund may proceed with a foreclosure sale.

The amount of loss payable generally consists of the following: a percentage (usually twenty percent) of the unpaid principal balance plus a portion of the accrued interest; usual and customary attorneys' fees; real estate taxes; hazard and private mortgage insurance premiums necessarily advanced by the insured; expenses incurred in preservation and maintenance of the property; and other costs and expenses incurred to acquire title to the property.

The majority of privately insured mortgage loans are held for sale by the Real Estate Owned department of the Housing Development Fund. On the rare occasion when a property to be conveyed directly to a private mortgage insurer or subject to a mortgage to be assigned to such insurer has been damaged by any cause, whether by accidental means or otherwise, it generally is required, as a condition to payment of an insurance claim, that such property be restored to its condition at the time such insurance was issued, excepting reasonable wear and tear, prior to such conveyance or assignment.

RURAL HOUSING LOAN GUARANTY PROGRAM

The Rural Housing Loan Program (the "Loan Guaranty Program") is administered by the United States Rural Housing Service ("RHS") (formally the Farmers Home Administration) under Title 7, Sections 1980.301 et. seq. of the Code of Federal Regulations. The objective of the Loan Guaranty Program is to assist eligible households in obtaining modest, decent, safe, and sanitary dwellings for their own use in rural areas by guarantying loans, which would not be made without a guaranty.

Guaranties are limited to loans to applicants with incomes that do not exceed median income limits specified and published by RHS. Applicants may not be denied assistance based on receipt of income from public assistance. The amount of the loan may not exceed the maximum dollar limitation for loans insured by HUD under Section 203 (b) (2) of the National Housing Act. The loan may include amounts for the guaranty fee. The property (including certain eligible leaseholds) must be located in rural areas as established from time to time by the State Director of RHS.

To be eligible for the guaranty, the loan must be a fixed interest rate loan amortizing over a period of thirty years.

The terms of the Lender Agreement between RHS and the Housing Development Fund obligate the Housing Development Fund to notify RHS whenever a borrower is a full 60 days past due on a payment or is otherwise in default and to update RHS with respect to such loans each thirty days until the default is resolved.

The Housing Development Fund is also required to schedule a conference with the borrower before the loan becomes ninety days past due and to recommend, for approval by RHS: a) deferral, b) reamortization or c) liquidation, of the loan. If the Housing Development Fund concludes that liquidation is required, it must submit a disposition plan to RHS which documents the servicing options that have been explored, and determined unworkable.

If the plan of liquidation involves a foreclosure, the Housing Development Fund must obtain a fair market value appraisal and bid in an amount, at foreclosure, that is at least 85% of the appraised value. After liquidation, the Housing Development Fund must market the property for a period of six months before filing a claim with RHS for insurance benefits. The maximum guarantee for the permanent loan will be 90 percent of unpaid principal and accrued interest for 90 days from the date the decision is made to liquidate the loan. The maximum loss payment to a lender or holder is 100% of any loss sustained by the holder on the guaranteed portion.

The guaranty is an obligation supported by the full faith and credit of the United States. The amount of the guaranty loss payment may not exceed unpaid principal and interest to the date of final settlement. Interest on interest is not permitted.

U.S. DEPARTMENT OF AGRICULTURE SECTION 538 GUARANTEED RURAL RENTAL HOUSING LOAN PROGRAM

The U.S. Department of Agriculture's ("USDA") Section 538 Guaranteed Rural Rental Housing Program (Section 538 Program) provides a loan note guarantee to the lender of the permanent loan amount for qualifying residential rental properties, serving low or moderate-income families. Generally, properties must be located in areas with population of less than 10,000 (and in some cases up to 20,000 or 25,000).

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

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

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

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

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

MORTGAGOR BANKRUPTCY

Mortgagors 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. Under a plan confirmed under Chapter 13 of the Bankruptcy Code, the debtor's unsecured and secured debts may be modified, except that debts secured by a mortgage on real property used as the debtor's principal residence may not be modified, except to cure defaults or reinstate maturity. Absent court ordered relief (which is only available under limited circumstances) the automatic stay under Section 362 of the Bankruptcy Code will apply in 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. To date, the Housing Development Fund has not experienced any significant loss of principal as a result of the implementation of plans confirmed under Chapter 13 of the Bankruptcy Code, and it does not believe that any such implementations will have a materially adverse effect on its Housing Finance Program.

APPENDIX C

WEST VIRGINIA HOUSING DEVELOPMENT FUND

AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Audited Financial Statements

WEST VIRGINIA HOUSING DEVELOPMENT FUND

For the Years Ended June 30, 2012 and 2011

Audited Financial Statements

GIBBONS&KAWASH
Certified Public Accountants

300 Chase Tower
707 Virginia Street, East
Charleston, West Virginia 25301

Office: 304.345.8400
Fax: 304.345.8451

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Virginia Housing Development Fund
Charleston, West Virginia

We have audited the accompanying statement of net assets of the West Virginia Housing Development Fund (the Fund), a component unit of the State of West Virginia, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Housing Development Fund as of June 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Gibbons & Kawash, A.C.

August 29, 2012

INTRODUCTION

The West Virginia Housing Development Fund (the Fund) is a public body corporate with statewide responsibility for housing and operates a wide variety of programs to provide safe and affordable housing for residents and families in the State of West Virginia (the State). The Fund is a self-supporting agency and does not receive State appropriations for its operations. Through June 30, 2012, the Fund has provided assistance for more than 113,000 housing or housing-related units.

The permanent staff of the Fund consists of 104 persons, including professional staff members qualified in the fields of accounting, appraisal, finance, law, mortgage underwriting, mortgage loan servicing, secondary mortgage markets, planning, architecture, cost estimation, construction, inspection, housing management, and marketing. The Fund provides services in these fields for its programs as required and utilizes professional consulting services from time to time to supplement its own staff.

The Fund has 21 bond issues totaling $579,075,000 par amount outstanding under its bond resolutions. The bonds are rated "AAA" by Standard & Poor's Public Ratings Services (S&P), a Division of McGraw-Hill Companies, and "Aaa" by Moody's Investors Service, Inc. (Moody's).

Fitch, Inc. rates the Fund's unsecured, short-term general obligation debt pledge "F-1+". The Fund's unsecured long-term general obligation debt pledge is rated "Aaa" by Moody's and "AAA" by S&P. The Fund is the first and only housing finance agency ever to receive such ratings on its long-term general obligation debt pledge. These ratings are not assigned to any particular issue of debt, but rather represent an overall credit assessment of the Fund's long-term general obligation pledge.[1]

The financial transactions of the Fund are recorded in relation to its various programs, which are more fully explained in the Notes to the Financial Statements. These programs consist of the General Account, Bond Programs, Other Loan Programs, Land Development Program, Bond Insurance Account, and Federal Programs. These were established in accordance with the West Virginia Housing Development Fund Act (the Act), the bond resolutions or at management's discretion. Restricted net assets of the Fund include the net assets of the Bond Programs, Land Development Program, Bond Insurance Account, and Federal Programs, which are restricted by the bond resolutions, the Act, or federal regulations.

As management of the Fund, we offer readers of the Fund's financial statements this narrative overview and analysis of the Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets as of and for the fiscal years ended June 30, 2012, 2011 and 2010.

[1] An explanation of the Moody's ratings may be obtained by writing to Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; an explanation of the S&P ratings may be obtained by writing to Standard & Poor's Public Ratings Services, 55 Water Street, New York, New York 10041; and an explanation of the Fitch rating may be obtained by writing to Fitch, Inc., One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will be maintained for any period of time or that such ratings will not be withdrawn or revised downward by Moody's, S&P, or Fitch if, in their judgment, circumstances so warrant. Such actions, if taken, could have an adverse effect on the market price of bonds issued by the Fund.

USING THIS REPORT

This report consists of a series of financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. These statements provide information about the activities of the Fund for each period presented.

The financial statements of the Fund are prepared in conformity with accounting principles generally accepted in the United States for state housing finance enterprise funds. The Statements of Net Assets represent the difference between the assets and liabilities of the Fund and include all assets and liabilities using the basis of accounting described above. Over time, increases or decreases in the Fund's net assets are one indicator of whether its financial status is improving, stable, or deteriorating. There are also other factors that should be considered when reviewing the operational results of the Fund, such as changes in the interest rate environment, bond market, changes to state and federal laws governing the Fund's programs, changes to the tax code, and the real estate market in the State. The Statements of Revenues, Expenses, and Changes in Net Assets of the Fund reflect revenues, such as interest on loans, loan-servicing fees, interest on investments, expenses, such as loan fees, program expenses, administrative expenses, and interest on outstanding debt. The Notes to the Financial Statements provide information that is essential to fully understand the data provided in the financial statements.

FINANCIAL HIGHLIGHTS

Following is a comparison of the Fund's condensed Statements of Net Assets at June 30:

(Dollars in thousands)	2012	2011	2010
ASSETS			
Current assets	**$ 110,386**	$ 171,460	$ 180,237
Noncurrent assets:			
Mortgage loans & Restricted mortgage loans, net of allowance for losses	**763,345**	824,016	854,166
Restricted Federal Program mortgage loans, net of allowance for losses	**53,339**	53,901	55,770
Restricted cash and cash equivalents	**28,758**	15,069	24,912
Investments & Restricted investments	**124,142**	120,419	121,306
Capital assets, net of depreciation	**10,016**	7,885	2,413
Other assets & Restricted other assets, net of allowance for losses	**8,271**	8,051	6,018
Total assets	**1,098,257**	1,200,801	1,244,822
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and other liabilities	**18,663**	18,580	19,584
Accrued interest payable	**3,708**	4,728	5,340
Bonds payable	**66,245**	142,135	232,210
Noncurrent liabilities:			
Bonds & notes payable, net	**515,139**	559,044	519,182
Federal program advances	**53,655**	54,324	56,360
Total liabilities	**657,410**	778,811	832,676
Net assets - Restricted	**351,468**	334,128	324,711
Net assets - Unrestricted	**89,379**	87,862	87,435
TOTAL NET ASSETS	**$ 440,847**	$ 421,990	$ 412,146

Below is additional discussion of the significant financial statement items and the changes in those items over the prior two years due to recent events and activities of the Fund, current economic factors, and other factors affecting the Fund's financial and programmatic operations.

Current assets

The decrease of $61,074,000 (35.6%), in *Current assets* from 2011 to 2012 was primarily due to $61,110,000 in bond proceeds converted to long-term bonds and transferred to noncurrent cash to purchase loans, the redemption of $38,890,000 in short-term bonds, and a $29,622,000 increase in cash from mortgage loan repayments.

The decrease of $8,777,000 (4.9%), in *Current assets* from 2010 to 2011 was primarily due to a decrease in cash for disbursements in fiscal year 2011 in the amount of $5,472,000 for costs related to the construction of the Fund's new office building and $1,375,000 for special needs disbursements and a decrease of $1,247,000 in the balance of Mortgage Loans Held for Sale.

Mortgage loans & Restricted mortgage loans, net of allowance for losses

The decrease of $60,671,000 (7.4%) in *Mortgage loans & Restricted mortgage loans, net of allowance for losses* from 2011 to 2012 was primarily due to mortgage loan prepayments and repayments of $103,790,000 and foreclosures of $10,037,000 exceeding loan originations of $53,150,000. Mortgage loan balances in the Bond Programs decreased approximately $55,390,000 from 2011 to 2012.

The decrease of $30,150,000 (3.5%) in *Mortgage loans & Restricted mortgage loans, net of allowance for losses* from 2010 to 2011 was primarily due to mortgage loan prepayments and repayments of $84,208,000 and foreclosures of $11,830,000 exceeding loan originations of $66,678,000. Mortgage loan balances in the Bond Programs decreased approximately $30,806,000 from 2010 to 2011.

Restricted Federal Program mortgage loans, net of allowance for losses

This line item consists of the United States Department of Housing and Urban Development's (HUD) HOME Investment Program (HOME) mortgage loans. The fluctuations from year to year represent the net HOME program loans originated during the years presented.

Restricted cash and cash equivalents

The increase of $13,689,000 (90.8%) in *Restricted cash and cash equivalents* from 2011 to 2012 was due to a $11,663,000 increase in the balance of funds available to purchase single family mortgage loans and a $1,823,000 increase due to the proceeds of a long-term investment maturity reinvested short-term. The balance of bond proceeds available for the purchase of single family mortgages is primarily related to the timing of bonds issued for this purpose or recycled funds available for loan purchases.

The decrease of $9,843,000 (39.5%) in *Restricted cash and cash equivalents* from 2010 to 2011 was due to a decrease in the balance of funds available to purchase single family mortgage loans. The balance of bond proceeds available for the purchase of single family mortgages is primarily related to the timing of bonds issued for this purpose or recycled funds available for loan purchases.

Investments & Restricted investments

The fluctuations in *Investments and Restricted investments* from year to year is the net effect of investment purchases, redemptions, maturities and amortization and the change in fair value of investments as required by Governmental Accounting Standards Board (GASB) Statement No. 31. This statement requires certain investments to be recorded at fair value and the unrealized gains or losses be reported in the Statements of Changes in Net Assets.

The following summary illustrates the changes in *Investments & Restricted investments* as of June 30:

(Dollars in thousands)	**2012**	2011	2010
Balance at beginning of fiscal year	**$ 120,419**	$ 121,306	$ 122,289
Sales, maturities and amortization	**(87,538)**	(107,335)	(68,036)
Purchases	**85,569**	108,085	62,601
Increase (Decrease) in fair value of investments	**5,692**	(1,637)	4,452
Balance at end of fiscal year	**$ 124,142**	$ 120,419	$ 121,306

Capital assets, net of depreciation

Capital assets increased $2,131,000 (27.0%) from 2011 to 2012 and $5,472,000 (226.8%) from 2010 to 2011 due to the construction of the Fund's new office building.

Other assets and Restricted other assets, net of allowance for losses

The increase of $220,000 (2.7%) in *Other assets and Restricted other assets, net of allowance for losses* from 2011 to 2012 was primarily due to an increase in foreclosed properties.

The increase of $2,033,000 (33.8%) in *Other assets and Restricted other assets, net of allowance for losses* from 2010 to 2011 was primarily due to an increase in foreclosed properties.

Accounts payable and other liabilities

The increase of $83,000 (.4%) in *Accounts payable and other liabilities* from 2011 to 2012 was primarily due to an increase in tax and insurance escrows held on behalf of the Fund's various mortgagors.

The decrease of $1,004,000 (5.1%) in *Accounts payable and other liabilities* from 2010 to 2011 was primarily due to a decrease in funds held for others for the State Neighborhood Stabilization Program in the amount of $741,000 and a $431,000 decrease in tax and insurance escrows held on behalf of the Fund's various mortgagors.

Bonds and notes payable, current and noncurrent

As illustrated in the following schedule, the changes in *Bonds and notes payable* were due to the early redemption or refunding of bonds, scheduled debt service payments, and new bonds and notes issued. The changes in the balance of bonds and notes payable and interest rates generally account for the fluctuations in *Accrued interest payable* in 2012 and 2011. See *Note D – Bonds & Notes payable, current and noncurrent.*

(Dollars in thousands)		**2012**	**2011**	**2010**
Balance at beginning of the fiscal year				
Bonds payable - current		**$ 142,135**	$ 232,210	$ 32,095
Bonds payable - noncurrent		**559,044**	519,182	690,570
Debt issued:	Housing Finance Bonds	**50,000**	130,870	-
	New Issue Bond Program	**118,620**	-	100,000
	Other Loan Programs Note payable	**-**	250	-
Debt paid:	Scheduled Debt Service - Bonds & notes payable	**(20,651)**	(16,594)	(19,197)
	Early redemptions and refundings	**(267,250)**	(164,250)	(51,585)
Amortization of bond premiums		**(514)**	(489)	(491)
Balance at end of the fiscal year		**$ 581,384**	$ 701,179	$ 751,392
Bonds payable - current		**$ 66,245**	$ 142,135	$ 232,210
Bonds & notes payable - noncurrent		**515,139**	559,044	519,182
Total bonds & notes payable		**$ 581,384**	$ 701,179	$ 751,392

Federal program advances

The decrease of $2,036,000 (3.6%) and decrease of $669,000 (1.2%) in *Federal program advances* from 2010 to 2011 and from 2011 to 2012, respectively, was due to activity fluctuations in the outstanding balance of Federal Programs mortgage loans as a result of loans originated.

