

MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
WEST VIRGINIA HOUSING DEVELOPMENT FUND
May 24, 2018

The regular meeting of the Board of Directors of the West Virginia Housing Development Fund (the "Fund") was held on Thursday, May 24, 2018, at the office of the West Virginia Housing Development Fund, 5710 MacCorkle Avenue, SE, Charleston, West Virginia. The Chairman called the meeting to order at 9:00 a.m. with the following members present throughout, except where noted:

Ann Urling, Chairman
Norman Bailey, Representative for the Honorable Kent Leonhardt,
Commissioner of Agriculture
John Gianola, Member
Sam Kapourales, Member (via phone)
Bob Nistendirk, Member
Mary Skeens, Member
Josh Stowers, Representative for the Honorable John Perdue, Treasurer
Steven Travis, Representative for the Honorable Patrick Morrissey, Attorney General

Members Absent:

David Gardner, Member

Staff present:

Erica Boggess, Executive Director
Josh Brown, Senior Manager - Asset Management
Julie Davis, Deputy Director – Production
George Gannon, Communications Administrator
Chad Leport, Division Manager - Accounting and Finance
Martha Lilly, Legal Assistant
Jill Martin, Executive Assistant
Jon Rogers, Senior Division Manager - Single Family Lending
Kristin Shaffer, Senior Legal Counsel
Nathan Testman, Division Manager – Multifamily Lending
Crystal Toney, Deputy Director – Administration
Dorothy White, Federal Compliance Officer

Others Present:

Samme Gee, Jackson Kelly PLLC

APPROVAL OF THE MINUTES OF THE APRIL 26, 2018
MEETING

Member John Gianola moved the approval of the minutes of the April 26, 2018 meeting. His motion was seconded by Representative Josh Stowers, and, upon the affirmative vote of the eight (8) members present, the Chairman declared the motion adopted.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED
APRIL 30, 2018

Mr. Chad Leport reviewed the financial statements for the period ended April 30, 2018. The financials were accepted as presented.

CONSIDERATION OF PLAN OF FINANCE
AUTHORIZING THE ISSUANCE OF NEW MONEY
BONDS FOR THE HOUSING DEVELOPMENT FUND'S
SINGLE FAMILY MORTGAGE LOAN PROGRAM

Ms. Julie Davis presented a Plan of Finance and the Fiftieth Supplemental Resolution authorizing the issuance of one or more series of New Money Bonds not to exceed a maximum aggregate principal amount of \$50,000,000. Ms. Davis stated the Bonds may be issued in multiple series prior to December 31, 2018.

Ms. Davis stated the objective of the Plan of Finance is to fund the Fund's single family bond program, and that the Plan of Finance allows the Bonds to be issued as either tax-exempt or taxable. Ms. Davis stated that a negotiated sale will probably be used and Raymond James will serve as the underwriter. Raymond James was the underwriter on the 2017 bond transaction and on other previous transactions. Ms. Davis stated that staff will seek the Governor's approval and certification of each bond issuance proposal.

Ms. Davis stated staff is requesting the Board's approval of the Plan of Finance, the Fiftieth Supplemental Resolution, and the Form of the Official Statement as presented to the Board.

Representative Stowers moved to approve the Plan of Finance, the Fiftieth Supplement Resolution and the Form of the Official Statement as presented. His motion was seconded by

Member Gianola, and, upon the affirmative vote of eight (8) members present, the Chairman declared the motion adopted.

A copy of the Plan of Finance, the Fiftieth Housing Finance Supplemental Resolution, and the form of the official statements are attached as Exhibit A.

APPROVAL TO EXECUTE HOMELESS INITIATIVE
AGREEMENT AND APPROVE MATCH

Ms. Erica Boggess informed the Board that at the December 2017 Board Meeting, staff requested authorization to pursue an agreement with the Federal Home Loan Bank of Pittsburgh (FHLB), relating to a new program called Home4Good which will assist those who are at risk of being homeless or who are homeless. The FHLB allocated \$5 million among its district, which includes West Virginia, Pennsylvania and Delaware. Ms. Boggess stated that FHLB allocated \$1.1 million to West Virginia for the first year. Home4Good will fund programs relating to homelessness, eviction prevention, rapid rehousing, and emergency shelters to help keep people from becoming homeless. The FHLB has asked housing finance agencies to provide matching funds, but it is not a requirement.

Ms. Boggess also explained that funds will be awarded to projects through a RFP and that the Housing Development Fund, FHLB, and Continuum of Care organizations will be involved in the review of applications, and that the Housing Development Fund and the FHLB will make final award decisions. Ms. Boggess also stated that any funds contributed by the Housing Development Fund to the Home4Good Program would only be awarded to activities that the Housing Development Fund is authorized to fund under its Act.

Ms. Boggess stated that staff is requesting approval to provide \$250,000 in matching funds to Home4Good and to execute a Home4Good Agreement with the FHLB substantially in the form provided to the Board.

Member Gianola requested that paragraph three of the Agreement be revised to clearly state the restrictions under the Housing Development Fund's Act.

A brief discussion followed.

Member Mary Skeens moved the authorization of the execution of the Home4Good Agreement, subject to the change requested by Member Gianola, and the allocation of \$250,000 in matching funds to Home4Good. Her motion was seconded by Member Bob Nistendirk and, upon the affirmative vote of eight (8) members present, the Chairman declared the motion adopted.

Chair Urling confirmed that the Executive Director has the authority to approve Home4Good projects under \$300,000 without Board approval. Ms. Boggess stated that staff will report the activities to the Board regarding the distribution of the Home4Good funds.

Member Kapourales left the meeting (via phone).

EXECUTIVE SESSION

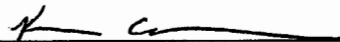
Member Gianola moved that the Board enter Executive Session under W. Va. Code § 6-9A-4(b)(9) to discuss legal matters. His motion was seconded by Representative Steven Travis and, upon the affirmative vote of the seven (7) members present, the Chairman declared the motion adopted. The Board adjourned into Executive Session at 9:25 a.m.

The Executive Session concluded at 10:13 a.m. Chair Urling stated that no action took place during the Executive Session.

Member Nistendirk moved that the Housing Development Fund stop the processing of any further payments and applications and to stop any new business with Southern Appalachian Labor School (SALS) until staff receives appropriate documentation regarding a recently submitted draw request and the Board determines that it is appropriate to resume activities with SALS. His motion was seconded by Member Gianola, and, upon the affirmative vote of the seven (7) members present, the Chair declared the motion adopted.

ADJOURNMENT

There being no further business, Representative Travis moved to adjourn the meeting. His motion was seconded by Member Gianola. Meeting adjourned at 10:15 a.m.