Total Net Assets improved by $9,844,000 (2.4%) from June 30, 2010 to June 30, 2011. From June 30, 2011 to June 30, 2012, *Total Net Assets* improved another $18,857,000 (4.5%) as the net financial position of the Fund increased to $440,847,000 at June 30, 2012.

Following is a comparison of the Fund's condensed Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30:

(Dollars in thousands)	Fiscal Year Ended June 30		
	2012	**2011**	**2010**
REVENUES			
Interest on loans	**$ 44,285**	$ 48,165	$ 51,725
Pass-through grant revenue	**87,565**	77,026	59,840
Fee revenue	**7,282**	7,458	7,683
Net investment earnings (non-operating)	**9,717**	3,512	11,007
Other	**1,643**	1,299	1,458
Total Revenues	**150,492**	137,460	131,713
EXPENSES			
Pass-through grant expense	**87,565**	77,026	59,840
Interest and debt expense (non-operating)	**24,205**	29,399	32,962
Loan fees expense	**4,382**	4,427	4,240
Program expenses, net	**5,277**	7,246	4,953
Administrative expenses, net	**10,206**	9,518	9,263
Total Expenses	**131,635**	127,616	111,258
CHANGES IN NET ASSETS	**18,857**	9,844	20,455
NET ASSETS AT BEGINNING OF YEAR	**421,990**	412,146	391,691
NET ASSETS AT END OF YEAR	**$ 440,847**	$ 421,990	$ 412,146

Interest on loans

The decrease in *Interest on loans* of $3,880,000 (8.1%) from 2011 to 2012 was primarily due to a decrease in mortgage loan balances from the prior year as well as a decrease in the average mortgage loan rate.

The decrease in *Interest on loans* of $3,560,000 (6.9%) from 2010 to 2011 was primarily due to a decrease in mortgage loan balances from the prior year as well as a decrease in the average mortgage loan rate.

Pass through grant revenue and Pass through grant expense

This line item represents federal funds received and disbursed to sub-recipients under Federal Programs. In 2009, the American Recovery and Reinvestment Act appropriated funds for the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program (TCEP). Both of these programs were temporary and expired in fiscal year 2012. The TCAP is a grant program to provide funds for capital investments in Low-Income Housing Tax Credit Program properties. The TCEP is a federal grant from the Treasury that allows the exchange of certain tax credits for cash assistance.

The increase of $10,539,000 (13.7%) from 2011 to 2012 was primarily due to TCEP and HOME disbursements as well as an increase in HAP program disbursements.

The increase of $17,186,000 (28.7%) from 2010 to 2011 was primarily due to TCAP and TCEP disbursements as well as an increase in HAP program disbursements.

Fee revenue

The decrease of $176,000 (2.4%) in *Fee revenue* from 2011 to 2012 was primarily due to a decrease of $362,000 in fees earned in the HAP program, a decrease of $191,000 in mortgage loan fees, a decrease of $98,000 related to multifamily prepayment penalties, a decrease of $75,000 in multifamily financing fees and an increase of $553,000 in Low-Income Housing Tax Credit fees.

The decrease of $225,000 (2.9%) in *Fee revenue* from 2010 to 2011 was primarily due to a decrease of $536,000 in Low-Income Housing Tax Credit fees, a decrease of $24,000 in fees earned in the HAP program, an increase of $265,000 related to multifamily prepayment penalties and an increase of $76,000 in multifamily financing fees.

Net investment earnings

Net investment earnings decreased $7,495,000 (68.1%) from 2010 to 2011 and increased $6,205,000 (176.7%) from 2011 to 2012 in the comparison of revenues and expenses above. However, *Net investment earnings* include unrealized gains and losses in the fair market value of investments for each of the fiscal years presented as required by GASB Statement No. 31. As shown in the schedule below, the Fund's investment earnings, adjusted for the unrealized gains or losses, decreased 26.9% from 2010 to 2011 and decreased an additional 10.5% from 2011 to 2012. These fluctuations are due to lower interest rates during fiscal year 2011 and fiscal year 2012.

(Dollars in thousands)	June 30, 2012	June 30, 2011	June 30, 2010
Net investment income per operating statement	**$ 9,717**	$ 3,512	$ 11,007
Adjustments for unrealized (gain) loss on fair value of securities	**(5,279)**	1,444	(4,226)
Interest earned on investments	**$ 4,438**	$ 4,956	$ 6,781
% Decrease from prior year	**(10.5%)**	(26.9%)	

Other revenues

The increase of $344,000 (26.5%) in *Other revenues* from 2011 to 2012 was primarily due to an increase in gains on sale of mortgage loans in the secondary market.

The decrease of $159,000 (10.9%) in *Other revenues* from 2010 to 2011 was primarily due to the reclassification of Neighborhood Stabilization Program administrative fees. These fees were recorded as *Other revenues* in fiscal year 2010 and reclassified as *Administrative expenses, net* in fiscal year 2011.

Interest and debt expense

The $5,194,000 (17.7%) decrease in *Interest and debt expense* from 2011 to 2012 was primarily due to $267,250,000 in bond redemptions and refundings during 2012.

The $3,563,000 (10.8%) decrease in *Interest and debt expense* from 2010 to 2011 was primarily due to $164,250,000 in bond redemptions and refundings during 2011.

Loan fees expense

The $45,000 (1.0%) decrease in *Loan fees expense* from 2011 to 2012 was primarily due to a decrease in loan origination fees paid to lenders due to a decrease in bond program loan purchases.

The $187,000 (4.4%) increase in *Loan fees expense* from 2010 to 2011 was primarily due to an increase in loan origination fees paid to lenders due to an increase in Housing Finance loan purchases.

Program expenses, net

The $1,969,000 (27.2%) decrease in *Program expenses, net* from 2011 to 2012 was primarily due to a decrease of $1,407,000 in provision for loan loss expenses, a decrease of $743,000 for Special Needs disbursements, a decrease of $323,000 in land development expenses, a decrease of $131,000 in losses on foreclosed properties, net of increases in cost of issuance expenses and building depreciation expenses of $223,000 and $352,000, respectively.

The $2,293,000 (46.3%) increase in *Program expenses, net* from 2010 to 2011 was primarily due to an increase of $1,016,000 in losses on foreclosed properties, an increase of $893,000 in cost of issuance expenses, an increase of $766,000 for Special Needs disbursements and a $347,000 decrease in provision for loan loss expenses.

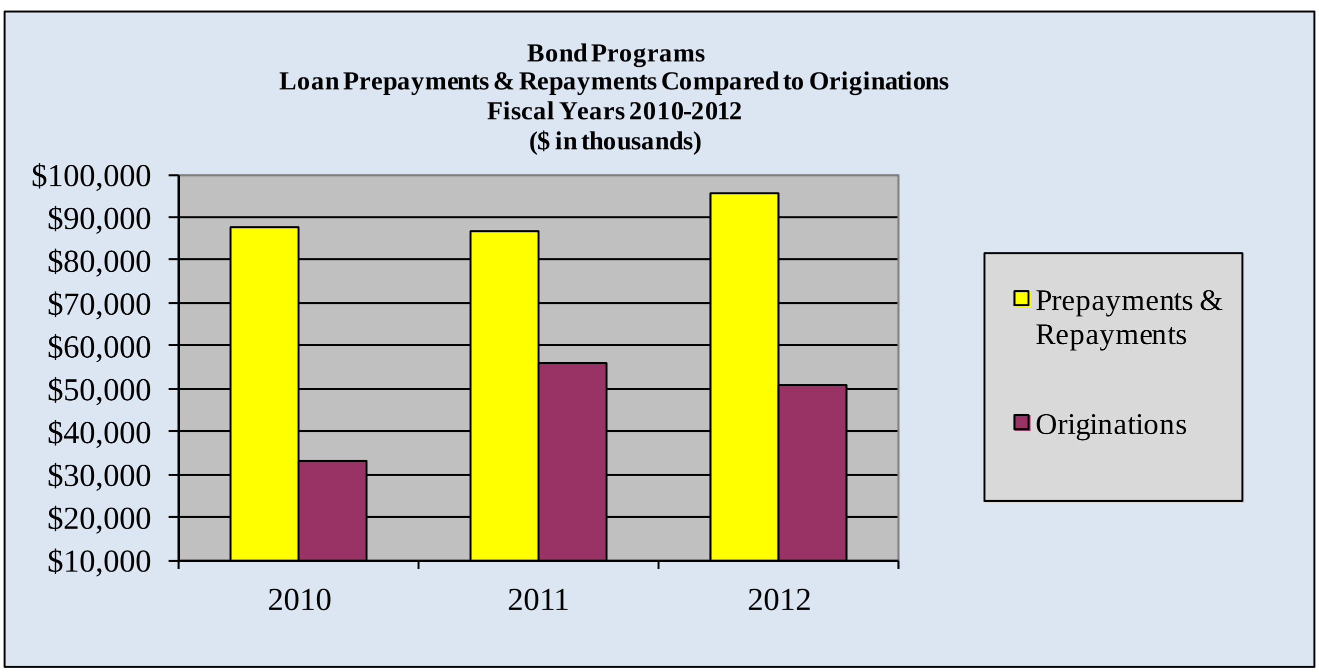
OVERVIEW OF THE FINANCIAL STATEMENTS

Mortgage Lending

The Fund's Bond Programs are the core-housing programs and the primary source of income for the Fund. Various economic and regulatory factors such as prevailing economic conditions, mortgage interest rates, investment rates, the demand for housing, the cost of housing and of operating housing programs, the volume of mortgage lending activity in the State and other factors affecting the supply of housing in the State can create significant challenges for the Fund in both the Bond Programs and its overall operations.

During fiscal year 2009, mortgage interest rates dramatically decreased as a result of the sharp decline in the housing industry related to subprime lending and the U.S. government's takeover of Fannie Mae and Freddie Mac. With this decline and low interest rates continuing into fiscal year 2012, the Fund's mortgage rates have not been competitive to the conventional loan market. In addition, lending guidelines have been more restrictive, preventing many borrowers from qualifying for home mortgage loans. Consequently, the Bond Programs mortgage loan balances decreased $30,806,000 in fiscal 2011 and an additional $55,390,000 in fiscal 2012 as a result of mortgage loan repayments and prepayments exceeding loan originations. Mortgage loan balances and continued loan originations are key elements to future earnings potential.

The following chart illustrates the volume of loan prepayments and repayments compared to originations from fiscal year 2010 through fiscal year 2012 for the Bond Programs.



Interest rates on new single family bond loans originated in fiscal year 2012 have averaged approximately 3.36%. Due to lower interest rates on new single family loan originations and the prepayment of higher interest single family and multifamily loans, the average interest rate on loans outstanding has declined as follows.

June 30, 2010	5.76%
June 30, 2011	5.67%
June 30, 2012	5.40%

Despite significant increases in the amount of foreclosures and delinquency rates nationwide, the Fund's foreclosures and delinquency rates for loans over two months delinquent have remained consistently lower than the State and National rates. Nationwide increases began in late 2006 and continue to remain high. The increases are a result of sub-prime lending, lower home values and a weakened economy. The Fund attributes the steadiness of its delinquency rates to sound underwriting practices and with the exception of a few counties within the State, no significant decline in home values. Also, the Fund's Bond Programs consists of 30-year fixed rate loans and no sub-prime loans.

Delinquency Rates

	WV Housing Development Fund As of June 30,			WV Rates* As of March 31, 2012	USA* As of March 31, 2012
	2010	2011	2012		
Months Past Due					
One	4.02%	4.15%	4.34%	4.12%	2.81%
Two	1.45%	1.31%	1.14%	1.30%	1.08%
Three	0.81%	0.53%	0.65%	2.15%	3.05%
In foreclosure	1.61%	1.76%	1.68%	2.07%	4.39%

*Most current data available.

Investments

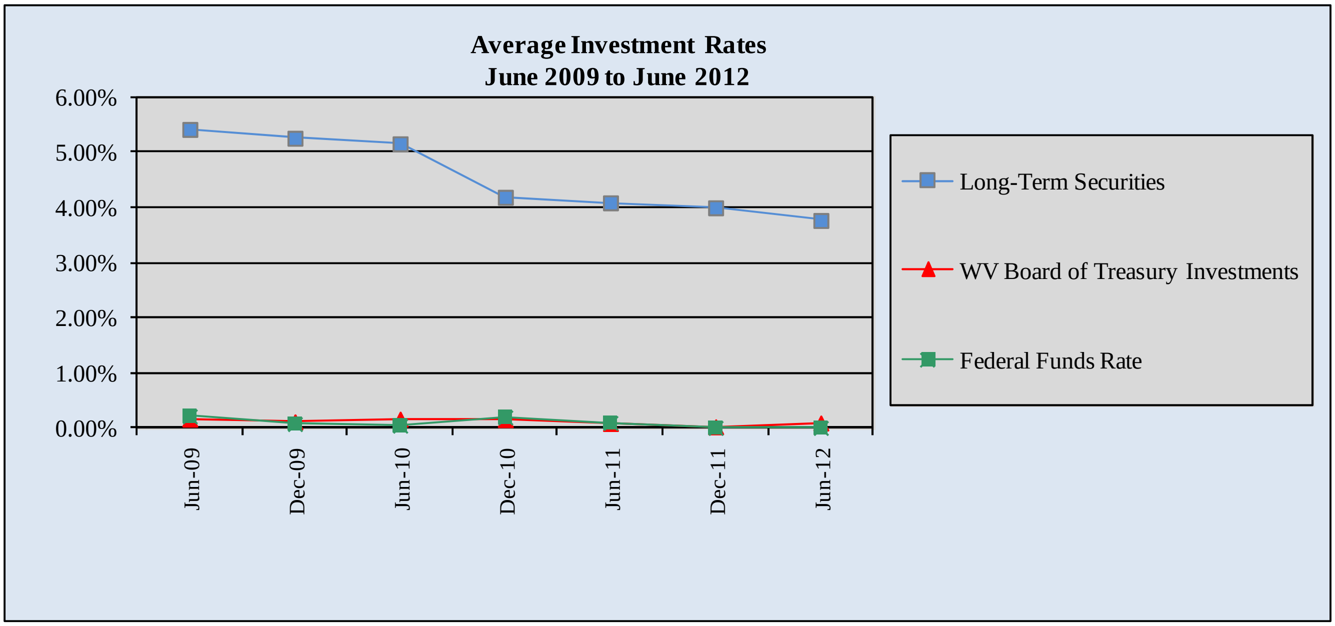
The Fund invests cash not required for immediate disbursement as permitted by the Act, the bond resolutions, and the Board approved Investment Policy. Funds related to the Bond Programs capital reserves and the Bond Insurance Account are primarily invested in long-term United States government and agency securities, which are expected to be held to maturity. Certain funds in the Bond Insurance Account and general operating funds are invested in mortgage loans held solely for investment. The interest earnings on these investment types are less affected by the fluctuation in short-term interest rates. However, as these long-term securities mature or are called, they are invested at significantly lower rates.

Loan proceeds and revenues of the Bond Programs, Other Loan Program, and operating funds are primarily on deposit with a bank, invested in FDIC insured certificates of deposit or collateralized certificates of deposit. All bank deposits are either FDIC insured or collateralized by permitted investments. The remaining funds are on deposit with the West Virginia Board of Treasury Investments (WVBOTI). Such funds are extremely sensitive to short-term interest rate fluctuations.