Kristin Shaffer, Assistant Secretary

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PLAN OF FINANCE
APPROVED BY THE BOARD OF DIRECTORS, May 24, 2018

Single Family – Housing Finance Program Bonds

AUTHORIZED MAXIMUM ISSUANCE AMOUNT

This Plan of Finance authorizes the issuance of one or more series of bonds not to exceed a maximum aggregate principal amount of \$50,000,000. The bonds will be referred to as the 2018 Bonds.

FINANCING TEAM

The Housing Development Fund will retain Piper Jaffray & Co. for certain financial advisory services relating to this Plan of Finance. Expected services will include assistance in the preparation of bond and disclosure documents, preparation of rating agency information and cash flows, marketing advice on terms and conditions of the 2018 Bonds, verification of bids or assistance in negotiating pricing rates, assistance in obtaining underwriters as needed and other activities necessary to complete each transaction. The other members of the Financing Team include:

- Bond Counsel – Hawkins Delafield & Wood LLP, Howard Zucker, Joseph P. Rogers Jr., Daniel Fuss, Faust Bowerman and Jamison Sadlon
- General Counsel – Jackson Kelly PLLC, Samme Gee and Taunja Willis Miller
- Trustee – United Bank, Thomas Provenzano
- Underwriters – See Marketing Plan below.

OBJECTIVE

The objective of this Plan of Finance is to sell multiple series of the 2018 Bonds to provide up to \$50,000,000 in fixed rate mortgages. The 2018 Bonds may be issued as taxable and/or tax-exempt debt, depending on market factors and the potential benefit.

THE 2018 BONDS

Housing Finance Bond Resolution

The 2018 Bonds may be issued on parity with bond issues currently outstanding under the Housing Finance Bond Resolution. (See Exhibit I for a complete summary of Housing Finance Bonds issued and currently outstanding). The Housing Finance

Resolution is a general obligation of the Housing Development Fund and is rated "Aaa" by Moody's and "AAA" by Standard and Poor's.

Structure

The 2018 Bonds will be book-entry bonds featuring serial and/or term bonds with fixed interest rates. However, if meaningful interest savings can be obtained, capital appreciation, deep discount, tender option, super sinker, planned amortization class or premium bonds may be added to the final structure. The final size of an issue will be based on borrower need and market rates.

Tax-exempt bonds will require the use of Bond Volume Cap. The Housing Development Fund has sufficient Bond Volume Cap available for such tax-exempt bonds.

Taxable bonds do not require the use of Bond Volume Cap.

Redemption Provisions

If issued as tax-exempt bonds, the 2018 Bonds may be subject to optional redemption by the Housing Development Fund prior to maturity, as a whole or in part, at a premium not to exceed 3%, commencing on a date determined as of the date of sale.

The Housing Development Fund may make special redemptions of tax-exempt 2018 Bonds at any time at par plus accrued interest under the following conditions:

- **Non-Origination** - Funds not used to purchase Program Loans during the origination period may be used to call the 2018 Bonds.
- **Excess Program Revenues and Excess Capital Reserve Funds** - Subject to requirements of the Internal Revenue Code, excess program revenue, including Program Loan prepayments to the extent not recycled into new Program Loans and Capital Reserve Funds in excess of the Capital Reserve Fund Requirement, may be used to call the 2018 Bonds or other bonds under the Housing Finance Resolution.

Taxable 2018 Bonds may be issued with or without redemption provisions or may be issued with "make-whole" provisions that strongly discourage economic refunding but allow for redemptions under extenuating circumstances.

Redemption provisions may be modified if such modification proves to be beneficial to the sale of any of the 2018 Bonds.

Capital Reserve Fund

The Housing Finance Resolution requires the aggregate Capital Reserve Fund for all bonds outstanding to be funded in an amount equal to the highest annual aggregate debt service payment. If additional funds are needed to satisfy the Capital Reserve Fund

Requirement after the issuance of any of the 2018 Bonds, they may be provided from proceeds of the 2018 Bonds, other funds held pursuant to the Housing Finance Resolution or a contribution from the Bond Insurance Fund.

To maintain the bond ratings, the rating agencies may require a set-aside of assets currently held under the Housing Finance Resolution or other sources to secure against potential loan losses.

Investments

All investments of bond proceeds will comply with the Investment Policy approved by the Board of Directors, bond documents and IRS regulations.

Bond Insurance Fund

The Bond Insurance Fund will secure the 2018 Bonds. All Program Loans not federally insured or guaranteed require the payment of a Bond Insurance Fund Premium of 1% at loan closing and .50% annually. To reduce interest costs for the borrowers, such premiums will be paid to the Bond Insurance Fund from available funds. It is currently expected that the Bond Insurance Fund will have the funds available to cover the Bond Insurance Fund Premiums due for the Program Loans originated from the 2018 Bonds. This process reduces the cost to the borrowers.

MARKETING PLAN

The Finance Team will explore the ability to issue the bonds through a competitive sale or a private placement with an institutional investor. Electronic bidding may be used under the competitive sale option. However, if tax-exempt bonds are issued, it will likely be necessary to market each series of 2018 Bonds through a negotiated sale. If market conditions necessitate the use of a negotiated sale, the Housing Development Fund will use Raymond James as underwriter. In no instance will any 2018 Bonds be sold after December 31, 2018 without prior Board approval.

Underwriting Spread

The gross spread on each issue of 2018 Bonds sold through competitive or negotiated sale will not be permitted to exceed \$8.50 per \$1,000 bond. The amount of the actual gross spread will be established based on market conditions when each issue of 2018 Bonds is marketed.

CONTRIBUTION

The costs of issuance of the 2018 Bonds may be paid from the Housing Finance Program, the General Fund or from proceeds of the 2018 Bonds. (See Exhibit II for a summary of the expected costs of issuance).

PROGRAM LOANS

All Mortgage Loans made with the proceeds of the 2018 Bonds will be serviced by the Housing Development Fund and be subject to the following:

- Maximum Amount of Loans - \$50 million
- Maximum Mortgage Term – 30 years

New mortgages financed with the 2018 Bonds will likely be originated by lending institutions throughout the State on behalf of the Housing Development Fund. Lenders will be paid a compensation fee to originate each loan as well as a servicing release fee for the purchase of loan servicing rights. The Housing Development Fund will adjust the loan origination fee and the servicing release fee paid to originators based on current market practices. Origination fees per loan will not exceed the greater of 2% of the loan principal balance or \$1,500. Servicing release fees per loan will generally not exceed 1%.

Mortgages with loan-to-value ratios at origination in excess of 80% will be FHA insured, VA or RHS guaranteed or covered by private mortgage insurance.

Eligible Borrowers will continue to be offered down payment closing cost assistance loans to cover loan closing costs and downpayment. The funds for these loans will be provided from the Down Payment and Closing Cost Assistance Program previously authorized and funded by the Board or other available funds.

WAREHOUSING LOANS

Typically, 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 significantly lower than long-term bond rates, this will create negative arbitrage.

To reduce this negative arbitrage or to manage cash flow, the Housing Development Fund may use available general operating funds to warehouse loans in anticipation of the sale of 2018 Bonds. While the mortgage loans are held in our general accounts, they will provide a higher interest rate than investments available in the short-term market. The risk associated with this process is that interest rates will rise before the 2018 Bonds can be issued, which reduces the spread between the long term bond rate and the rate on the mortgage loans.

PROGRAM LOAN RATE ADJUSTMENT

The Housing Development Fund may increase or decrease the Program Loan rate according to market conditions during the origination period, however, the ability to adjust the rate will be significantly limited in order to comply with our permitted mortgage yield spread. The Housing Development Fund will monitor the effect of any rate changes to ensure that we do not exceed our permitted yield spread.

Exhibit I
Summary of Housing Finance Bonds Outstanding
As of May 1, 2018 (unaudited)
(Dollars in Thousands)

Issue (1)	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, 2018
2011 A (2)	2.909%-3.622%	50,000	31,030	-	18,970
2013 A (2)	1.55%-3.20%	21,000	6,075		14,925
2013 BC	2.45%-4.35%	47,500	9,490	22,025	15,985
2014 AB	1.70%-4.10%	48,865	8,475	5,620	34,770
2015 AB	1.50%-3.80%	50,660	8,220	6,110	36,330
2015 CD	1.50 - 4.10%	70,060	5,275	7,345	57,440
2017 AB	1.25%-4.125%	<u>39,505</u>	<u>995</u>	<u>810</u>	<u>37,700</u>
Total HF		<u>\$ 327,590</u>	<u>\$ 69,560</u>	<u>\$ 41,910</u>	<u>\$ 216,120</u>

(1) All listed issues finance Program Loans (primarily single family).

(2) Taxable Issues.

EXHIBIT II
Plan Of Finance Dated May 24, 2018

Housing Finance Program Bonds
Estimated Cost Of Issuance
\$50,000,000 Bonds

	Total
Bond Counsel	\$90,000
Trustee Acceptance Fee	\$7,000
Trustee Counsel Fee	\$15,000
Official Statement Printing & Mailing	\$7,000
Rating Agencies	\$150,000
Financial Advisor	\$99,000
General Counsel	\$30,000
Binding	\$2,400
Internet Bidding & Notice Of Sale	\$16,000
HDF Expenses	<u>\$80,000</u>
TOTAL	\$496,400
 Underwriter's Discount (Maximum)	 <u>\$425,000</u>
Total Cost Of Issuance	<u><u>\$921,400</u></u>

This estimate assumes two separate bond transactions at the maximum underwriters spread.

WEST VIRGINIA HOUSING DEVELOPMENT FUND

Fiftieth Supplemental Housing Finance

Bond Resolution

Authorizing

not to exceed

\$50,000,000

Housing Finance Bonds

Adopted May 24, 2018

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A SUPPLEMENTAL RESOLUTION AUTHORIZING
THE ISSUANCE OF HOUSING FINANCE BONDS

BE IT RESOLVED by the Board of Directors of the West Virginia Housing Development Fund (the "Housing Development Fund") as follows:

ARTICLE I

Definitions and Authority

Section 1.01. Short Title. This resolution may hereafter be cited by the Housing Development Fund and is herein referred to as the "Fiftieth Supplemental Housing Finance Bond Resolution."

Section 1.02. Definitions. (A) All terms which are defined in Section 102 of the resolution of the Housing Development Fund adopted April 29, 1976, as supplemented, and entitled: "General Housing Finance Bond Resolution" (the "Resolution") shall have the same meanings, respectively, in this Fiftieth Supplemental Housing Finance Bond Resolution as such terms are given in said Section 102.

(B) In addition, as used in this Supplemental Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Act" means the West Virginia Housing Development Fund Act, as amended.

"Certificate of Determinations" means a document signed by the Executive Director, the Deputy Director or any Assistant Secretary upon the sale of Supplemental Bonds setting forth matters to be therein determined pursuant to this Supplemental Resolution.

"Notice of Sale" means any notice of the sale of Supplemental Bonds to potential bidders pursuant to Section 3.01.

"Plan of Finance" means the plan of finance approved by Section 3.03 of this Supplemental Resolution.

"Serial Bond" means any Supplemental Bond which is not subject to redemption from mandatory sinking fund payments.

"Supplemental Bonds" means the Bonds of the Housing Development Fund authorized by this Supplemental Resolution.

"Supplemental Resolution" means this Fiftieth Supplemental Housing Finance Bond Resolution.

"Term Bond" means any Supplemental Bond which is subject to redemption from mandatory sinking fund payments.

(C) Unless the context shall otherwise indicate, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(D) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Supplemental Resolution, refer to this Supplemental Resolution.

Section 1.03. Authority for this Resolution. This Supplemental Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II

Terms and Issuance

Section 2.01. Principal Amount, Designation and Series. In order to provide funds necessary for the Housing Finance Program, in accordance with and subject to the terms, conditions and limitations established herein and in the Resolution, additional Series of Housing Finance Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$50,000,000 to provide additional funds for the Housing Finance Program. The Housing Development Fund is of the opinion and hereby determines that the issuance of such Bonds in up to said amount is necessary to provide sufficient funds to be used and expended for the Housing Finance Program. In addition to the title "Housing Finance Bond" the Bonds of each such Series shall bear an additional designation distinguishing such Bonds from other Bonds. The Supplemental Bonds may consist of Serial Bonds and Term Bonds and the principal amount of Serial Bonds and Term Bonds shall be as set forth in a Certificate of Determinations. The Supplemental Bonds shall be issued as fully-registered bonds in the name of a securities depository or other registered owners as specified by the initial purchaser(s) thereof. Nothing in this paragraph or any other section of this Supplemental Resolution shall be construed to require the use of Term Bonds or Serial Bonds or current interest paying bonds, but may include such a combination of such Bonds as the Executive Director, the Deputy Director or any Assistant Secretary may, subject to Section 2.04, provide in the Certificate of Determinations.

Section 2.02. Purposes. The purposes for which the Supplemental Bonds are being issued are to raise funds to finance Home Mortgage Loans under the Housing Finance Program and to provide funds for deposit in the Mortgage Loan Fund, the Capital Reserve Fund and the Interest Account in the Debt Service Fund, all to the extent and subject to the limitations contained in the Resolution and Article IV hereof.

Section 2.03. Dated Dates. The Supplemental Bonds shall have such dated date, or dated dates, as provided in a Certificate of Determinations.

Section 2.04. Maturities and Interest Rates. The Supplemental Bonds of each Series shall mature on May 1 or November 1, or both, of such years through not later than 2058 as shall be specified in a Certificate of Determinations and, to the extent that such Bonds bear interest, shall bear interest payable commencing no later than a May 1 or November 1 that is less than twelve months after the date of issuance thereof. The amount of the Supplemental Bonds maturing in any particular year and the interest rate or rates relating to such Bonds shall be specified by the Executive Director, the Deputy Director or any Assistant Secretary in a Certificate of Determinations. In no event shall the interest rate or rates on the Supplemental Bonds of any particular maturity exceed 8.00% per annum. The amount of each maturity shall be established so as to satisfy the provisions of Section 206 of the Resolution concerning the delivery of a Statement of Projected Revenues.