As shown in the following chart, the average investment rate for short-term investments and the WVBOTI has been consistent with the Federal Funds rate. During fiscal year 2009, the Federal Reserve decreased the Federal funds rate to a historical low of 0.00% to 0.25% where it has remained through fiscal year 2012. With such a decline in the Federal funds rate, interest rates fell dramatically. Due to market conditions the Fund stopped investing in repurchase agreements and increased investing in Demand Deposit Accounts, FDIC insured certificates of deposit and in collateralized certificates of deposit to maximize investment yields and preserve principal.

The low interest rate environment has directly impacted the Fund's investment earnings as they decreased 26.9% from 2010 to 2011, net of unrealized gains or losses, and an additional 10.5% from 2011 to 2012, net of unrealized gains or losses. As long-term investments mature or are redeemed the Fund's long-term average rates are decreasing due to the current lower yield opportunities for the reinvestment of these funds.

Below is a summary of the average investment rates from June 2009 to June 2012:



Debt Management

The Fund issues qualified mortgage revenue bonds to fund its single family Bond Programs. When bonds are issued, the initial proceeds are invested in short-term investments until the funds are used for the purchase of mortgage loans. Because short-term investment rates are typically lower than the long-term bond rates, this creates negative arbitrage. To reduce this negative arbitrage, the Fund delays the issuance of new bonds until absolutely necessary.

The Fund sometimes uses general operating funds as a warehouse line to purchase new loans in anticipation of bond sales. In addition to general operating funds, the Fund has a $15,000,000 line of credit with the Federal Home Loan Bank (the FHLB) that is also available to use as a warehouse line for the purchase of single family, multifamily, secondary market and economic development loans. This line of credit is to be secured by investments of the Bond Insurance Account as advances are received and is a general obligation of the Fund. At June 30, 2012, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

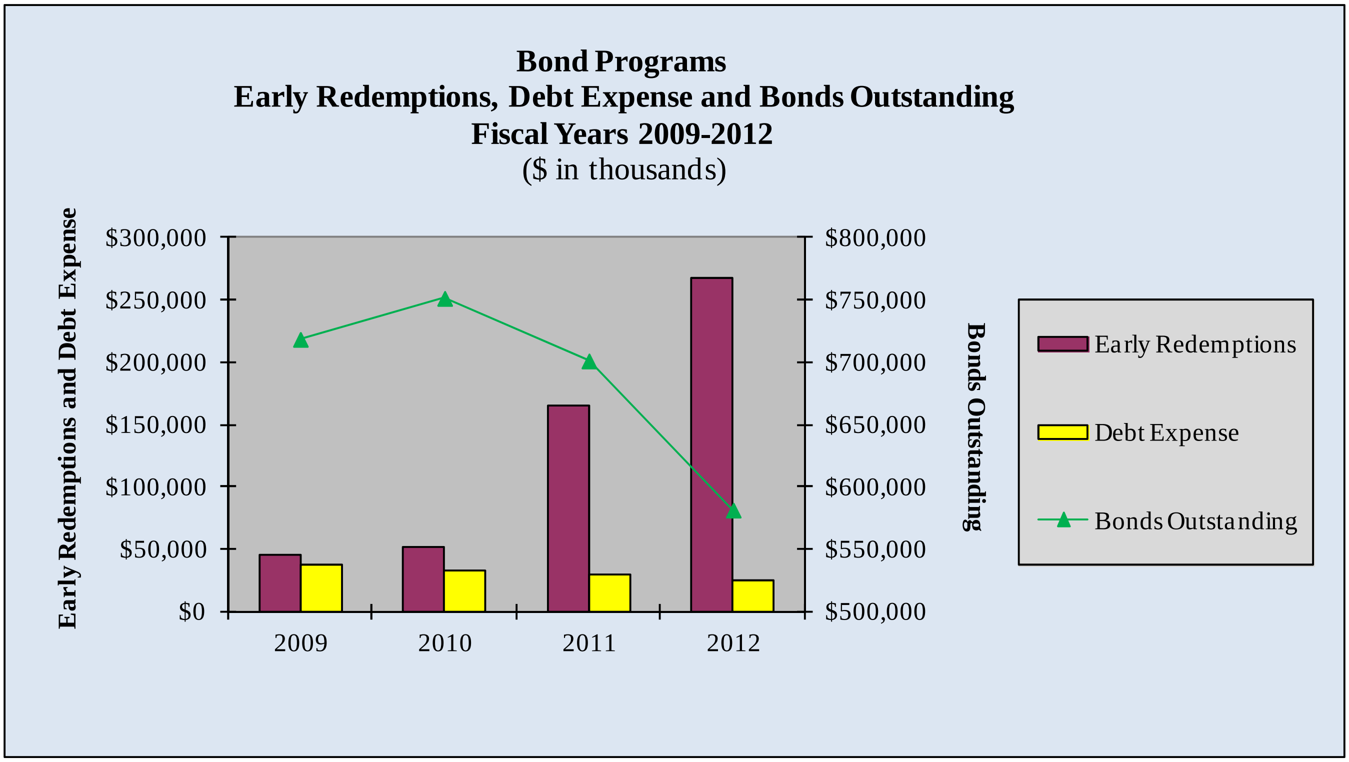
When bonds are issued from the bond volume allocation, known as “new money” bonds, certain repayments and prepayments of mortgage loans made from these proceeds may be “recycled” into additional mortgage loans for ten years. The Fund uses recycling to supplement its bond issues by using prepayments for additional mortgage loans instead of issuing debt. If the market interest rates on mortgages are lower than the corresponding bond rates, the Fund may redeem bonds in lieu of recycling. However, if mortgage rates are higher than the corresponding bond rates the Fund may redirect prepayments into additional mortgage loans in lieu of redeeming bonds. Moving forward into fiscal year 2013 the Fund expects to continue to recycle mortgage loan repayments from its bond issues when it is economically prudent to do so.

During fiscal years 2010, 2011 and 2012, the Fund redeemed or refunded $51,585,000, $164,250,000 and $267,250,000 in bonds, respectively. The increase in early redemptions for 2011 and 2012 as compared to 2010 is a factor of an increase in the amount of funds received from early prepayments of mortgages and redeeming bonds in lieu of recycling. In addition, 2011 and 2012 redemptions included the refunding of bonds in the amount of $93,870,000 and $105,510,000, respectively.

Debt expense was $32,962,000, $29,399,000 and $24,205,000 in fiscal years 2010, 2011 and 2012, respectively. Debt expense decreased in 2011 as compared to 2010 and in 2012 as compared to 2011 due to lower bond balances as a result of redemptions exceeding new debt issuances and interest savings resulting from refundings of high rate bonds.

In October 2009, the U.S. Treasury announced a plan designed to aid state housing finance agencies to access the housing bond market. The program was offered under the Housing and Economic Recovery Act (HERA) passed in July 2008. To participate in the U.S. Treasury plan, the Fund adopted a new bond resolution titled the General New Issue Bond Program Resolution. In December 2009, convertible option bonds were sold to the U.S. Treasury in the amount of $100,000,000. Proceeds of these bonds were deposited in a trust account approved by the Treasury. During fiscal year 2012, the Fund converted $61,110,000 of these bonds to long-term single family housing bonds and redeemed $38,890,000 of the bonds with the remaining proceeds on deposit with the Trustee. As of June 30, 2012, $34,734,000 in mortgages have been made under this program.

The following chart illustrates early bond redemptions, debt expense and bonds outstanding in the Bond Programs.



Other

The Fund services all of its outstanding mortgage loans and services loans on behalf of Fannie Mae, Freddie Mac, the West Virginia Affordable Housing Trust and the West Virginia Jobs Investment Trust. The Fund is the largest loan servicer in the State with serviced loans of $1.3 billion. Servicing fee income in the amount of $3,496,000 represents 6.57% of the Fund's operating revenues, net of pass through grant revenue, for the fiscal year ended June 30, 2012.

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

The above financial highlights are designed to provide a general overview of the Fund's operations and insight into the following financial statements. Additional information may be requested by contacting the Acting Executive Director, West Virginia Housing Development Fund, at 5710 MacCorkle Ave. SE, Charleston, WV 25304, or may be found on our website at www.wvhdf.com.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
STATEMENTS OF NET ASSETS
(Dollars in Thousands)

	June 30, 2012	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents-- *(Notes A and C)*	$ 22,951	$ 17,199
Accrued interest on loans	262	246
Accrued interest on investments	10	29
Accounts receivable and other assets, net of allowance for losses-- *(Note A)*	629	754
Mortgage loans held for sale-- *(Note A)*	3,077	384
Restricted cash and cash equivalents-- *(Notes A and C)*	79,365	148,375
Restricted accrued interest on loans	3,163	3,446
Restricted accrued interest on investments	929	1,027
Total current assets	110,386	171,460
Noncurrent assets:		
Mortgage loans, net of allowance for losses-- *(Note A)*	47,553	48,758
Capital assets, net of depreciation-- *(Note A)*	10,016	7,885
Investments-- *(Notes A and C)*	5,540	14,600
Restricted cash and cash equivalents-- *(Notes A and C)*	28,758	15,069
Restricted investments-- *(Notes A and C)*	118,602	105,819
Restricted mortgage loans, net of allowance for losses-- *(Note A)*	769,131	829,159
Restricted other assets, net of allowance for losses-- *(Note A)*	8,271	8,051
Total noncurrent assets	987,871	1,029,341
Total assets	1,098,257	1,200,801
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other liabilities-- *(Note A)*	18,663	18,580
Accrued interest payable	3,708	4,728
Bonds payable-- *(Note D)*	66,245	142,135
Total current liabilities	88,616	165,443
Noncurrent liabilities:		
Federal program advances-- *(Note A)*	53,655	54,324
Bonds & notes payable-- *(Note D)*	515,139	559,044
Total noncurrent liabilities	568,794	613,368
Total liabilites	657,410	778,811
Net assets:		
Restricted for debt service	278,858	260,967
Restricted by state statute for bond insurance and land development	72,610	73,161
Invested in capital assets	10,016	7,885
Unrestricted	79,363	79,977
TOTAL NET ASSETS	$ 440,847	$ 421,990

The accompanying notes to financial statements are an integral part of these statements.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Dollars in Thousands)

	Year Ended June 30, 2012	Year Ended June 30, 2011
OPERATING REVENUES		
Interest on loans	$ 44,285	$ 48,165
Pass-through grant revenue-- *(Note A)*	87,565	77,026
Fee revenue-- *(Note A)*	7,282	7,458
Other-- *(Note A)*	1,643	1,299
	140,775	133,948
OPERATING EXPENSES		
Pass-through grant expense-- *(Note A)*	87,565	77,026
Loan fees expense-- *(Note A)*	4,382	4,427
Program expenses, net-- *(Note A)*	5,277	7,246
Administrative expenses, net-- *(Note A)*	10,206	9,518
	107,430	98,217
OPERATING INCOME	33,345	35,731
NON-OPERATING - FINANCING AND INVESTING REVENUES (EXPENSES)		
Net investment earnings	9,717	3,512
Interest and debt expense	(24,205)	(29,399)
	(14,488)	(25,887)
CHANGES IN NET ASSETS	18,857	9,844
NET ASSETS AT BEGINNING OF YEAR	421,990	412,146
NET ASSETS AT END OF YEAR	$ 440,847	$ 421,990

The accompanying notes to financial statements are an integral part of these statements.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended June 30, 2012	Year Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from lending activities	$ 158,611	$ 141,659
Receipts from other operating activities	8,895	8,679
Receipts (disbursements) from escrows or advances	21	(1,126)
Receipts for federal lending activities	28,816	20,617
Receipts for federal activities	57,940	55,514
Disbursements for federal activities	(57,854)	(55,440)
Purchase mortgage loans	(83,019)	(88,324)
Purchase mortgage loans held for sale	(77,936)	(61,171)
Sales of mortgage loans	75,243	62,418
Payments to employees for salaries and benefits	(7,441)	(7,223)
Payments to vendors	(11,998)	(11,470)
Net cash provided by operating activities	91,278	64,133
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES		
Net proceeds from bonds and notes	168,620	131,120
Retirement of bonds and notes	(287,901)	(180,844)
Interest paid	(25,694)	(30,479)
Net cash used in noncapital financing activities	(144,975)	(80,203)
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Disbursements for construction of office building	(2,313)	(5,472)
Net cash used in capital and related financing activities	(2,313)	(5,472)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments	87,566	107,390
Purchase of investments	(85,569)	(108,085)
Net investment earnings	4,444	5,182
Net cash provided by investing activities	6,441	4,487
Net decrease in cash and cash equivalents	(49,569)	(17,055)
Cash and cash equivalents at beginning of year	180,643	197,698
Cash and cash equivalents at end of year	$ 131,074	$ 180,643
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 22,951	$ 17,199
Restricted cash and cash equivalents - current	79,365	148,375
Restricted cash and cash equivalents - noncurrent	28,758	15,069
	$ 131,074	$ 180,643

The accompanying notes to financial statements are an integral part of these statements.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
STATEMENTS OF CASH FLOWS (CONTINUED)
(Dollars in Thousands)

	Year Ended June 30, 2012	Year Ended June 30, 2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 33,345	$ 35,731
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for loan losses	(43)	(1,450)
Change in assets and liabilities:		
Accrued interest on loans	(12)	10
Mortgage loans held for sale	(2,693)	4,104
Other assets	219	(107)
Restricted accrued interest on loans	279	149
Restricted other assets	(164)	(1,401)
Mortgage loans, net	286	11,985
Restricted mortgage loans, net	61,022	18,272
Accounts payable	(292)	(1,124)
Federal program advances	(669)	(2,036)
Net cash provided by operating activities	$ 91,278	$ 64,133

	2012	2011
Noncash investing and financing activities:		
Increase (Decrease) in fair value of investments	$ 6,723	$ (1,444)
Net amortization of premiums/discounts on investments	28	56

The accompanying notes to financial statements are an integral part of these statements.

NOTE A – AGENCY DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

The West Virginia Housing Development Fund (the Fund) is a governmental instrumentality of the State of West Virginia (the State) and a public body corporate, created under the provisions of Article 18, Chapter 31 of the Code of West Virginia, 1931, as amended, and known as the West Virginia Housing Development Fund Act (the Act). Under the Act, the Fund's corporate purposes primarily relate to providing various housing programs. The Fund can also finance non-residential projects as defined in the Act.

The Fund is governed by a Board of Directors consisting of the Governor, Attorney General, Commissioner of Agriculture, and Treasurer of the State, all of whom serve ex-officio as public directors, and seven members, chosen by the Governor with the advice and consent of the State Senate, as private directors from the general public residing in the State. The Act, as amended in January 2005, designates the Governor or his or her designee as the Chair of the Board of Directors. Furthermore, this amendment provides that the Governor shall appoint the executive director, with the advice and consent of the State Senate, and that the executive director will serve at the Governor's will and pleasure.

The Fund receives no appropriations from the State; however it is included as a discretely presented component unit of the primary government in the State's Comprehensive Annual Financial Report. In defining the Fund for financial reporting purposes, management considered all potential component units. Based on the criteria of accounting principles generally accepted in the United States, the Fund has no component units.

The various programs of the Fund consist of the General Account, the Bond Programs, Other Loan Programs, Land Development Program, Bond Insurance Account, and Federal Programs.

The General Account includes the results of the Fund's loan servicing operations, administrative expenses of the Fund's operations, operations of the Fund's building and fee income related to the administration of the Section 8 Housing Assistance Payments Programs (HAPs Program) and the Low-Income Housing Tax Credit Program.

The Bond Programs include the activities of the single family and multifamily bond programs under the Housing Finance Bond Program and the General New Issue Bond Program resolutions, the purpose of which is to provide affordable housing throughout the State. Assets and revenues of the Bond Programs are restricted subject to the provisions of the bond resolutions and are available for other purposes only to the extent they are not required to meet specified reserve and funding provisions of the resolutions.

Other Loan Programs include the Homeownership Assistance Program, Secondary Market Program, Leveraged Loan Program, Economic Development Program, Mini-Mod Renovation Program, Flood Program, Demolition Program, Home Emergency Loan Program, Low-Income Assisted Mortgage Program and the Special Needs Program, all of which have been financed from the general reserves of the Fund.

The Land Development Program was established by the Act in 1973 with a $2,000,000 appropriation from the State Legislature from which the Fund can make below-market interest rate loans to developers to acquire and improve land for residential housing and non-residential construction. The Land Development Program is restricted by State statute.

The Bond Insurance Account was created by the Act as a special trust fund within the State Treasury designated as the "Mortgage Finance Bond Insurance Fund", and was established to provide for the payment of principal and interest in the event of default by the Fund on "Mortgage Finance Bonds," as defined in the Act. The Bond Insurance Account is restricted by State statute and is under the supervision of the West Virginia Municipal Bond Commission (the "Bond Commission"). The Bond Insurance Account is included in the Fund's financial statements but is kept separate and apart from all other accounts of the Fund, the Bond Commission, and the State. Both the Housing Finance Bond Program and the General New Issue Bond Program are considered Mortgage Finance Bonds.

Federal Programs include the United States Department of Housing and Urban Development's (HUD) HOME Investment Program (HOME), Tax Credit Assistance Program (TCAP), HAPs Program and the U.S. Treasury's Tax

Credit Exchange Program (TCEP) for which the Fund acts as program administrator. These programs are funded solely through federal monies and are restricted by Federal regulations.

Accounting methods: The accounting policies of the Fund conform to generally accepted accounting principles for state housing finance agency enterprise funds. The various programs were established in accordance with the Act, the bond resolutions, or at management's discretion. The financial statements are prepared following the flow of economic resources measurement focus on the accrual basis of accounting, which requires recognition of revenue when earned and expenses when incurred.

Cash and cash equivalents: The Fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. This includes cash, certificates of deposit, short-term agency notes, collateralized repurchase agreements, and deposits with the West Virginia Board of Treasury Investments (WVBOTI). Under arrangements relating to collateralized repurchase agreements, third parties hold the underlying securities and monitor the market values of such securities so that the market value of the collateral pledged is maintained at a minimum of 102% of the amount of the repurchase agreements.

Accounts receivable and other assets, net of allowance for losses include accounts receivables, land for housing purposes and foreclosed properties, net of an allowance for estimated probable declines in net realizable value.

(Dollars in thousands)	June 30, 2012			June 30, 2011		
	Balance	Allowance	Net	Balance	Allowance	Net
Accounts receivable and other Assets:						
Accounts receivable	$ 548	$ (1)	$ 547	$ 595	$ (3)	$ 592
Land	138	(56)	82	138	(56)	$ 82
Foreclosed property	32	(32)	-	198	(118)	80
Total	$ 718	$ (89)	$ 629	$ 931	$ (177)	$ 754

Mortgage loans held for sale: In its Secondary Market Program, the Fund purchases and sells fixed-rate and adjustable-rate mortgage loans, primarily to government agencies, on a servicing retained basis. Mortgage loans held for sale, including commitments to purchase and sell loans, are carried at the lower of aggregate cost or market. The sale price is determined at the date of commitment and the commitment period generally ranges from 30 to 90 days. At June 30, 2012, the Fund had commitments to purchase loans of $19,228,233, net of estimated fallout, and commitments to sell loans of $6,454,000.

Restricted cash and cash equivalents represents monies the Fund holds on behalf of others, restricted by the Act or by the bond resolutions. Included in this line item are tax and insurance escrows held on behalf of the Fund's various mortgagors and payments collected on mortgages for which the Fund acts as servicer only. The Fund is obligated to expend these monies on escrowed items or remit them to the appropriate investors in the case of mortgage loans serviced for the benefit of others. Also included in *Restricted cash and cash equivalents* are federal housing program funds for which the Fund acts as grantee or agent. The total funds held on behalf of others were $14,634,000 at June 30, 2012 and $14,698,000 at June 30, 2011. *Restricted cash and cash equivalents* to be used for the acquisition of noncurrent assets, such as mortgage loans or investments, are classified as *Noncurrent assets*.

Mortgage loans, net of allowances for losses: These loans consist primarily of unrestricted mortgage loans made under the General Account and Other Loan Programs. The Fund provides for possible losses on loans based on management's review of potential problem loans. The allowance for loan losses is shown below.

(Dollars in thousands)	June 30, 2012			June 30, 2011		
	Balance	Allowance	Net	Balance	Allowance	Net
Unrestricted Mortgage Loans:						
General Account	$ 4,039	$ (2,595)	$ 1,444	$ 6,950	$ (2,685)	$ 4,265
Other Loan Programs	58,509	(12,400)	46,109	56,887	(12,394)	44,493
Total	$ 62,548	$ (14,995)	$ 47,553	$ 63,837	$ (15,079)	$ 48,758

Capital assets, net of depreciation include land and a vacant office building owned by the Fund stated at its original cost of $220,000 and $880,000, respectively, net of accumulated depreciation on the building of $880,000. The building is fully depreciated. In fiscal year 2009, the Fund purchased land in anticipation of constructing a new office building on the site. Construction began in fiscal year 2011 and upon completion during fiscal year 2012, the Fund moved to its new office building. The land, capitalized costs of the new building and equipment and furnishings are also included in *Capital assets* and are stated at its original cost of $1,810,000, $7,282,000, and $1,056,000, respectively, net of accumulated depreciation on the building and furnishings of $182,000 and $170,000, respectively.

The new office building will be depreciated on a straight-line basis over its estimated useful life of 40 years. Office equipment and furnishings will be depreciated over 5 years. Office furniture, equipment, and improvements, unrelated to the construction of the new office building are charged to operations when purchased; accordingly, no depreciation or amortization for these items is included in the financial statements. If such assets were capitalized and depreciated over their estimated useful lives, there would be no material effect on the accompanying financial statements.

(Dollars in thousands)	June 30, 2011	Additions	Deletions	June 30, 2012
Land	$ 2,030	$ -	$ -	$ 2,030
Construction in progress	5,696	1,586	7,282	-
Buildings	880	7,282	-	8,162
Equipment and furnishings	159	897	-	1,056
	8,765	9,765	7,282	11,248
Accumulated depreciation:				
Buildings	880	182	-	1,062
Equipment and furnishings	-	170	-	170
	880	352	-	1,232
Total	$ 7,885	$ 9,413	$ 7,282	$ 10,016

Restricted investments: The Fund established guidelines for the investment of its funds to meet the requirements of the bond resolutions and the Act. Currently, investments consist primarily of United States government and agency obligations and certificates of deposit with maturities greater than 90 days.

Investment securities are recorded at fair value, based on quoted market prices, and a portion of the unrealized gains or losses is reported in the Statements of Revenues, Expenses, and Changes in Net Assets as part of *Net investment earnings* as more fully explained in *Note C – Cash and Investments*.

Restricted mortgage loans, net of allowance for losses includes loans originated under the General Account, the Bond Programs, Land Development Program, and Federal Programs as well as loans held in the Bond Insurance Account.

The allowance for loan losses in these programs is shown below.

(Dollars in thousands)	June 30, 2012			June 30, 2011		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted Mortgage Loans:						
General Account	$ 579	$ (574)	$ 5	$ 626	$ (622)	$ 4
Land Development	3,785	(1,757)	2,028	5,454	(1,495)	3,959
Bond Insurance Account	17,357	(759)	16,598	19,499	(755)	18,744
Bond Programs	706,735	(9,574)	697,161	761,395	(8,844)	752,551
Federal Programs	123,324	(69,985)	53,339	98,820	(44,919)	53,901
Total	$ 851,780	$ (82,649)	$ 769,131	$ 885,794	$ (56,635)	$ 829,159

Federal Programs include HOME, which is designed to assist very low-income borrowers and to provide capacity building funds for nonprofit housing organizations. The funds provided to the nonprofits will only be repaid if the nonprofit fails to provide the services required as a condition of receiving HOME funds. Federal Programs also includes TCAP and TCEP, which were designed to assist in the development of Low-Income Housing Tax Credit Program properties. These funds will only be repaid if the recipient fails to comply with certain covenants of their agreement. Therefore, HOME, TCAP and TCEP projects are recorded as restricted mortgage loans and the TCAP, TCEP and nonprofit HOME projects have a corresponding 100% loss allowance in the Statements of Net Assets.

Most loans in the Bond Programs are protected against loss by collateralization and various federal and private insurance programs. Repayment of certain multifamily rental project loans is dependent, in part, upon rental and interest subsidy programs of HUD.

Restricted other assets include certain foreclosed properties, properties developed for flood activities, other land for restricted housing purposes, and miscellaneous receivables, net of an allowance for estimated probable declines in the net realizable value. These assets are restricted subject to the provisions of the bond resolutions, the Act, or federal regulations.

(Dollars in thousands)	June 30, 2012			June 30, 2011		
	Balance	**Allowance**	**Net**	**Balance**	**Allowance**	**Net**
Restricted other assets:						
Accounts receivable	$ 303	$ (166)	$ 137	$ 302	$ (166)	$ 136
Land	2,577	(1,955)	622	2,601	(1,990)	611
Foreclosed property	10,079	(2,567)	7,512	9,694	(2,390)	7,304
Total	$ 12,959	$ (4,688)	$ 8,271	$ 12,597	$ (4,546)	$ 8,051

Accounts payable and other liabilities includes amounts held on behalf of others as explained in *Note A - Restricted cash and cash equivalents*, amounts due to vendors, and rebateable investment earnings.

Federal program advances are federal housing program funds for which the Fund acts as grantee or agent to originate mortgages under the HOME program.

Restricted net assets: Net assets of the Bond Programs are restricted to meet specified reserve and funding provisions in accordance with the bond resolutions. Net assets of the Land Development Program and Bond Insurance Account are restricted in accordance with the Act. Federal Programs are restricted due to requirements of HUD or other grantor agencies. When both restricted and unrestricted resources are available for use, it is generally the Fund's policy to use restricted resources first, and then unrestricted resources as they are needed.

Operating revenues and expenses: The Fund classifies operating revenues and expenses based on the services provided by the Fund and its ongoing operations. This includes such activities as mortgage lending, administration of federal financial awards programs, property management and development, and other related program activities. *Net investment earnings* and interest on debt are reported as *non-operating revenues and expenses*.

Pass-through grant revenue and pass-through grant expense: The Fund receives grants and other financial assistance from HOME, TCAP, TCEP and the HAPs Programs to transfer or spend on behalf of various secondary recipients. These amounts are considered pass-through grants and are reported in the financial statements as revenue and expense when funds are disbursed to the subrecipient.

Fee revenue consists primarily of loan servicing fees on mortgage loans serviced by the Fund, administration fees earned from the HAPs Program, financing fees, tax credit fees, secondary market fees, prepayment penalties on multifamily loans and deferred document penalty fees.

The Fund services all loans in its portfolio as well as loans on behalf of others totaling approximately $1,301,000,000 and $1,347,000,000 at June 30, 2012 and 2011, respectively. Of this total, the portfolio serviced by the Fund on behalf of others approximated $379,327,000 and $391,992,000 at June 30, 2012 and 2011, respectively.

Other revenues consist primarily of rental income, gains on sale of mortgages in the Secondary Market Program, gains on sales of foreclosed properties acquired through the Fund's mortgage lending activities, and other miscellaneous revenue items.

Loan fees expense includes fees paid to lenders for the origination of mortgage loans. In addition, loan fees expense includes the cost of acquiring the servicing rights to mortgage loans owned by the Fund and loans owned by others, primarily Fannie Mae. Since such costs are expensed as incurred, no purchased mortgage servicing right is capitalized. The impact of not capitalizing the present value of net future servicing revenues, less amortization, over the estimated lives of the underlying mortgage loans, is not material to the accompanying financial statements.

Program expenses primarily consist of disbursements made under the Fund's various programs, provisions for mortgage loan losses, losses on sales of foreclosed properties acquired through the Fund's mortgage lending activities and costs of bond issuance. The Fund expenses bond issuance costs in the period the related bonds are issued and it does not amortize the costs. Expensing debt issuance costs in the period of borrowing does not materially affect the accompanying financial statements. *Program expenses* also include daily operating expenses of the office buildings owned by the Fund.

Administrative expenses, net include salary, benefits, and other operating expenses related to the daily operations of the Fund. When an expense is incurred, the expense is charged to the program or account for which it is directly applicable, whether restricted or unrestricted. Indirect expenses are allocated to programs and accounts based on a percentage of the program's or account's direct salary cost.

Reclassifications: Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation. Such reclassifications had no effect on *Total Net Assets.*

NOTE B – ASSETS FOR RESERVED AND OTHER PURPOSES

Assets and revenues of the Bond Programs are subject to the provisions of the bond resolutions and are available for other purposes only to the extent they are not required to meet specified reserve and funding provisions of the resolutions. The Fund, to the extent such monies become available under the terms of the resolutions, has pledged to maintain the net assets of its Bond Programs at a level to preserve the Fund's bond ratings. In the event that the Fund fails to comply with the terms of the bond resolutions the holders of such obligations would have recourse to the unrestricted assets of the Fund. The Land Development Program and the Bond Insurance Account are both restricted by State statute.

Assets of the General Account and Other Loan Programs are principally unrestricted and may be transferred to other programs subject to the approval of the Fund's management or Board of Directors. The Fund has committed $9,713,000 from Other Loan Programs for various loans / projects at June 30, 2012. These amounts are included in *Unrestricted net assets*. The Fund is actively accepting applications from prospective recipients to originate loans from amounts allocated by the Board of Directors from Other Loan Programs.

The Board of Directors has also allocated $1,000,000 of the *Unrestricted net assets* for the "Directors' and Officers' Insurance Account" for the purpose of providing indemnification for the directors and officers of the Fund. The fiscal year 2013 administrative budget of $11,882,700 will be provided from the *Unrestricted net assets* and from future revenues of the Fund.

NOTE C – CASH AND INVESTMENTS

The Fund actively invests cash in conformity with the Act, the Bond Programs and the Board approved Investment Policy. Permitted investments include a wide variety of securities and obligations such as certain corporate deposits, money market accounts, investment agreements or repurchase agreements with primary government dealers, direct obligations or obligations guaranteed by the State, United States government securities, or federal agency securities. Currently, the Fund's investments consist primarily of United States government or agency securities, FDIC insured Certificates of Deposits or collateralized certificates of deposit. The Investment Policy also permits the Fund to invest a maximum of $40,000,000 with the WVBOTI of which a maximum of $20,000,000 can be invested in the West Virginia Money Market Pool. The reported value of the deposits with the WVBOTI is the same as the fair value of the pool shares. The WVBOTI operates in accordance with applicable State laws and regulations.