Section 2.05. Denominations, Numbers and Letters. The Supplemental Bonds of a Series maturing in each year shall be issued in the denomination of \$5,000 each or any integral multiple thereof (not exceeding the aggregate principal amount of the Supplemental Bonds of

such Series maturing in such year) and the Supplemental Bonds of each such Series shall be numbered from 1 upward in order of their maturity dates with such letter and number prefixes as shall be determined by the Trustee to be appropriate for purposes of transfer, registry and exchange.

Section 2.06. Paying Agent. The Trustee is hereby appointed the Paying Agent for the Supplemental Bonds pursuant to Section 1102 of the Resolution.

Section 2.07. Special Redemption. (A) The Supplemental Bonds shall be subject to redemption, as a whole or in part, in accordance with the provisions of the Resolution from (i) unexpended proceeds of the Supplemental Bonds, and any other amounts allocable to the Supplemental Bonds remaining in the Mortgage Loan Fund, together with financing fees, commitment fees and origination fees, if any, received in connection therewith; (ii) any repayments and Recoveries of Principal with respect to Mortgage Loans held under the Resolution and (iii) amounts equal to amounts on deposit in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement and amounts in the Revenue Fund in excess of the amount required to meet accrued Debt Service on all Outstanding Bonds, on any date (which date shall be determined subject to the provisions of and in accordance with the Resolution and when so determined shall be deemed and is hereby set forth as the redemption date), prior to their respective maturities, upon notice as provided in Article VI of the Resolution, at a Redemption Price equal to 100% of the principal amount of such Bonds to be so redeemed (*except* that, in the case of Supplemental Bonds sold at a premium, the Redemption Price for any redemption described in clause (i) above shall be as expressly set forth in a Certificate of Determinations), plus in each case interest accrued to the redemption date.

(B) All or any portion of the Supplemental Bonds may be subject to redemption or required to be redeemed as a whole or in part, from a portion or all of the sources listed in Paragraph (A) of this Section or from any additional amounts available therefor in the Funds and Accounts held under the Resolution, upon the dates and terms set forth in a Certificate of Determinations.

Section 2.08. Optional Redemption. (A) The Supplemental Bonds shall also be subject to redemption, at the election of the Housing Development Fund, on any date (which date shall be determined by the Housing Development Fund or selected by the Trustee, subject to the provisions of and in accordance with the Resolution and when so determined or selected shall be deemed and is hereby set forth as the redemption date) on or after any interest payment date not less than five years from their dated date and prior to their respective maturities, upon notice as provided in Article VI of the Resolution, at the respective Redemption Prices (expressed as percentages of the principal amount of such Supplemental Bonds to be so redeemed) as shall be set forth in a Certificate of Determinations, plus in each case interest accrued to the redemption date, *provided* that no such Redemption Price shall exceed 103% of the principal amount of such Supplemental Bonds to be so redeemed, *except* in the case of (i) taxable bonds subject to a “make-whole” redemption and (ii) bonds sold at a premium, in each case as expressly set forth in such Certificate of Determinations.

(B) All or any portion of the Supplemental Bonds may be subject to redemption as a whole or in part as described in Paragraph (A) of this Section from moneys in

the General Redemption Account, as permitted by subsection (B) of Section 506 of the Resolution, upon dates and terms set forth in a Certificate of Determinations.

Section 2.09. Mandatory Redemption of Term Bonds. The Term Bonds shall be subject to redemption in part by operation of the Principal Installment Account through application of Sinking Fund Payments as provided in subsection 505(E) of the Resolution in each case at the Redemption Price equal to the principal amount of each Supplemental Bond or portion thereof to be redeemed, together with interest accrued to the redemption date. Subject to the provisions of subsections 505(D) and 506(E) of the Resolution permitting amounts to be credited toward part or all of any one or more Sinking Fund Payments, there shall be due, and the Housing Development Fund shall at any and all events be required to pay, on May 1 and November 1 of each of the years specified in a Certificate of Determinations, the amount established for such purpose in the Certificate of Determinations and said amount is hereby established as and shall constitute a Sinking Fund Payment for the retirement of the Term Bonds of the respective Series specified in the Certificate of Determinations.

Section 2.10. Selection by Lot. If less than all of the Supplemental Bonds of the same Series, maturity and interest rate are to be redeemed, the particular Supplemental Bonds of such Series, maturity and interest rate to be redeemed shall be selected by lot in accordance with Section 604 of the Resolution.

Section 2.11. Additional Determinations. (A) To the extent the Executive Director, the Deputy Director or any Assistant Secretary deems necessary to preserve any applicable tax-exempt status of, or the rating on, any of the Supplemental Bonds, based on the advice of counsel or a financial advisor, as appropriate, the Certificate of Determinations may include additional determinations including adjustments to the interest rate, fees and points applicable to Mortgage Loans being financed with the proceeds of the Supplemental Bonds, minimum requirements on amounts held in the various Funds and Accounts and restrictions on investments of amounts held under the various Funds and Accounts.

(B) To the extent that the Executive Director, the Deputy Director or any Assistant Secretary determines that such modification is desirable to assist in marketing the Supplemental Bonds or to reduce the Housing Development Fund's exposure to the risk of significant reductions in market interest rates, the Executive Director, the Deputy Director or any Assistant Secretary may in the Certificate of Determinations modify or eliminate any of the terms of redemption of the Supplemental Bonds, including the prices, dates, and special, optional or mandatory redemption sources, *provided* that the Redemption Price of Supplemental Bonds shall not exceed 103% of the principal amount thereof, *except* in the case of (i) taxable bonds subject to a "make-whole" redemption and (ii) bonds sold at a premium, in each case as expressly set forth in the Certificate of Determinations.

ARTICLE III

Sale and Delivery

Section 3.01. Sale. (A) The Supplemental Bonds may be sold at one time or from time to time, and in one or more Series, by no later than December 31, 2018, and may be sold pursuant to competitive bids, or, in the alternative, at a private or negotiated sale to potential underwriters, Fannie Mae (formerly the Federal National Mortgage Association), the Federal Home Loan Mortgage Corporation or any other party or parties upon the determination of the Executive Director, the Deputy Director or any Assistant Secretary that such sale would be in the best interest of the Housing Development Fund.

(B) The Chairman, the Executive Director, the Deputy Director or any Assistant Secretary is hereby authorized (i) to publish and distribute a notice or notices of sale of all or any part of the Supplemental Bonds or to sell the same at a private or negotiated sale as aforesaid, (ii) to distribute to prospective purchasers and investors a preliminary official statement or private placement memorandum with respect to all or any part of the Supplemental Bonds, (iii) to receive bids for Supplemental Bonds pursuant to such notice or notices of sale, (iv) to select the underwriter or underwriters for Supplemental Bonds the Chairman, the Executive Director, the Deputy Director or any Assistant Secretary determines shall be sold by negotiated sale, (v) to negotiate the terms and conditions of any negotiated or private sale, (vi) to award Supplemental Bonds to the successful bidder or bidders at competitive sale or enter into a contract for the private or negotiated sale of Supplemental Bonds, as aforesaid, and (vii) to deliver to the purchaser or purchasers of any Supplemental Bonds a final official statement or private placement memorandum with respect to such Supplemental Bonds. Any notice of sale of Supplemental Bonds or any contract for the sale thereof shall contain such terms and conditions consistent with this Supplemental Resolution as the Chairman, the Executive Director, the Deputy Director or any Assistant Secretary shall determine to be customary and prudent taking into account the best interests of the Housing Development Fund. Any official statement or private placement memorandum with respect to Supplemental Bonds shall be in substantially the form of the Official Statement dated March 9, 2017, with respect to the Housing Finance Bonds, 2017 Series A and 2017 Series B of the Housing Development Fund, with such changes as the officers preparing the same shall determine to be necessary or appropriate, including changes to reflect developments since the preparation of such Official Statement dated March 9, 2017. In connection with the sale of any Supplemental Bonds, the aforesaid officers or any of them are authorized to enter into an agreement with respect to continuing disclosure of the type contemplated by Rule 15c2-12(b)(5)(i) of the United States Securities and Exchange Commission (17 CFR §240.15c2-12(b)(5)(i)).

Section 3.02. Execution and Delivery. The Chairman, the Executive Director, the Deputy Director and any Assistant Secretary of the Housing Development Fund, each as an Authorized Officer, are hereby authorized to execute the Supplemental Bonds in an aggregate principal amount not to exceed \$50,000,000 in the name of and on behalf of the Housing Development Fund by his or her signature or by facsimile thereof and to cause the corporate seal of the Housing Development Fund or a facsimile thereof to be affixed, imprinted, engraved or otherwise reproduced on the Supplemental Bonds; and the Secretary, any Assistant Secretary or

any Assistant Treasurer or any of the aforesaid Authorized Officers hereby is authorized to attest by his or her manual or facsimile signature, said corporate seal or facsimile thereof.

Each of the Chairman, the Executive Director, the Deputy Director and any Assistant Secretary of the Housing Development Fund is hereby specifically designated as an Authorized Officer as defined in the Resolution and they are hereby severally authorized, after the execution of any Supplemental Bonds, to deliver the same for authentication to the Trustee, and, upon authentication and upon receipt of the purchase price thereof, to deliver to the Trustee a written order in the name of the Housing Development Fund directing the Trustee to deliver such Supplemental Bonds to the order of the purchasers thereof and to receive the proceeds of the sale thereof and give a written receipt therefor on behalf of the Housing Development Fund, to apply said proceeds and other moneys in accordance with the terms of the Resolution and this Supplemental Resolution and in such manner as is required to cause the conditions precedent to the issuance of such Supplemental Bonds to be complied with, and to do and perform or cause to be done or performed, for or on behalf of the Housing Development Fund, all acts and things that constitute conditions precedent to the authentication and delivery of Supplemental Bonds or that are otherwise required or desirable to be done and performed by or on behalf of the Housing Development Fund prior to or simultaneously with the delivery of Supplemental Bonds.

Section 3.03. Plan of Finance. The Plan of Finance presented to the Board of Directors at this meeting is hereby approved. A copy of such Plan of Finance shall be included in the minutes of this meeting as an Exhibit with the same force and effect as if set forth therein.

ARTICLE IV

Disposition of Proceeds and Other Moneys

Section 4.01. Interest Account. Upon receipt of the proceeds of sale of any Supplemental Bonds, there shall be deposited in the Interest Account the amount, if any, received as accrued interest thereon.

Section 4.02. Capital Reserve Fund. Simultaneously with the deposit in the Interest Account referred to above, there shall be deposited from the proceeds of the Supplemental Bonds or other available funds into the Capital Reserve Fund, the amount, if any, specified in a Certificate of Determinations, but in no event less than the amount necessary to cause the amount in the Capital Reserve Fund to equal the Capital Reserve Fund Requirement.

Section 4.03. [RESERVED]

Section 4.04. Mortgage Loan Account. After the deposits and uses referred to in Sections 4.01, 4.02 and 4.03 hereof, the balance of the proceeds of sale and delivery of any of the Supplemental Bonds shall be deposited in one or more accounts in the Mortgage Loan Fund. Subject to the provisions of Section 2.02 and Section 3.03 hereof, no limitation is herein set forth with respect to the purposes for which such moneys may be expended and applied.

Section 4.05. Cost of Issuance. The Housing Development Fund's officers are authorized to pay costs of issuance of the Supplemental Bonds issued as authorized in Section 2.01 in accordance with the Plan of Finance in an aggregate amount not to exceed \$1,000,000.

ARTICLE V

Form

Section 5.01. Form of Registered Bond. The form of each fully-registered Supplemental Bond, with such additions and variations as shall be appropriate in accordance with a Certificate of Determinations, shall be substantially as follows:

WEST VIRGINIA HOUSING DEVELOPMENT FUND
HOUSING FINANCE BOND
2018 Series ____

No. _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>	<u>Principal Sum</u>
--------------------------	--------------------------	-----------------------	--------------	--------------------------

Registered Owner: _____

Principal Sum: _____ Dollars

West Virginia Housing Development Fund (hereinafter sometimes called the "Housing Development Fund"), a public body corporate and governmental instrumentality of the State of West Virginia (herein called the "State"), created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay, to the Registered Owner (named above), or registered assigns, on the maturity date as shown above, unless redeemed prior thereto, the Principal Sum (as shown above) on the Maturity Date (as shown above), and to pay interest on said Principal Sum from the Dated Date hereof, until the Housing Development Fund's obligation with respect to the payment of said Principal Sum shall be discharged, at the Interest Rate (as shown above) payable semi-annually on the first day of May and the first day of November of each year, commencing _____. The principal or redemption price, if any, of and interest on this bond are payable at the principal office of United Bank, Inc., in the City of Charleston, West Virginia, in any coin or currency of the United States of America, which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts.

This bond is one of the Bonds of the Housing Development Fund designated "Housing Finance Bonds" (herein called the "Bonds"), authorized to be issued in various series under and pursuant to Article 18, Chapter 31 of the Code of West Virginia, 1931, as amended (herein called the "Act"), a resolution of the Housing Development Fund adopted April 29, 1976,

and entitled: "General Housing Finance Bond Resolution" (as amended and supplemented, herein called the "General Resolution") and a supplemental resolution authorizing each series. As provided in the General Resolution, the Bonds may be issued from time to time in one or more series of various principal amounts, may bear interest at different rates and, subject to the provisions thereof, may otherwise vary. All Bonds issued and to be issued under the General Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the General Resolution.