The following is a detail of the Fund's investments by type:

(Dollars in thousands)		June 30, 2012		June 30, 2011	
	Weighted Avg Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fannie Mae MBS pools	18.44 years	$ 3,885	$ 4,279	$ 5,058	$ 5,532
Federal agency securities	11.33 years	42,040	56,649	42,270	52,088
U.S. Treasury securities	9.92 years	6,330	9,401	6,321	8,405
West Virginia General Obligations	1.34 years	1,546	1,540	1,300	1,300
Mortgages held for investment purposes	22.31 years	19,744	19,744	22,749	22,749
Demand Deposits, Money Market Funds	1 day	48,203	48,203	48,430	48,430
Collateralized CDs	86 days	48,284	48,284	23,773	23,773
FDIC Insured CDs	261 days	48,245	48,245	47,326	47,326
WVBOTI deposits	1 day	38,615	38,615	14,012	14,012
US Treasury Escrow, Money Market Funds	1 day	-	-	100,196	100,196
Total investments, including cash equivalents		$ 256,892	$ 274,960	$ 311,435	$ 323,811

Interest Rate Risk –The Investment Policy limits the weighted average maturity of various fund types as shown in the following chart. The Act does not provide for investment maturity limits. Reserve funds are the capital reserve investments required for the Bond Programs which are currently invested in long-term U.S. Government and government agency obligations and long-term certificates of deposit. The Bond Insurance Account, which provides additional reserves for the payment of the Housing Finance Bonds and the General New Issue Program Bonds, is currently invested in U.S. Government and government agency obligations as well as mortgage loans for investment purposes and certificates of deposit. Other funds consist of bond revenues to be used for debt service on the outstanding bonds, bond proceeds for the purchase of mortgage revenue bond loans, Other Loan Program funds and general operating funds. Other funds are primarily invested short-term to meet program-funding needs and to provide for daily operational costs of the Fund. Funds held for others consist of single family and multifamily escrow funds as well as amounts to be remitted to others. The Fund has both the intent and the ability to hold long-term securities until final maturity and is therefore limited in its exposure to interest rate risk on these long-term obligations.

	Permitted Maturity Limit	Average Maturity as of June 30, 2012
Reserve Funds	30 Years	11 years
Bond Insurance Funds	15 Years	8 years
Other Funds	4 years	5 months
Funds Held for Others	1 year	1 day

Credit Risk – Although permitted by the Act, the Fund's Investment Policy prohibits investment in other State and Local obligations and prohibits investment in corporate debt instruments. The Fund's Investment Policy additionally requires repurchase agreements to be invested with banks or primary dealers which are rated or provide the necessary collateral to maintain the Fund's bond, note and issuer ratings. Furthermore the Investment Policy limits collateral for repurchase agreements to direct federal and federally guaranteed obligations, and federal agency obligations.

As of June 30, 2012, the Fund's investments in the WVBOTI are rated AAAm. Federal agency securities consist of Fannie Mae, Federal Farm Credit Bank, Federal Home Loan Bank and Freddie Mac all of which are rated AA+. Fannie Mae MBS pools are also rated AA+. Certificates of deposit are either FDIC insured through the Certificate of Deposit Account Registry Service (CDARS) or collateralized with an irrevocable standby letter of credit issued by the Federal Home Loan Bank of Pittsburgh, which is rated AA+. Money Market Funds are invested in the Federated Government Obligations Fund and are rated AA+. Mortgages held for investment purposes are not rated.

Concentration of Credit Risk – The Investment Policy limits the percentage or amount of the investment portfolio that may be invested in various types of issuers as indicated in the chart below. Underlying collateral for repurchase agreements is used in determining the percentage of the permitted investments. The Act does not limit the percentage of investments in any permitted investment type.

As of June 30, 2012
(Dollars in thousands)

	Maximum of Portfolio	Invested Funds	% of Total Investment
Direct Federal Obligations	100%	$ 6,330	3%
Federal Agency Obligations	90%	45,925	19%
Federally Guaranteed Obligations	100%	-	0%
Demand Deposits, Time Deposits	30%	29,689	12%
Collateralized CDs	$50,000	48,284	20%
CDARS FDIC Insured CDs	$50,000	48,245	20%
West Virginia Obligations	15%	1,546	1%
ICS FDIC Insured Money Market Funds	$20,000	3,916	2%
Mortgages Held for Investment Purposes	30%	19,744	8%
Money Market Funds	25%	4,161	2%
WVBOTI deposits	$40,000	34,418	14%
TOTAL		$ 242,258	100%
Funds Held for Others *	N/A	14,634	
TOTAL INVESTED FUNDS		$ 256,892	

* Funds held for others not applicable to limit calculations.

Custodial Credit Risk – Deposits - The Act requires all deposits to be FDIC insured or fully collateralized by permitted investments. The Investment Policy further limits the securities permitted as collateral for amounts in excess of FDIC insurance to direct federal or federally guaranteed obligations, federal agency, or State of West Virginia obligations.

The Fund's cash, including escrow funds, had a carrying value of $48,203,000 and $48,430,000 as of June 30, 2012 and 2011, respectively. Bank balances approximated $48,297,000 and $49,277,000 as of June 30, 2012 and 2011, respectively, of which approximately $27,288,000 and $10,835,000 was covered by federal depository insurance as of June 30, 2012 and 2011, respectively, and $18,609,000 and $26,156,000 was either collateralized with securities pledged to the Fund and held by the trust department of the pledging financial institution or held and pledged to the Fund by the pledging financial institution's agent as of June 30, 2012 and 2011, respectively. Also included in the bank balances above are trust account money market fund balances of $2,400,000 and $12,286,000 as of June 30, 2012 and 2011, respectively, which are not subject to custodial credit risk.

Custodial Credit Risk – Investments – The Investment Policy requires purchased securities be physically delivered to the Fund's custodian or trustee or, in the case of book-entry securities, registration books shall designate the custodian or trustee. The Investment Policy also requires collateral for repurchase agreements be delivered to a third party custodian or in the case of book-entry securities, be registered to the Fund. All U.S. government and agency obligations owned by the Fund are registered in the Fund's name or the Fund's designated trustee. Repurchase agreements and investment contracts are tri-party agreements where third parties hold the underlying securities on behalf of the Fund. The Act does not address custodial credit risk for investments.

Mortgages held for investment are included in *Mortgage loans, net of allowances* and *Restricted mortgage loans, net of allowances* on the Statement of Net Assets. Investments are included at estimated fair value in the accompanying financial statements as follows:

(Dollars in thousands)	June 30, 2012		2011	
Cash and cash equivalents	$	22,951	$	17,199
Current restricted cash and cash equivalents		79,365		148,375
Noncurrent restricted cash and cash equivalents		28,758		15,069
Restricted investments		118,602		105,819
Investments		5,540		14,600
Plus mortgages held for investment purposes		19,744		22,749
Total Investments and cash equivalents	$	274,960	$	323,811
Less unrealized gains		18,068		12,376
Total Invested Funds	$	256,892	$	311,435

In accordance with GASB 31 at June 30, 2012, the Fund has an unrealized gain on investments of $18,068,000. This represents a $5,692,000 increase from the June 30, 2011 unrealized gain on investments. A portion of this unrealized gain, $1,270,000 is recorded as a liability. This portion is recorded as a liability because, if this gain were realized, it would increase excess rebateable investment earnings pursuant to Section 103A of the Internal Revenue Code, as amended (the Code). To adjust the fair value of investments to reflect this unrealized gain at June 30, 2012 and to properly reflect the rebate liability, a $5,279,000 increase was recorded in *Net investment earnings* in the Statements of Revenues, Expenses, and Changes in Net Assets for year ended June 30, 2012.

NOTE D – BONDS PAYABLE

The Act authorizes the Fund to issue bonds and notes for its various programs in an aggregate principal amount not to exceed $1,250,000,000 outstanding at any one time, exclusive of refunded obligations. Bonds and notes issued by the Fund are considered obligations of the Fund and are not deemed to constitute a debt or liability of the State.

The proceeds from the Fund's Bond Programs are used to finance mortgage loans to eligible State borrowers and to establish certain reserves as required by the resolutions. The mortgage loans are secured by deeds of trust and approximately 75.55% of all loans are subject to coverage under federal or private mortgage insurance or guarantee programs. All bonds are secured by a pledge of all mortgage loan repayments, all proceeds of federal or private mortgage insurance, interest received on any monies or securities held pursuant to the resolutions, and the rights and interest of the Fund in and to the mortgage loans. Principal and interest paid on bonds and notes payable for the year ended June 30, 2012 and 2011 was $208,085,000 and $117,453,000, respectively. In addition, 2012 and 2011 included the refunding of bonds in the amount of $105,510,000 and $93,870,000, respectively. The 2012 refundings reduced total debt service payments over the next 20 years by approximately $45,060,000 and resulted in an economic gain (difference between the present value of the debt service payments of the refunded bonds and refunding bonds) of approximately $25,745,000. Total pledged revenues in 2012 and 2011 were $148,030,000 and $133,997,000, respectively.

The On-Site Systems Loan Program (the OSLP) was created in September 2007 in partnership with the West Virginia Department of Environmental Protection (the DEP). Under this program the Fund may borrow up to $1,000,000 from the DEP Clean Water Revolving Loan Fund. These funds are then loaned to State residents to upgrade, replace or repair inadequate septic systems. The Fund is obligated to repay the amount borrowed from the DEP only to the extent the Fund receives payments from loan recipients. At June 30, 2012, *Bonds & notes payable - noncurrent* include a $606,000 note payable due to DEP related to this program under Other Loan Programs.

To reduce its debt expense, the Fund redeems bonds from prepayments of the mortgages in its portfolio when it is prudent to do so. The Code permits the Fund to issue new bonds or notes to replace some of those bonds redeemed early from prepayments. This enables the Fund to issue debt in excess of the bond volume cap allocated to it by the State if required.

Most bonds issued by the Fund are subject to redemption at the option of the Fund prior to maturity at dates and premiums as set forth in the bond resolutions. The Fund redeems bonds prior to their stated maturity dates primarily due to excess program revenues, the prepayments of mortgage loans pledged for the repayment of the bonds, excess amounts in the capital reserve funds, and/or from proceeds of refunding bonds. During the fiscal years ended June 30, 2012 and 2011, the Fund redeemed or refunded $267,250,000 and $164,250,000 of bonds, respectively, at redemption prices that approximated their carrying value.

The following charts summarize bond and note activity from 2011 to 2012 and 2010 to 2011, respectively.

	Bonds Payable Current	Bonds & Notes Payable Noncurrent	Bonds & Notes Payable Total
Outstanding Balance, June 30, 2011	$ 142,135	$ 559,044	$ 701,179
Debt Issued	-	168,620	168,620
Debt Paid	(20,595)	(56)	(20,651)
Early Redemptions	(113,545)	(153,705)	(267,250)
Amortization of Premium	-	(514)	(514)
Reclassification from noncurrent to current	58,250	(58,250)	-
Outstanding Balance, June 30, 2012	$ 66,245	$ 515,139	$ 581,384

	Bonds Payable Current	Bonds & Notes Payable Noncurrent	Bonds & Notes Payable Total
Outstanding Balance, June 30, 2010	$ 232,210	$ 519,182	$ 751,392
Debt Issued	-	131,120	131,120
Debt Paid	(16,545)	(49)	(16,594)
Early Redemptions	(96,895)	(67,355)	(164,250)
Amortization of Premium	-	(489)	(489)
Reclassification from noncurrent to current	23,365	(23,365)	-
Outstanding Balance, June 30, 2011	$ 142,135	$ 559,044	$ 701,179

The following is a summary of the notes outstanding in Other Loan Programs and bonds outstanding in the Housing Finance Bond Program and the General New Issue Bond Program:

	Original Amount Authorized	Outstanding at June 30, 2012	Outstanding at June 30, 2011
	(Dollars in thousands)		
OTHER LOAN PROGRAMS			
Notes Payable (0.00%) [(1)]	$ 750	$ 606	$ 662
HOUSING FINANCE BOND PROGRAM			
1997 Series C	46,040	-	36,770
1998 Series F (5.70%), due 2012-2013	2,235	320	520
2001 Series C	50,000	-	50,000
2001 Series D	79,665	-	18,740
2003 Series A (4.75%), due 2013-2039	25,000	25,000	25,000
2003 Series B (4.90%), due 2014-2039	17,500	17,500	17,500
2003 Series C (4.00%), due 2012-2013	16,800	1,740	3,410
2004 Series A (4.40%), due 2012-2033	30,000	17,910	20,385
2004 Series B (4.90%), due 2012	20,000	2,700	12,685
2004 Series C (4.35%), due 2012-2034	35,000	23,415	25,785
2005 Series A (4.375%), due 2012-2034	30,000	18,845	21,495
2005 Series B (4.40%), due 2012-2032	60,110	28,920	34,410
2005 Series C (4.50%), due 2012-2034	30,000	19,305	21,860
2006 Series B (4.70%), due 2012-2040	30,000	27,720	28,175
2006 Series C (5.00%), due 2012-2039	40,000	24,575	28,150
2006 Series D (4.00% to 5.75%), due 2012-2036	35,000	22,420	25,880
2007 Series A (4.00% to 5.50%), due 2012-2037	60,000	39,430	45,320
2007 Series B (4.45% to 6.00%), due 2012-2037	40,000	10,690	20,970
2007 Series C (4.05% to 5.75%), due 2012-2037	35,000	9,275	18,665
2008 Series A (4.10% to 5.05%), due 2012-2018	20,000	4,845	8,610
2008 Series B (variable rate adusted weekly) due 2030-2038	10,000	10,000	10,000
2010 Series A,B,C (1.60% to 4.70%), due 2012-2040	130,870	108,445	123,970
2011 Series A (0.98% to 3.622%), due 2012-2021	50,000	47,850	-
GENERAL NEW ISSUE BOND PROGRAM			
2009 Series A	100,000	-	100,000
2011 A (0.40% to 3.90%), due 2012-2041	51,850	51,400	-
2012 A (0.20% to 3.35%), due 2012-2041	66,770	66,770	-
Total bonds payable, excluding unamortized premium		579,075	698,300
Unamortized bond premium, net		1,703	2,217
Total notes payable		606	662
Total bonds & notes payable, net of unamortized premium		$ 581,384	$ 701,179

[(1)] Payments are due to the DEP as the Fund receives payments from OSLP loan recipients.

Total bonds payable does not include $10,130,000 in special obligation bonds issued by the Fund as a conduit issuer. These special obligation bonds are secured by loan payments and deeds of trust on three projects. None of the Fund's assets or revenues are pledged to the payment of these special obligations. Furthermore, these special obligations are not secured by the Fund's general obligation debt pledge or its moral obligation and are not included in the Fund's financial statements.

The following is a summary of scheduled annual principal and interest for bonds in the Bond Programs for the five years commencing July 1, 2012 and thereafter to maturity.

Bonds Maturing During Year Ending June 30:		Principal	Interest	Total
			(Dollars in thousands)	
2013	(1)	$ 66,245	$ 21,157	$ 87,402
2014		32,535	19,607	52,142
2015		32,005	18,525	50,530
2016		29,780	17,445	47,225
2017		27,025	16,431	43,456
2018-2022		119,145	68,284	187,429
2023-2027		74,995	48,124	123,119
2028-2032		98,395	30,274	128,669
2033-2037		73,020	11,762	84,782
2038-2041		25,930	1,836	27,766
		$ 579,075	$ 253,445	$ 832,520

(1) Includes the anticipated redemption of Housing Finance Bonds in the amount of $31,265,000 and General New Issue Bond Program Bonds in the amount of $1,200,000

In accordance with Section 103A of the Code, the Fund has established allowances for excess rebateable investment earnings. The excess rebateable investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund under the Code. The Code requires such excess investment earnings to be remitted to the Internal Revenue Service. The Housing Finance Bond Program established liabilities for excess rebateable investment earnings in the amount of $102,000 as of June 30, 2011, however there were no excess rebateable investment earnings as of June 30, 2012. These amounts are included in *Accounts payable and other liabilities* and represent actual earnings in excess of those permitted by the Code. These amounts are in addition to the $1,270,000 and $858,000 established as a liability at June 30, 2012 and 2011, respectively, for the excess of the fair value of investments over amortized costs as explained in *Note C – Cash and Investments*. Future excess investment earnings may require the establishment of additional liabilities for these and other bond issues.