This bond is one of a series of Bonds additionally designated "2018 Series __" (herein called the "2018 Series __ Bonds") issued in the aggregate principal amount of \$_____ under the General Resolution and a supplemental resolution of the Housing Development Fund adopted May 24, 2018, and entitled: "Fiftieth Supplemental Housing Finance Bond Resolution Authorizing not to exceed \$50,000,000 Housing Finance Bonds" (herein together with the General Resolution called the "Resolutions"). Copies of the Resolutions are on file at the office of the Housing Development Fund in the City of Charleston, West Virginia, and at the principal office of United Bank, Inc., in the City of Charleston, West Virginia, as trustee under the General Resolution (said trustee and any successor thereto under the General Resolution being herein called the "Trustee"), and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds have been issued and may be issued thereunder. Upon certain conditions provided in the General Resolution, the provisions thereof may be discharged and satisfied prior to the maturity of the Bonds. To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by the Housing Development Fund, with the written consent of the holders of at least two-thirds in principal amount of the Bonds then outstanding, and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding. 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, however, the consent of the holders of such Bonds shall not be required. The holder of this bond shall have no right to enforce the provisions of the Resolutions, to institute action to enforce the provisions of the Resolutions or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the General Resolution. In certain events, on the condition, in the manner and with the effect set forth in the General Resolution, the principal of all the Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

This bond is transferable, as provided in the Resolutions, only upon the books of the Trustee at the direction of the registered owner hereof in person, or by his attorney duly authorized in writing, and thereupon a new fully-registered 2018 Series __ Bond or Bonds in the same aggregate principal amount and of the same maturity, shall be issued to the transferee in exchange therefor as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed. The Housing Development Fund, the Trustee and any paying agent for this bond may treat and consider the person in whose name this bond is registered as the absolute

owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

The 2018 Series __ Bonds maturing in any one year are issuable in fully-registered form, in the denominations of \$5,000 or any multiple thereof not exceeding the aggregate principal amount of 2018 Series __ Bonds maturing in such year.

Subject to any agreements heretofore or hereafter made with the persons who shall hold any other bonds or notes of the Housing Development Fund pledging any particular revenues or assets not pledged under the General Resolution and the exclusion by the Act of a pledge of funds in the Land Development and Job Development Funds (as described in the Act), this bond is a direct and general obligation of the Housing Development Fund and the full faith and credit of the Housing Development Fund is hereby pledged to the payment of the principal or redemption price, if any, hereof and interest hereon.

Pursuant to the Resolutions, the 2018 Series __ Bonds are subject to redemption at the election of the Housing Development Fund at the times and in the manner provided in the Resolutions.

The State is not liable on the Bonds, neither the faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal of or the interest on the Bonds, and the Bonds do not constitute a debt, liability or other obligation of the State.

The Act provides that neither the directors or officers of the Housing Development Fund nor any person executing this bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

This bond shall not be valid or become obligatory for any other purpose or be entitled to any security or benefit under the Resolutions until the Certificate of Authentication hereon shall have been signed by the Trustee.

In accordance with the provisions of the Resolutions, the principal of this bond may be paid in part without surrender hereof, upon receipt by the Trustee of evidence satisfactory to the Trustee that such partial payment has been received by the registered owner hereof and upon notation of such payment and of the resulting principal amount hereof below:

Dated	Payment Amount	Principal Balance	Authorized Signature
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed in due time, form and manner as required

by law and that the issue of the 2018 Series __ Bonds, together with all other indebtedness of the Housing Development Fund, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the West Virginia Housing Development Fund has caused this bond to be executed in its name by the manual signature of its duly authorized officer and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of its Assistant Treasurer, Secretary or other Authorized Officer, all as of the dated date shown above.

WEST VIRGINIA HOUSING DEVELOPMENT FUND

By _____
Authorized Officer

[Seal]

Attest

Assistant Secretary

Section 5.02. Form of Trustee's Certificate of Authentication. The Supplemental Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the Bonds described in the within-mentioned Resolutions and is one of the Housing Finance Bonds, 2018 Series ___ of the West Virginia Housing Development Fund.

By _____
Authorized Officer

Date of Authentication
_____, 2018

Section 5.03. Form of Assignment. A Form of Assignment in the following form shall be attached to every Supplemental Bond:

ASSIGNMENT

Social Security or Other Identifying
Number of Assignee:

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto
_____ the
within bond and all rights and title thereunder and hereby irrevocably constitutes and appoints
_____ or its successor as Bond Registrar to transfer the within Bond on the
books kept for registration thereof, with full power of substitution in the premises.

Date: _____

Notice: _____
Signature must correspond with the name of the registered owner as it appears on the
face of the within bond in every particular, without alteration or enlargement or any
change whatever.

Signature Guaranteed:

(Bank, Trust Company or Firm)

(Authorized Officer)

ARTICLE VI

Miscellaneous

Section 6.01. Recourse Against Directors or Officers or Other Persons. No recourse shall be had for the payment of the principal of or interest on the Supplemental Bonds or for any claim based thereon or on this Supplemental Resolution against any director or officer of the Housing Development Fund or any person executing the Supplemental Bonds and neither the directors or officers of the Housing Development Fund nor any person executing the Supplemental Bonds shall be liable personally on the Supplemental Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 6.02. Reservation of Funds. As provided in the Plan of Finance, the Executive Director, the Deputy Director or any Assistant Secretary is hereby authorized to provide for amounts to be reserved and restricted in the Revenue Fund or in the General Fund or the Bond Insurance Fund of the Housing Development Fund in order to provide assurances to the rating agencies and the holders of the Bonds against certain contingencies and to provide a source for the payment of Bond Insurance Fund premiums for Home Mortgage Loans that are not insured by the Federal Housing Administration or any successor thereto or guaranteed by the United States Department of Veteran Affairs or the United States Department of Agriculture, Rural Housing Service (formerly the Farmers Home Administration), or any successor thereto.

Section 6.03. Interim Financing. To provide funds for the acquisition of Home Mortgage Loans prior to the issuance of Supplemental Bonds, amounts from general operating funds may be applied to such acquisition, with the amounts so applied being reimbursed or repaid with the proceeds of Supplemental Bonds.

Section 6.04. Public Approval. The Housing Development Fund is hereby authorized to conduct a public hearing as required by Section 147 of the Internal Revenue Code of 1986, as amended, for which reasonable notice shall be given. Any actions heretofore taken with respect to the conduct of such a public hearing are ratified and confirmed.

The results of the public hearing shall be submitted to the Governor of the State of West Virginia for his consideration in the approval of the issuance of Supplemental Bonds and any interim loans or interim financing notes.

Section 6.05. Effective Date. This Supplemental Resolution shall take effect immediately.

NEW ISSUES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the West Virginia Housing Development Fund (the "Housing Development Fund"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the below-defined 2017 AB Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) interest on the 2017 A Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; and (iii) interest on the 2017 B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In the opinion of General Counsel to the Housing Development Fund, under existing statutes, the 2017 AB Bonds and the income therefrom shall at all times be exempt from taxation by the State of West Virginia (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. See "TAX MATTERS" herein.

\$39,505,000



West Virginia Housing Development Fund Housing Finance Bonds

**\$14,505,000 2017 Series A (AMT)
\$25,000,000 2017 Series B (Non-AMT)**

Dated: Date of Delivery

Due: As Shown on Inside Cover

The Housing Finance Bonds, 2017 Series A (the "2017 A Bonds") and the Housing Finance Bonds, 2017 Series B (the "2017 B Bonds"); together with the 2017 A Bonds, the "2017 AB 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 2017 AB 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 2017 AB 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 2017 AB Bonds, as described herein. The 2017 AB Bonds will bear interest from their date of initial delivery at the rates set forth on the inside cover page hereof, payable semiannually on each May 1 and November 1, commencing November 1, 2017. Interest on the 2017 AB Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

The 2017 AB Bonds are subject to redemption at par 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 2017 AB BONDS AND THE 2017 AB BONDS ARE NOT A DEBT OF THE STATE.

The 2017 AB 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 2017 AB Bonds in definitive form will be available for delivery at DTC in New York, New York on or about April 19, 2017.

Raymond James

March 9, 2017

MATURITY SCHEDULE**\$39,505,000****West Virginia Housing Development Fund
Housing Finance Bonds****\$14,505,000 2017 Series A (AMT)****\$14,505,000 2017 Series A Serial Bonds**

Maturity	Amount	Interest Rate	CUSIP Number ⁽¹⁾
May 1, 2018	\$ 460,000	1.05%	95662M 3G3
November 1, 2018	855,000	1.25	95662M 3H1
May 1, 2019	910,000	1.50	95662M 3J7
November 1, 2019	965,000	1.65	95662M 3K4
May 1, 2020	1,020,000	1.80	95662M 3L2
November 1, 2020	1,055,000	1.90	95662M 3M0
May 1, 2021	1,040,000	2.05	95662M 3N8
November 1, 2021	1,020,000	2.15	95662M 3P3
May 1, 2022	1,000,000	2.30	95662M 3Q1
November 1, 2022	985,000	2.40	95662M 3R9
May 1, 2023	965,000	2.60	95662M 3S7
November 1, 2023	950,000	2.70	95662M 3T5
May 1, 2024	935,000	2.85	95662M 3U2
November 1, 2024	920,000	2.95	95662M 3V0
May 1, 2025	905,000	3.10	95662M 3W8
November 1, 2025	520,000	3.15	95662M 3X6

\$25,000,000 2017 Series B (Non-AMT)**\$5,445,000 2017 Series B Serial Bonds**

Maturity	Amount	Interest Rate	CUSIP Number ⁽¹⁾
November 1, 2025	\$ 370,000	2.75%	95662M 4J6
May 1, 2026	880,000	2.90	95662M 3Y4
November 1, 2026	865,000	3.00	95662M 3Z1
May 1, 2027	850,000	3.05	95662M 4A5
November 1, 2027	840,000	3.10	95662M 4B3
May 1, 2028	825,000	3.25	95662M 4C1
November 1, 2028	815,000	3.25	95662M 4D9

\$6,130,000 3.70% 2017 Series B Term Bonds Due November 1, 2032; CUSIP⁽¹⁾ 95662M 4E7\$6,735,000 4.00% 2017 Series B Term Bonds Due November 1, 2037; CUSIP⁽¹⁾ 95662M 4F4\$3,550,000 4.05% 2017 Series B Term Bonds Due November 1, 2042; CUSIP⁽¹⁾ 95662M 4G2\$3,140,000 4.125% 2017 Series B Term Bonds Due November 1, 2047; CUSIP⁽¹⁾ 95662M 4H0**Price of All 2017 AB Bonds: 100%**

⁽¹⁾ The CUSIP numbers have been assigned to the 2017 AB 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 2017 AB 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 shall there be any sale of the 2017 AB 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 2017 AB 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 2017 AB 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 MEET 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 2017 AB BONDS, THE UNDERWRITER MAY OVER-ALLOT AND EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2017 AB 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 Securities 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 statements 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 \$14,505,000 2017 Series A (AMT) \$25,000,000 2017 Series B (Non-AMT)

This Official Statement provides certain information concerning the West Virginia Housing Development Fund (the “Housing Development Fund”) in connection with the sale of its \$14,505,000 Housing Finance Bonds, 2017 Series A (the “2017 A Bonds”) and its \$25,000,000 Housing Finance Bonds, 2017 Series B (the “2017 B Bonds”; together with the 2017 A Bonds, the “2017 AB Bonds”).

The 2017 AB 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-Ninth Supplemental Housing Finance Bond Resolution adopted by the Housing Development Fund on July 14, 2016 (the “Supplemental Resolution”), the Certification and Direction of the Governor dated February 22, 2017, and a Certificate of Determinations of the Housing Development Fund, dated as of March 9, 2017 (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 2017 AB 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 (the “Housing Finance Program”).

On July 14, 2016, the Housing Development Fund’s Board of Directors approved the Supplemental Resolution and a plan of finance authorizing the sale of up to \$60,000,000 of Bonds to provide funds to finance Program Loans and up to \$17,555,000 of Bonds to refund the Housing Finance Bonds, 2007 Series A, for a total authorization of \$77,555,000. Under authorization of the Supplemental Resolution and plan of finance, proceeds of the 2017 AB Bonds will be used as follows. The proceeds of the 2017 A Bonds, along with other available funds of the Housing Development Fund, are expected to be used to refund in full, within 90 days of the date of issuance of the 2017 AB Bonds, the \$15,685,000 principal amount of Housing Finance Bonds, 2007 Series A expected to remain outstanding following their scheduled \$445,000 May 1, 2017 Sinking Fund Payment (the “2007 A Bonds” or the “Prior Bonds”). As a result of the proposed refunding, mortgage loans and certain other amounts, if any, which are currently allocated on the Housing Development Fund’s books to the Prior Bonds and already pledged to the payment of the Bonds (together, the “Transferred Amounts”), will be allocated to the 2017 AB Bonds (Transferred Amounts consisting of mortgage loans are referred to herein as the “Transferred Loans”). The Transferred Amounts are expected to be in the approximate aggregate principal amount of \$14,505,000 on the date of such refunding. The proceeds of the 2017 B Bonds will be used to finance single family mortgage loans (the “2017 B Program Loans”). See “SOURCES AND USES OF FUNDS.”