The Fund has a $15,000,000 line of credit with the Federal Home Loan Bank that is available to use as a warehouse line for the purchase of single family, multifamily, secondary market loans and economic development projects. This line of credit will be secured by investments of the Bond Insurance Account as funds are advanced and it is a general obligation of the Fund. At June 30, 2012, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

NOTE E - CONTINGENT LIABILITIES AND RISK MANAGEMENT

Under the terms of certain federal programs, periodic audits are required and certain costs and expenditures may be questioned as not being appropriate under the terms of the program. Such audits could lead to reimbursements to the grantor agencies. Historically, questioned costs have been insignificant. Management of the Fund believes future disallowances, if any, will continue to be insignificant.

The Fund is a defendant in various legal proceedings arising in the normal course of business. In the opinion of management and its legal counsel the ultimate resolution of these proceedings will not have a material adverse effect on the Fund’s financial position.

Through its business operations, the Fund is exposed to various risks of loss related to potential loan losses on program mortgages, fire, liability, and employee wrongdoing. To reduce risk of loss on program mortgages, the Fund has various types of mortgage insurance. At June 30, 2012, 47.67% of the Fund's single family Housing Finance Bond Program loans were either VA, USDA Rural Development, or FHA guaranteed. Another 27.88% of these loans carry private mortgage insurance. Substantially all multifamily mortgages are federally insured or guaranteed and/or are subject to HUD Section 8 rental assistance subsidies.

The Fund is insured against fire for owned assets, liability, and employee negligence through private insurance. Furthermore, key staff members of the Fund are bonded against theft in the aggregate amount of $4,000,000. The Board of Directors has allocated $1,000,000 of the Fund's unrestricted net assets to provide indemnification for the directors and officers of the Fund. Additionally, the Fund has general liability insurance with the State Board of Risk and Insurance Management in the amount of $1,000,000 per occurrence and excess liability coverage of $10,000,000 aggregate with General Star Insurance Company for officers' and directors' indemnity. The Fund pays an annual premium in exchange for such coverage. There have been no significant settlements in excess of insurance coverage during the past three calendar years.

NOTE F - RETIREMENT PLAN

All full-time Fund employees are eligible to participate in the State's Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system. Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement.

Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within ten years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. The PERS also provides deferred retirement, early retirement, death, and disability benefits. Beginning July 1, 2012 the required contributor's percentage will decrease from 14.5% to 14.0% and is determined by actuarial advisement within ranges set by statute. As permitted by legislation, the Fund has elected to pay 100% of all costs relating to the Plan, including the employee's 4.5% contribution for employees hired on or before February 6, 2012. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. The Fund's cost of the Plan approximated $1,086,000, $953,000, and $817,000 for the fiscal years ended June 30, 2012, 2011, and 2010, respectively. The PERS issues an annual report, which can be obtained by contacting the West Virginia Consolidated Public Retirement Board at 4101 MacCorkle Avenue S.E., Charleston, WV 25304-1636.

NOTE G – COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Employees accumulate annual leave balances to maximum amounts ranging from 210 to 420 hours. Most employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is valued at 100% of the balance plus the Fund's share of Social Security and Medicare contributions. The Fund has recorded a liability for accrued vacation for all employees in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability for annual leave at June 30, 2012 and June 30, 2011 is $497,000 and $540,000, respectively. In lieu of cash payment at retirement, an employee can elect to use accumulated annual leave toward their postemployment health care insurance premium as further explained in Note H.

NOTE H - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The Fund provides certain health care insurance benefits for retired employees. The Fund established the Welfare Benefit Plan (the Plan), an irrevocable trust, for the future costs of these benefits. The assets of the Plan are with an external trustee and, accordingly, no assets or liabilities are reflected in the Fund's financial statements. The Plan is a single-employer defined other postemployment benefit plan administered by the Fund. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Fund. Management of the Fund has the authority to establish and amend benefit provisions to the Plan. The financial statements and required supplementary information for the Plan are included in this note as supplementary information to the Fund's financial statements.

WEST VIRGINIA HOUSING DEVELOPMENT FUND
POSTEMPLOYMENT HEALTHCARE PLAN

STATEMENT OF PLAN NET ASSETS
(Dollars in Thousands)

	June 30, 2012	June 30, 2011
ASSETS		
Restricted cash and cash equivalents	$ 434	$ 220
Restricted accrued interest on investments	15	14
Accounts Receivable	54	54
Total assets	503	288
Restricted investments:		
U.S. Government Securities	3,084	2,130
Federal Agency Securities	-	1,031
Total Investments	3,084	3,161
Total assets	3,587	3,449
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other liabilities	-	-
Total current liabilities	-	-
TOTAL NET ASSETS HELD IN TRUST	$ 3,587	$ 3,449

STATEMENT OF CHANGES IN PLAN NET ASSETS

	2012	2011
ADDITIONS		
Contributions - Employer	$ 54	$ 54
Investment Income	96	74
	150	128
DEDUCTIONS		
Benefits	-	-
Administrative Expense	12	11
	12	11
CHANGES IN NET PLAN ASSETS	138	117
NET ASSETS HELD IN TRUST:		
BEGINNING OF YEAR	3,449	3,332
END OF YEAR	$ 3,587	$ 3,449

Funding Policy. The contribution requirements of plan members and the Fund are established and may be amended by the Fund's management. In lieu of cash payment at retirement, an employee can elect to use accumulated annual and accumulated sick leave toward their postemployment health care insurance premium. A retiree may convert two unused leave days into one month's insurance premium for single coverage or three unused leave days into one month's premium for family coverage. The Fund will pay monthly health insurance premiums of these retirees based on unused sick leave and/or annual leave at the time of retirement until the unused leave is fully utilized or until the retiree reaches the eligible age for Medicare. Accordingly, the maximum period for which a retiree may be entitled to such benefits would be twelve years. The Fund's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

Annual OPEB Cost and Net OPEB Obligation. The Fund's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"* (OPEB). The ARC represents a level of funding that, if paid on an ongoing basis it is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. As of June 30, 2012 the Fund does not have any unfunded actuarial liabilities.

The following table shows the components of the Fund's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Fund's net OPEB obligation to the Plan.

(Dollars in thousands)	June 30, 2012	June 30, 2011	June 30, 2010
Annual Required Contribution	$ 54	$ 54	$ 50
Interest on Net OPEB Obligation	-	-	-
Annual OPEB cost (expense)	54	54	50
Contributions Receivable*	54	54	50
Increase in Net OPEB Obligation	-	-	-
Net Obligation - Beginning of Year	-	-	-
Net Obligation - End of Year	$ -	$ -	$ -

*100% was contributed by the Fund for fiscal years 2012, 2011 and 2010 in July 2012, July 2011 and July 2010, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the ARC are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Funded Status and Funding Progress. The funded status of the Plan per actuarial valuations as of January 1, 2010 and January 1, 2007 was as follows:

As of January 1, : (Dollars in thousands)	**2010**	**2007**
Actuarial accrued liability (AAL)	$ 2,114	$ 2,244
Actuarial value of plan assets	3,202	2,678
Plan assets in excess of actuarial accrued liability	$ 1,088	$ 434
Funded ratio (actuarial value of plan assets)	151.5%	119.3%
Covered payroll (active plan members)	$ 5,365	$ 5,259
Excess of plan assets over AAL as a percentage of covered payroll	20.3%	8.3%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the Fund and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the Fund's investments calculated on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 5% after five years. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

NOTE I – SUBSEQUENT EVENTS

On August 1, 2012 the Fund redeemed various Housing Finance Bonds and General New Issue Bond Program Bonds in advance of the scheduled maturities at a par amount of $31,265,000 and $1,200,000, respectively.

NOTE J - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which will be effective for the Fund's June 30, 2013 financial statements. GASB has also issued Statement No. 65, Items Previously Reported as Assets and Liabilities, and Statement No. 68, Accounting and Financial Reporting for Pensions, which will be effective for the Fund's financial statements June 30, 2014 and June 30, 2015, respectively. The Fund has not yet determined the effect these statements will have on its financial statements; however Statement No. 68 requires an actuarial evaluation of the State's Public Employees' Retirement System to calculate its net pension liability. The Fund will be required to recognize a liability equal to its proportionate share of the net pension liability.

APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

WEST VIRGINIA HOUSING DEVELOPMENT FUND
5710 MacCorkle Ave., SE
Charleston, West Virginia 25304

At your request, we have examined the constitution and laws of the State of West Virginia (the "State") and a record of proceedings related to the issuance of Housing Finance Bonds, 2013 Series A (the "2013 A Bonds"), of the West Virginia Housing Development Fund (the "Housing Development Fund"), a public body corporate of the State created by and pursuant to Article 18 of Chapter 31 of the Code of West Virginia, 1931, as amended (the "Act"), and organized and existing under the Act and the laws of the State.

The 2013 A Bonds are authorized to be issued pursuant to the Act, the General Housing Finance Bond Resolution, dated April 29, 1976, as supplemented and amended (the "Resolution"), the Forty-Sixth Supplemental Housing Finance Bond Resolution, adopted on January 24, 2013 (the "Supplemental Resolution"; together with the Resolution, the "Resolutions"), and a Certificate of Determinations of the Housing Development Fund, dated as of April 23, 2013 (the "Certificate"). Housing Finance Bonds, including the 2013 A Bonds, are authorized to be issued for the purpose of providing funds to carry out the Housing Finance Program as described in the Resolution.

The 2013 A Bonds are dated the date of issuance and delivery, mature on the dates, in the respective principal amounts, bear interest at the rates and are subject to redemption and otherwise are as described and provided for in the Supplemental Resolution and the Certificate.

The Housing Development Fund is authorized to issue other Housing Finance Bonds in addition to the 2013 A Bonds upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall with the 2013 A Bonds and with all other such Bonds theretofore and thereafter issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

Pursuant to the Act, a special trust fund has been established with the Municipal Bond Commission of the State and designated as the Mortgage Finance Bond Insurance Fund. Amounts in the Mortgage Finance Bond Insurance Fund are required by the Act to be applied to the payment of the principal of and interest on Mortgage Finance Bonds, as defined in the Act, when due, to the extent other moneys are not available therefor. The Act provides that in the event that the amount in the Mortgage Finance Bond Insurance Fund is less than its requirement, as established by the Act, the Governor of the State is authorized, but not required, to include the amount of any such deficiency in the budget of the State for the next fiscal year and that the Legislature is authorized, but not required, to make an appropriation of the amount necessary to cure such deficiency.

We are of the opinion that:

1. Under the constitution and laws of the State, the Housing Development Fund has good, right and lawful authority, among other things, to carry out the Housing Finance Program (as defined in the Resolution), to provide sufficient funds therefor by the adoption of the Resolutions and the issuance and sale of the Housing Finance Bonds, including the 2013 A Bonds, and to perform its obligations under the terms and conditions of the Resolutions, including financing the mortgage loans and collecting and enforcing the collection of Pledged Receipts and Recoveries of Principal as covenanted in the Resolution.

2. The Resolutions have been duly adopted by the Housing Development Fund, are in full force and effect, and are valid and binding upon the Housing Development Fund and enforceable in accordance with their terms.

3. The 2013 A Bonds have been duly authorized, sold and issued by the Housing Development Fund in accordance with the Resolutions and the laws of the State, including the Act, and pursuant to the Act are issued by a public body corporate of the State for a public purpose.

4. Subject to agreements heretofore or hereafter made with the holders of any notes or other bonds of the Housing Development Fund pledging any particular revenues or assets not pledged under the Resolution and the exclusion by the Act of a pledge of funds in the Land Development, Operating Loan and Jobs Development Funds, the 2013 A Bonds are valid and legally binding general obligations of the Housing Development Fund payable from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

5. The Housing Finance Bonds, including the 2013 A Bonds, are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates the valid pledge of and lien on the Pledged Receipts and Recoveries of Principal, as defined in the Resolution, and all the Funds and Accounts established by the Resolution and moneys and securities therein, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

6. Pursuant to the Resolutions, the Housing Development Fund has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to undertake the Housing Finance Program with the proceeds of the 2013 A Bonds, including the financing of mortgage loans subject to the requirements of the Resolution with respect thereto, and to do all such acts and things necessary to receive and collect the Pledged Receipts and, when applicable, Recoveries of Principal.

7. The State is not liable on the 2013 A Bonds and the 2013 A Bonds are not a debt of the State. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of and interest on the 2013 A Bonds.

8. The Housing Development Fund has validly pledged amounts in the Mortgage Finance Bond Insurance Fund to secure the payment of the 2013 A Bonds and other Mortgage Finance Bonds and the interest thereon, and amounts to cure deficiencies in the Mortgage Finance Bond Insurance Fund for the payment of Mortgage Finance Bonds may be validly appropriated in accordance with law. The Housing Development Fund is authorized to pledge amounts in the Mortgage Finance Bond Insurance Fund to payment of other obligations issued by the Housing Development Fund upon the terms and conditions contained in the Act and the Resolution.

9. Interest on the 2013 A Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. This opinion is not intended or provided by us to be used and cannot be used by an owner of a 2013 A Bond for the purpose of avoiding federal taxpayer penalties that may be imposed on such owner. The opinion set forth in this paragraph is provided to support the promotion or marketing of the 2013 A Bonds. The owners of the 2013 A Bonds should seek advice based on their particular circumstances from an independent tax advisor.

We express no opinion regarding any other federal or state tax consequences with respect to the 2013 A Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the inclusion in gross income for federal income tax purposes of interest on the 2013 A 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 2013 A Bonds and express herein no opinion relating thereto.

We have assumed, without undertaking to verify, the genuineness of all documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted, or certified therein, and the due and legal execution thereof by, and the validity against, any parties other than the Housing Development Fund.

In rendering this opinion, we are advising you that the rights and obligations under the 2013 A Bonds and the Resolutions and their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance, 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), to the exercise of judicial discretion in appropriate cases, and to limitations on legal remedies. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver, or severability provisions contained in the documents described herein.

We have examined specimens of the 2013 A Bonds and in our opinion the forms thereof and their execution are regular and proper.

Very truly yours,

APPENDIX E

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE GENERAL RESOLUTION

Definitions of Certain Terms

"Acquired Mortgage" means any Mortgage Loan financed by the Housing Development Fund under the Housing Finance Program or credited or to be credited to a Fund or Account pursuant to the General Resolution.

"Aggregate Debt Service" means, with respect to any particular Bond Year and as of any particular date of computation, the sum of the individual amounts of Debt Service (including Sinking Fund Payments) for such year with respect to all Series.

"Bond Year" means a twelve-month period commencing on November 2 and ending on November 1.

"Capital Reserve Fund Requirement" means, as of any particular date of computation, the Aggregate Debt Service for the then current or any future Bond Year, whichever is greatest. If Bonds are issued bearing interest at a variable rate, the Housing Development Fund may, for purpose of determining the Capital Reserve Fund Requirement treat such Bonds as bearing interest at such rate as it determines in the Supplemental Resolution authorizing the issuance of such Bonds to be reasonable and proper under the circumstances.

"Debt Service" means, with respect to any particular Bond Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Bond Year, plus (ii) any Principal Installments of such Bonds during such Bond Year.

"Eligible Persons and Families" means (i) persons and families of low and moderate income, (ii) persons and families of higher income to the extent that the Housing Development Fund finds and determines that construction of new or rehabilitated housing for occupancy by them will cause to be vacated existing sanitary, decent and safe housing available at prices or rentals which persons and families of low and moderate income can afford, (iii) persons who because of age or physical disability are found and determined by the Housing Development Fund to require residential housing of a special location or design in order to provide them with sanitary, decent and safe residential housing or (iv) persons and families for whom, as found and determined by the Housing Development Fund, construction of new or rehabilitated residential housing in some designated area or areas of the State is necessary for the purpose of retaining in, or attracting to, such area or areas qualified manpower resources essential to modern mining, industrial and commercial operations and development in such area or areas.

"Investment Securities" means any of the following securities, if and to the extent the same are at the time legal investments by the Housing Development Fund of the funds to be invested therein:

(A) Direct obligations of or obligations guaranteed by the United States of America;

(B) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Federal Home Loan Mortgage Corporation; Federal Farm Credit Bank; Export-Import Bank of the United States; Federal Land Banks; the Federal National Mortgage Association; the Government National Mortgage Association; the Tennessee Valley Authority; or the Washington Metropolitan Area Transit Authority;

(C) Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract with the United States of America; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(D) Certificates of deposit secured by obligations described in clauses (A), (B) or (E) of this definition;

(E) Direct and general obligations of or obligations guaranteed by the State; and

(F) Direct and general obligations of any state of the United States, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, but only if, at the time of their purchase hereunder such obligations are rated in either of the two highest rating categories by either Standard & Poor's or Moody's rating service or, upon the discontinuance of either or both of such services, such other nationally recognized rating service or services, as the case may be, as shall be determined in a Supplemental Resolution.

"Mortgage" means a mortgage deed, deed of trust or other instrument securing a Mortgage Loan.

"Mortgage Loan" means an interest bearing loan for residential housing secured by a Mortgage or an instrument backed by a pool of such loans.

"Outstanding" when used with reference to Bonds means as of any date all Bonds which have been authenticated and delivered under the General Resolution except:

(A) Any Bonds cancelled by the Trustee at or prior to such date;

(B) Bonds (or portions of Bonds) for the payment or redemption of which moneys or Investment Securities, as described in clause (A) of the definition thereof or certificates of deposit secured by such obligations, the principal of and interest on which when due or payable will provide moneys which, together with the moneys, if any, deposited at the same time, will be sufficient to pay the principal or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust and set aside for such payment or redemption (whether at, prior to or after the maturity or redemption date) and, if such Bonds are to be redeemed, for which notice of such redemption shall have been given as provided in the General Resolution or provisions satisfactory to the Trustee shall have been made for the giving of such notices;

(C) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the General Resolution; and

(D) Bonds deemed to have been paid in accordance with the provisions relating to defeasance.

"Pledged Receipts" means scheduled payments of principal and interest called for by any Acquired Mortgage (monthly or otherwise) and paid to the Housing Development Fund from any source, including both timely and delinquent payments with late charges, fees and charges and other revenues and income paid to the Housing Development Fund on account of or in connection with any Acquired Mortgage on or subsequent to the date upon which such Acquired Mortgage was financed under the General Resolution and, upon receipt thereof by the Housing Development Fund, all interest earned or gain realized upon the investment of deposit of amounts in any Fund or Account and any amount deposited in the Revenue Fund representing an amount equal to the mortgage payment with respect to a project which the Housing Development Fund has taken possession of or acquired title to upon default, but does not include (i) Recoveries of Principal, (ii) any amount retained by the Servicer of any Acquired Mortgage as compensation for services rendered, (iii) escrow payments or (iv) interest earned or gained realized on investments to the extent required by the General Resolution to be retained in a particular Fund or Account.

"Recoveries of Principal" means all amounts received by the Housing Development Fund as a recovery of the principal amount of an Acquired Mortgage (i) as a result of the acceleration of the due date thereon through foreclosure or other proceedings taken in the event of default, including proceeds of insurance or condemnation, (ii) as a result of the prepayment thereof, including any penalty, fee, premium or additional charge, but not including the amount retained by the servicer as additional compensation as a result of such prepayment or (iii) on account of the sale, assignment, endorsement or other disposition thereof or from the sale of the whole or any part of the property of a project subsequent to the acquisition of such property by the Housing Development Fund as a result of default and amounts received as a reimbursement of accrued interest, with respect to which payments have been made as provided by, and subject to, the limitations contained in the General Resolution. The term does not include recoveries on account of any Acquired Mortgage financed with the Surplus Fund.

"Sinking Fund Payment" means the amount required by a Supplemental Resolution to be paid in any event by the Housing Development Fund on a single future date for the retirement of Bonds of any Series which mature after said future date, but does not include any amount payable by the Housing Development Fund by reason only of the maturity of a Bond.

Introduction

The General Resolution contains various covenants and security provisions certain of which are summarized below. Reference should be made to the General Resolution for a full and complete statement of its provisions.

Contract with Bondholders (Section 202)

The provisions of the General Resolution constitute a contract between the Housing Development Fund, the Trustee and the holders of the Bonds and the related coupons and the provisions thereof are for the equal benefit, protection and security of the holders of any and all of such Bonds and coupons.

Provisions for Issuance of Bonds (Sections 204, 206, and 711)

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

(1) A counsel's opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the General Resolution;

(2) The amount of the proceeds of such Series to be deposited in any Fund or Account held by the Trustee pursuant to the General Resolution;

(3) Except in the case of a refunding issue, a certificate of an authorized officer stating that the Housing Development Fund is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution;

(4) A Statement of Projected Revenues, consisting of a certificate setting forth the Housing Development Fund's estimate of the Pledged Receipts to be received in each Bond Year on all Mortgage Loans financed or expected to be financed with the proceeds of outstanding Bonds (including the Series thereupon being issued), together with any other Pledged Receipts and any withdrawals from the Capital Reserve Fund or Recoveries of Principal for which, as set forth in a Supplemental Resolution, principal installments on Bonds have been scheduled and showing that such amounts will be sufficient to pay the aggregate debt service and the program expenses in each Bond Year.

The Housing Development Fund is not permitted to issue any obligations or create any indebtedness which will be secured by a superior or equal charge or lien on the revenues or assets pledged under the General Resolution, except that various Series of Bonds may be issued as provided in the General Resolution on a parity with the Bonds of all other Series, secured by an equal charge and lien on such revenues and assets and payable equally therefrom. No Series of Bonds may be issued unless the principal amount of all Bonds issued or to be issued will not exceed any limitation imposed by law and unless, upon the issuance of such Bonds, the amount credited to the Capital Reserve Fund will not be less than the Capital Reserve Fund Requirement. The Housing Development Fund has reserved the right to adopt one or more additional general bond resolutions and to issue other obligations.

Provisions for Refunding Issues (Section 207)

One or more Series of refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the redemption of all Bonds to be refunded and to give notice as required of the redemption of such Bonds and either (i) moneys sufficient to effect payment at the applicable redemption price of the Bonds to be refunded, together with interest accrued to the redemption date, or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or certificates of deposit secured by such obligations, which by their terms will provide moneys sufficient to provide for the payment of such redemption price and accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in trust under the General Resolution.

Regulations with Respect to Exchanges and Transfers (Section 308)

For every exchange or transfer of Bonds pursuant to the General Resolution, the Housing Development Fund or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except (i) with respect to the delivery of definitive Bonds in exchange for temporary Bonds, (ii) in the case of a Bond issued upon the first exchange or transfer of a Bond or Bonds hereunder or (iii) as otherwise provided in the General Resolution, may charge the person requesting such exchange or transfer a sum sufficient to pay the cost of preparing each new bond issued upon such exchange or transfer. Neither the Housing Development Fund nor the Trustee is obligated to make any such exchange or transfer of Bonds of any Series during the sixty days next preceding an interest payment date on the Bonds of such Series or, in the case of any proposed redemption of Bonds of such Series, next preceding the date of selection of Bonds for redemption or thereafter until the date of the first publication of notice of such redemption.

Application of Bond Proceeds and Recoveries of Principal
(Sections 401 and 402)

Upon the delivery of each Series of Bonds, other than refunding Bonds, the amount necessary to cause the amount on deposit in the Capital Reserve Fund to equal the Capital Reserve Fund Requirement immediately after such delivery is required to be deposited in the Capital Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in the Capital Reserve Fund or in the Interest Account (as may be directed by a Supplemental Resolution) are to be deposited in the Mortgage Loan Account established for such Series or in the Insurance Fund.

Amounts in the respective Mortgage Loan Accounts, including proceeds of Bonds and Recoveries of Principal, may be applied to the financing of Mortgage Loans only if the mortgages securing such Mortgage Loans have been executed and recorded in accordance with existing laws and unless, among other things, for each such Mortgage Loan:

(1) such mortgage constitutes a first lien, subject to Permitted Encumbrances, on the real property or interest therein securing such Mortgage Loan, or is a participation therein;

(2) the mortgagor has entered into a binding agreement with or for the benefit of the Housing Development Fund that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens levied against the premises or any part thereof, and in the case of default in the payment thereof the Housing Development Fund, without notice or demand to the mortgagor, may pay the same and add the amount thereof to the amount of the Mortgage Loan;

(3) the mortgagor must covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by the Housing Development Fund and that it will maintain the premises in good repair and comply with all requirements of governmental authority relating thereto; and

(4) the mortgagor must obtain a mortgagee policy of title insurance insuring the Housing Development Fund that the mortgage is valid and enforceable in the full amount of the Mortgage Loan.

In addition, unless the Mortgage Loan has been insured by the Federal Housing Administration, Farmers Home Administration or the Veteran's Administration, or a successor federal agency, the Mortgage Loan must have a principal value not exceeding 90% or, in the case of a Mortgage Loan for residential housing consisting of not more than four dwelling units, 80% of the value of the property securing such Mortgage Loan as determined in an appraisal by or acceptable to the Housing Development Fund, or is insured to the extent of any excess over such percentages by a private mortgage insurance company. In the case of the making of any Mortgage Loan for residential housing consisting of more than four dwelling units, the Housing Development Fund is not permitted to make disbursements with respect thereto unless, among other things, the mortgagor (i) has provided for the payment of all costs of completion which exceed the maximum amount of the Mortgage Loan in a manner satisfactory to the Housing Development Fund, (ii) has obtained all material governmental approvals then required for the acquisition, construction and operation of the project and (iii) has obtained prior approval of the plans and specifications for the housing proposed to be constructed.

Establishment of Funds and Accounts (Section 502)

The General Resolution establishes the following Funds and Accounts which are to be held by the Trustee:

(1) Mortgage Loan Fund,

(a) Mortgage Loan Accounts (for each Series),

(b) Project Accounts (for each Project to be financed);

(2) Revenue Fund;

(3) Debt Service Fund,

(a) Interest Account,

(b) Principal Installment Account;

(4) Redemption Fund,

(a) General Redemption Account,

(b) Special Redemption Accounts (for each Series);

(5) Capital Reserve Fund; and

(6) Surplus Fund.

Mortgage Loan Fund (Section 503)

In addition to proceeds of a Series of Bonds, any Recoveries of Principal received with respect to Mortgage Loans financed by such Series of Bonds constitute part of the Mortgage Loan Account established for such Series and are to be deposited promptly with a Depositary and transmitted to the Trustee as soon as practicable. Except to the extent applied to the payment or redemption of Bonds, amounts in the Mortgage Loan Accounts may be expended only to pay the cost of financing Mortgage Loans (or to pay or provide for the payment of Notes issued for such purpose), to pay reasonable and necessary costs of issuance and make deposits in the Principal Account as provided in a Supplemental Resolution or to pay the principal or Redemption Price, if any, of and the interest on the Bonds when due. The Trustee is required to transfer amounts in the Mortgage Loan Account to the Principal Installment Account in amounts equal to the amounts of Recoveries of Principal for which principal installments on Bonds have been scheduled, as set forth in a Supplemental Resolution. At the direction of the Housing Development Fund, the Trustee may transfer amounts in any Mortgage Loan Account to the appropriate Account within the Redemption Fund or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds shall be subject to redemption or payment from such amounts.

Revenue Fund (Section 504)

All Pledged Receipts are to be deposited promptly with a Depositary and transmitted to the Trustee regularly for deposit in the Revenue Fund. On the day preceding each interest payment date, the Trustee is required to make payments from the Revenue Fund as follows:

FIRST: Into the Interest Account, the amount necessary to increase the amount in such Account so that it equals unpaid interest on the Outstanding Bonds due on such interest payment date.

SECOND: Into the Principal Installment Account, to the full extent available in the Revenue Fund, the amount necessary to increase the amount in such Account so that it equals the amount of unpaid principal installments on the Outstanding Bonds due on or before the next November 1.

THIRD: Into the Capital Reserve Fund, the amount, if any, necessary to cause the amount in such Fund to equal the Capital Reserve Fund Requirement.

FOURTH: Into the Surplus Fund, the amount remaining.

Debt Service Fund (Section 505)

The Trustee is directed to pay to the Paying Agents from the Principal Installment Account and the Interest Account, on or before each Interest Payment Date, the amount required for the payment of the principal (including any Sinking Fund Payment) and interest due on the Outstanding Bonds on such date and is directed to pay from the Interest Account the amounts required for the payment of accrued interest on any Bonds purchased or redeemed. Prior to the forty-fifth day preceding the due date thereof, the amount accumulated in the Principal Installment Account for a Sinking Fund Payment may and, if directed by the Housing Development Fund, is required to be applied by the Trustee to the purchase or redemption of Bonds of the Series and maturity for which such Sinking Fund Payment was established at prices not exceeding the redemption price which would be payable for such Bonds upon redemption by application of such Sinking Fund Payments and upon any such purchase or redemption, an amount equal to the principal amount of such Bonds is to be credited toward such Sinking Fund Payment. The amount of any excess of the principal amounts so credited over the amount of such Sinking Fund Payment is to be credited against future Sinking Fund Payments for such Series in direct chronological order.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment reduced by crediting thereto, the principal amount of Bonds purchased or redeemed as described above. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Principal Installment Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Redemption Fund (Section 506)

There are to be deposited in the General Redemption Account and the Special Redemption Accounts any amounts required by the General Resolution or a Supplemental Resolution to be so deposited and any other amounts available therefore and determined by the Housing Development Fund to be deposited therein. Subject to the provisions of the General Resolution or of any Supplemental Resolution requiring the application thereof to the purchase or redemption of any particular Bonds, the Trustee is required to apply the amounts deposited in any Special Redemption Account to the purchase or redemption of any of the Bonds of the Series with respect to which such Account was created at the time and in the manner provided in the General Resolution and amounts in the General Redemption Account may be applied to the purchase or redemption of any Bonds at the election of the Housing Development Fund. Prior to the forty-fifth day upon which Bonds are to be redeemed from such amounts, the Trustee may apply amounts in any Account within the Redemption Fund to the purchase of any of such Bonds, except that the Housing Development Fund may require or prohibit such purchases. The purchase price paid may not exceed the principal amount of such Bonds unless such Bond may be redeemed within thirteen months after such purchase in which event such price shall not exceed the applicable redemption price. If the Housing Development Fund is able to purchase a principal amount of Bonds equal to the amounts deposited in such Account any balance of the moneys remaining in such Account is to be deposited in the Revenue Account.

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in any Special Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless otherwise directed by the Housing Development Fund.

On or before the redemption date, the Trustee is required to pay to the Paying Agents, from the applicable Account within the Redemption Fund, the amounts required for the payment of the Redemption Price on any Bonds to be redeemed. When none of the Bonds of the Series relating thereto remain outstanding, the Special Redemption Account will be closed and the amounts therein are to be withdrawn and deposited in the Revenue Fund. Except for amounts required to be retained therein for the redemption of Bonds for which notice of redemption has been given or for which the Trustee has received irrevocable instructions to give such notice on a future date, amounts in any Account in the Redemption Fund may be transferred to the Principal Account at the written request of an Authorized Officer of the Housing Development Fund.

Capital Reserve Fund (Section 507)

If the amounts on deposit in the Principal Installment Account or Redemption Fund and the Interest Account are less than the amount required for the payments due on the Bonds on any date, the Trustee is to apply amounts from the Capital Reserve Fund to the extent required to make good the deficiency. All income earned or gain realized as a result of investment of amounts on deposit in the Capital Reserve Fund are to be deposited therein. If, concurrently with the transfer of funds from the Revenue Fund, the amount on deposit in the Capital Reserve Fund is in excess of the Capital Reserve Fund Requirement, the Trustee, at the direction of an authorized officer of the Housing Development Fund, is to transfer the amount of such excess to the Revenue Fund. The Trustee is also required to apply amounts in the Capital Reserve Fund to the redemption of Bonds if and to the extent, as nearly as practicable, as the redemption of any Bonds from any other Fund or Account would cause the Capital Reserve Fund to exceed the Capital Reserve Fund Requirement. Bonds to be redeemed from amounts in the Capital Reserve Fund are to be selected in such manner as the Housing Development Fund specifies in written instructions or, failing such instructions as the Trustee, in its discretion, deems advisable.

Whenever the amount in the Capital Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Capital Reserve Fund are to be transferred to the appropriate Account in the Debt Service Fund.

Surplus Fund (Section 508)

Amounts in the Surplus Fund not needed to cover deficiencies in the Principal Installment Account, Interest Account or Capital Reserve Fund may be applied at any time to any lawful purpose of the Housing Development Fund.

Deposits and Investments (Sections 510, 511 and 512)

All amounts held by the Trustee, any Paying Agent or any Depository under the General Resolution may be placed on demand or time deposit and, in addition, any amounts held by the Trustee thereunder may be invested in Investment Securities. All amounts held under the General Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of the Housing Development Fund and the holders of the Bonds by lodging Investment Securities with the Trustee, or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on each May 1, and November 1, and on any particular date shall include the amount of interest then earned or accrued to such date on any such moneys or investment.

Payment of Bonds (Section 701)

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

Powers as to Bonds and Pledge (Section 704)

The Housing Development Fund covenants that it is duly authorized, pursuant to law, to authorize and issue the Bonds and to adopt the General Resolution and to pledge the assets and revenues purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Tax Covenants (Section 705)

The Housing Development Fund covenants that (i) it will at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation, except in the event that such recipient is a "substantial user" or "related person" within the meaning of Section 103(c)(7) of the Internal Revenue Code of 1954, as amended, or the corresponding provisions of the Code. It is expressly provided in the General Resolution that the Housing Development Fund shall require that no person or "related person" shall purchase Bonds in an amount related to the Mortgage Loans to be acquired by the Housing Development Fund from such person or "related person".

Accounts and Reports (Section 706)

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

On or before the twenty-fifth day of each month or as soon as practicable thereafter, the Housing Development Fund is required to submit to the Trustee a statement of account for the preceding month and setting forth the individual totals of the amounts received as Recoveries of Principal and Pledged Receipts during such month.

The Housing Development Fund must annually, on or before the first day of each Bond Year, deliver a Statement of Projected Revenues, as described under "Provisions for Issuance of Bonds", to the Trustee and, on or before 120 days after the close of each fiscal year, must file with the Trustee, and with such officials of the State, if any, as may be required by the Act, as amended (1) a copy of an annual report for such fiscal year, setting forth its operations and accomplishments during such fiscal year and (2) financial statements of the Housing Development Fund for such fiscal year setting forth in reasonable detail: (a) a statement of revenues and expenses in accordance with the categories or classifications established by the Housing Development Fund for its Housing Finance Program purposes, (b) a balance sheet for the Housing Finance Program showing its assets and liabilities at the end of such fiscal year, and (c) a statement of changes in financial position for the Housing Finance Program for such fiscal year. The financial statements for the Housing Finance Program may be combined with financial statements for other programs and purposes of the Housing Development Fund so long as the said financial statements for the Housing Finance Program are separately identified. The financial statements shall be accompanied by the report of an accountant to the effect that the financial statements examined present fairly the financial position of the Housing Development Fund at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each such annual report and accountant's report shall be mailed promptly thereafter by the Housing Development Fund to each Bondholder who shall have filed his name and address with the Housing Development Fund for such purpose.

Budgets (Section 707)

The Housing Development Fund must prepare a preliminary budget covering its fiscal operations for the succeeding year at least sixty days prior to the first day of each fiscal year and a summary of such budget shall be mailed to Bondholders who have filed their names and addresses with the Housing Development Fund for such purpose. The Housing Development Fund shall hold a public hearing on the budget if requested by the holders of 10% or more of the Outstanding Bonds in the manner provided by the terms of the General Resolution.

The Housing Development Fund must adopt an annual budget covering its fiscal operations for the succeeding fiscal year not later than the first day of each such fiscal year, and file the same with the Trustee and with such officials of the State as may be required by the Act, as then amended. The annual budget shall at least set forth for such fiscal year the estimated Pledged Receipts, Recoveries of Principal, Principal Installments and interest due and payable or estimated to become due and payable during such fiscal year and estimated Program Expenses. The Housing Development Fund at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current fiscal year in the manner provided in the General Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

Housing Finance Program (Section 708)

The Housing Development Fund covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the General Resolution and with sound banking practices and principles, to use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Housing Finance Program) to finance Mortgage Loans, to do all such acts and things necessary to receive and collect Pledged Receipts and, when applicable, Recoveries of Principal sufficient to pay Program Expenses and principal or redemption price, if any, of and interest on the Bonds and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Housing Development Fund to maintain any insurance on Mortgage Loans and to enforce all terms, covenants and conditions of the Mortgage Loans.

Whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, the Housing Development Fund covenants to commence foreclosure or pursue other appropriate remedies with respect to any Acquired Mortgage which is in default. In the event that the Housing Development Fund shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, the Housing Development Fund may bid for and purchase the development covered by any such Acquired Mortgage at any foreclosure sale thereof or may otherwise take possession of or acquire such development prior to the purchase or acquisition of any such development (an "Acquired Project"). The Housing Development Fund is required to file a Statement of Projected Revenues with the Trustee giving effect to the proposed purchase or acquisition of such development.

The Housing Development Fund may sell or assign an Acquired Mortgage or an Acquired Project:

(1) in order to realize the benefits of insurance with respect to such Acquired Mortgage or Acquired Project;

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

(3) in order to provide funds to provide for the redemption or purchase of a principal amount of Bonds of the applicable Series and maturities corresponding to the unpaid principal amount of such Acquired Mortgage.

In the event of such a sale, a statement of Projected Revenues must be filed with the Trustee giving effect to the proposed sale thereof and application of the proceeds of such sale.

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

Housing Development Fund to Maintain Existence (Section 716)

The Housing Development Fund has covenanted and agreed that, so long as Bonds remain Outstanding under the Resolution it will maintain its corporate existence and continue to be a governmental instrumentality of the State subject to suit in the courts of the State and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity or permit another entity to consolidate with or merge into it.

Maintenance of Debt Ratios (Section 717)

The Housing Development Fund has covenanted to take reasonable steps to provide that, under normal circumstances, (i) the amount of annual principal payments on long term unsecured general obligation indebtedness will not exceed the excess of general fund revenues over general fund expenses, (ii) the amount of working capital available will not fall below 25% of budgeted annual operating expenses of the general fund, (iii) the ratio of total liabilities (including special obligations or subordinated debt) to fund balances will not exceed 20:1 and (iv) the consolidated tangible fund balances of all funds (including the Bond Insurance Fund) will not be less than 10% of the principal amount of the outstanding general obligation indebtedness having a maturity of greater than three years.

Powers of Amendment (Section 902)

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

The Housing Development Fund may, without the consent of Bondholders, adopt Supplemental Resolutions (i) to provide for the issuance of Bonds, (ii) to add to the rights of the Bondholders or (iii) to cure any ambiguity, omission or defect.

Events of Default (Section 1002)

It is an "event of default" if: (a) the Housing Development Fund shall default in the payment of the principal or redemption price of any Bonds when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds shall not be made within fifteen days after the same shall become due; (c) the Housing Development Fund shall fail or refuse to comply with its obligations under the General Resolution and the Act with respect to the Mortgage Finance Bond Insurance Fund; or (d) the Housing Development Fund fails or refuses to comply with the provisions of the General Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Remedies (Section 1003)

Upon the happening and continuance of any event of default specified in clauses (a), (b) and (c) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in clause (d) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds shall proceed, in its own name, subject to the General Resolution, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the Housing Development Fund to receive and collect revenues and assets, including Pledged Receipts and Recoveries of Principal, adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Housing Development Fund to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the Housing Development Fund to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Acquired Mortgages.

In the event that during the continuance of an event of default, the funds held by the Trustee and Paying Agents are insufficient for the payment of principal or redemption price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the General Resolution, are to be applied as follows:

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

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

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

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

Compensation of Trustee (Section 1105)

The Housing Development Fund is required to pay to the Trustee and to each Paying Agent from time to time reasonable compensation for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the General Resolution, and the Trustee and each Paying Agent shall have a lien therefore on any and all funds at any time held by it under the General Resolution.

Defeasance (Section 1201)

If the Housing Development Fund shall pay or cause to be paid to the holders of the Bonds and coupons, the principal and interest and redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or coupons or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by the Housing Development Fund of funds for such payment of redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any outstanding Bonds and all coupons appertaining to such Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Housing Development Fund shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which is sufficient, or direct obligations of or obligations guaranteed by the United States of America or certificates of deposit secured by such obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Housing Development Fund has given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither the obligations nor the moneys so deposited with the Trustee nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Housing Development Fund, as received by the Trustee, free and clear of any trust, lien or pledge.

APPENDIX F
SUMMARY OF DTC'S POLICIES AND PROCEDURES

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2013 A Bonds (the "Bonds"). The Bonds will be issued as fully-registered bonds 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners of the Bonds 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 interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 Housing Development Fund 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 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 Housing Development Fund or the Trustee on the 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 Housing Development Fund, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Housing Development Fund or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Housing Development Fund may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Information contained in the preceding paragraphs in this Appendix has been obtained from DTC. The Housing Development Fund makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No assurance can be given by the Housing Development Fund that DTC and the Direct or Indirect Participants will make prompt transfers of payments to Beneficial Owners. **The Housing Development Fund is not responsible or liable for payments by DTC or the Direct or Indirect Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or the Direct or Indirect Participants, or for any other action taken by DTC or the Direct or Indirect Participants, including the furnishing of notices to Beneficial Owners or the choice of Beneficial Owners to whom redemptions of Bonds will apply.**

In the event the Housing Development Fund determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates in physical form for any of the Bonds, the Housing Development Fund may notify DTC and the Trustee, whereupon DTC will notify the Direct or Indirect Participants of the availability through DTC of the Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by DTC and any other Bond owners in appropriate amounts. In any event Bond certificates are issued, the provisions of the General Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal and interest on such Bond certificates.

Holders of the Bonds on the fifteenth day of April of each year shall be entitled to receive the principal, if any, and accrued interest due on such Bonds on the next following May 1 payment date, and holders of the Bonds on the fifteenth day of October of each year shall be entitled to receive the principal, if any, and accrued interest due on such Bonds on the next following November 1 payment date.

Appendix G
Form of Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the "Agreement") dated as of May 9, 2013 by and between the West Virginia Housing Development Fund (the "Housing Development Fund") and United Bank, Inc., as trustee (the "Trustee") pursuant to the General Housing Finance Bond Resolution, adopted by the Housing Development Fund on April 29, 1976, as amended and supplemented (the "Resolution"), is executed and delivered in connection with the issuance of the Housing Development Fund's $21,000,000 principal amount of Housing Finance Bonds, 2013 Series A (the "Bonds"). Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds.

Section 1.2. Annual Financial Information. (a) The Housing Development Fund shall provide Annual Financial Information with respect to each fiscal year of the Housing Development Fund, commencing with the fiscal year ending June 30, 2013, by no later than 180 days after the end of the respective fiscal year, to the MSRB.

(b) The Housing Development Fund shall provide, in a timely manner, notice of any failure of the Housing Development Fund to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Housing Development Fund shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Housing Development Fund shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB and the Trustee.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Housing Development Fund whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Housing Development Fund to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Housing Development Fund shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

Section 1.5. Additional Disclosure Obligations. The Housing Development Fund acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Housing Development Fund and that, under some circumstances, additional disclosures or other action in addition to those required by this Agreement may be required to enable the Housing Development Fund to fully discharge all of its duties and obligations under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Housing Development Fund from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of a Notice Event hereunder, in addition to that which is required by this Agreement. If the Housing Development Fund chooses to do so, the Housing Development Fund shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.7. No Previous Non-Compliance. The Housing Development Fund represents that, in the previous five years, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Housing Development Fund provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Housing Development Fund may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Housing Development Fund under this Agreement, and revoke or modify any such designation.

Section 2.4. Transmission of Notices, Documents and Information. (a) 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.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.6. Fiscal Year. (a) The Housing Development Fund's current fiscal year is the twelve-month period ending on June 30. The Housing Development Fund shall promptly notify the MSRB and the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Housing Development Fund's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Housing Development Fund (1) delivers to the Trustee an opinion of Counsel, addressed to the Housing Development Fund and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to such Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment 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 Housing Development Fund or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Housing Development Fund shall have delivered to the Trustee an opinion of Counsel, addressed to the Housing Development Fund and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Housing Development Fund shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Housing Development Fund (such as bond counsel or the Trustee) and acceptable to the Housing Development Fund, addressed to the Housing Development Fund and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to Section 803 of the Resolution as in effect at the time of the amendment, and (5) the Housing Development Fund shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Housing Development Fund shall have delivered to the Trustee an opinion of Counsel, addressed to the Housing Development Fund and the Trustee, to the effect that performance by the Housing Development Fund and Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Housing Development Fund shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Housing Development Fund shall have delivered to the Trustee an opinion of Counsel, addressed to the Housing Development Fund and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Housing Development Fund in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with, and inure solely to the benefit of, the holders from time to time of the Bonds, except that Beneficial Owners of Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the Housing Development Fund to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding 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 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 Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Housing Development Fund's obligations under this Agreement.

(c) Any failure by the Housing Development Fund or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) updated versions of the financial information and operating data with respect to the Housing Development Fund, for each fiscal year of the Housing Development Fund, of the types included in the Official Statement under the subcaptions "Summary of Revenues, Expenses and Changes in Net Assets-Bond Insurance Fund" and "Management Discussion and Analysis-Bond Insurance Fund" under the caption "Nature of Bonds and Sources of Payment"; the subcaptions "Summary of Revenues, Expenses and Changes in Net Assets-General Fund" and "Management Discussion and Analysis-General Fund" under the caption "The Housing Development Fund"; the caption "The Housing Finance Program"; the caption "Other Programs of the Housing Development Fund" and in Appendices A-1, A-2, and A-3 and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) of the preceding paragraph of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the Housing Development Fund, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Housing Development Fund may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial

statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific Federal or State law or regulation describing such accounting principles, or other description thereof.

(3) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(6) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the Housing Development Fund or otherwise:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults, if material;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices ofProposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(vii) modifications to rights of Bondholders, if material;
(viii) Bond calls, if material, and tender offers;
(ix) defeasances;
(x) release, substitution, or sale of property securing repayment of the Bonds if material;
(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Housing Development Fund;

Note to clause (xii): For the purposes of the event identified in clause (xii) 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 Housing Development Fund in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Housing Development Fund, 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 Housing Development Fund;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Housing Development Fund or the sale of all or substantially all of the assets of the Housing Development Fund, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(7) "Official Statement" means "final official statement", as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

(8) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(9) "SEC" means the United States Securities and Exchange Commission.

(10) "State" means the State of West Virginia.

(11) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Trustee. The Trustee shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the Housing Development Fund agrees to indemnify and save 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 hereunder, 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 willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Resolution. The obligations of the Housing Development Fund under this Section shall survive resignation or removal of the Trustee and payment of the Bonds.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

WEST VIRGINIA HOUSING DEVELOPMENT FUND

By:____________________________

UNITED BANK, INC., as Trustee

By:____________________________