Approximately \$3 billion of Bonds has been issued under the General Resolution, of which \$253,840,000 are currently outstanding. As of January 31, 2017, \$2,356,000 of lendable proceeds of the Housing Development Fund's Housing Finance Bonds, 2015 Series C and 2015 Series D (the "2015 CD Bonds") (out of an original lendable proceeds amount of \$30,000,000), remained unexpended; as of the date hereof, the Housing Development Fund has mortgage loan commitments exceeding such remaining amounts and the Housing Development Fund expects that such remaining lendable proceeds of the 2015 CD Bonds will be expended to purchase Program Loans on or before April 1, 2017. 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, A-3 and A-4.**

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"). Upon the issuance of 2017 AB Bonds, the amount on deposit in the Capital Reserve Fund will be at least equal to the Capital Reserve Fund Requirement. See "NATURE OF BONDS AND SOURCES OF PAYMENT – Capital Reserve Fund."

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. See "NATURE OF BONDS AND SOURCES OF PAYMENT – Pledge of the General Resolution." 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 2017 AB BONDS AND THE 2017 AB 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 2017 AB Bonds, the Resolutions and certain provisions of the Act. Brief descriptions of other programs and other outstanding obligations of the Housing Development Fund are included in "OTHER PROGRAMS OF THE HOUSING DEVELOPMENT FUND" herein. 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 2017 AB 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 2017 AB Bonds are rated "AAA" by S&P Global Ratings ("S&P"), and are rated "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. 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 makes no representation as to the meanings of such ratings.

The ratings are not recommendations to buy, sell or hold the 2017 AB 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 or S&P if, in their judgment, circumstances so warrant. Therefore, after the date hereof, investors should not assume that such ratings are 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 ratings 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 CONTINUING DISCLOSURE" herein) or to contest any such revision or withdrawal. A downward revision or withdrawal of any of such ratings, if taken, could have an adverse effect on the market price or marketability of bonds issued by the Housing Development Fund, including the 2017 AB 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; and an explanation of the S&P ratings may be obtained by writing to S&P Global Ratings, 55 Water Street, New York, New York 10041.

DESCRIPTION OF THE 2017 AB BONDS

General

The 2017 AB Bonds will be issued as fully-registered bonds in denominations of \$5,000 principal amount and integral multiples thereof. The 2017 AB 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 2017 AB Bonds is payable on May 1 and November 1 of each year until maturity or prior redemption, commencing November 1, 2017.

See "NATURE OF BONDS AND SOURCES OF PAYMENT – Debt Service and Estimated Revenues Including Prepayments" regarding the scheduling of maturities of the 2017 AB Bonds.

So long as Cede & Co. is the registered owner of the 2017 AB Bonds as nominee of The Depository Trust Company, New York, New York ("DTC"), references herein to the holders or registered owners of the 2017 AB Bonds (*except* under "TAX MATTERS") mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the 2017 AB Bonds. Beneficial Owners of the 2017 AB Bonds will not receive certificates representing their interest in the 2017 AB Bonds. DTC will act as securities depository for the 2017 AB Bonds. One fully-registered Bond certificate for each maturity of each series of the 2017 AB Bonds will be issued and deposited with DTC. For a summary of DTC's policies and procedures relating to the 2017 AB 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 2017 AB Bonds are subject to redemption as described below.

Special Optional Redemption

The 2017 AB Bonds are subject to redemption at the option of the Housing Development Fund as a whole or in part at any time, at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption, in amounts, irrespective of the source of such amount, not exceeding:

- (a) unexpended proceeds of the 2017 B Bonds remaining in the Mortgage Loan Fund together with origination fees, if any, received in connection therewith, and proceeds of the 2017 A Bonds unexpended as a result of a failure to refund the Prior Bonds;
- (b) any repayments and Recoveries of Principal of mortgage loans deemed to be allocated to or financed with 2017 AB Bond proceeds (including Transferred Loans) or proceeds of any prior or other subsequent series of Bonds to the extent not otherwise pledged or dedicated to the redemption of any prior or other subsequent series of Bonds (see “Debt Service and Estimated Revenue Including Prepayments,” herein); and
- (c) amounts on deposit in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement and amounts in the Revenue Fund in excess of the amount required to meet accrued Debt Service requirements with respect to the 2017 AB Bonds or any prior or subsequent series of Bonds.

Special Required Redemptions

The Internal Revenue Code of 1986, as amended (the “Code”) permits repayments (including prepayments) of mortgage loans financed with the proceeds of an issue of bonds to be used to make additional mortgage loans for only 10 years from the date of issuance of the bonds (or the date of issuance of the original bonds in the case of refunding), after which date such amounts, except for a \$250,000 *de minimis* amount, must be used to retire such bonds. As a consequence, repayments (including prepayments) of Transferred Loans originally financed with proceeds of the 2007 A Bonds, and repayments (including prepayments) of 2017 B Program Loans, in an amount equal to the percentages set forth in the table below, will be required to so retire an equal amount of 2017 AB Bonds in the respective periods set forth in the table below:

Dates	Percentage
4/19/2017 to 4/18/2027	36.72%
4/19/2027 and thereafter	100.00%

Additionally, the Code requires that proceeds of the 2017 B Bonds not used to originate Program Loans within 42 months from the date of issuance of the 2017 B Bonds be used to redeem 2017 AB Bonds.

Optional Redemption

The 2017 AB Bonds maturing on or after November 1, 2026 are subject to redemption at the option of the Housing Development Fund, as a whole or in part, from any source of funds, on any date on or after May 1, 2026, in such amounts as the Housing Development Fund shall determine, at a redemption price equal to 100% of the principal amount plus accrued interest to the date of the redemption.

Mandatory Sinking Fund Redemption

The 2017 AB Bonds shown below are subject to redemption in part, by lot, at a redemption price equal to the principal amounts thereof and interest thereon, from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem such 2017 AB Bonds on the respective dates and in the respective principal amounts as set forth herein.

2017 Series B Term Bonds due November 1, 2032

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
May 1, 2029	\$ 800,000	May 1, 2031	\$ 760,000
November 1, 2029	790,000	November 1, 2031	750,000
May 1, 2030	780,000	May 1, 2032	745,000
November 1, 2030	770,000	November 1, 2032 †	735,000

2017 Series B Term Bonds due November 1, 2037

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
May 1, 2033	\$ 725,000	November 1, 2035	\$ 685,000
November 1, 2033	715,000	May 1, 2036	680,000
May 1, 2034	710,000	November 1, 2036	670,000
November 1, 2034	700,000	May 1, 2037	665,000
May 1, 2035	695,000	November 1, 2037 †	490,000

2017 Series B Term Bonds due November 1, 2042

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
May 1, 2038	\$ 380,000	November 1, 2040	\$ 350,000
November 1, 2038	370,000	May 1, 2041	350,000
May 1, 2039	365,000	November 1, 2041	345,000
November 1, 2039	360,000	May 1, 2042	340,000
May 1, 2040	355,000	November 1, 2042 †	335,000

2017 Series B Term Bonds due November 1, 2047

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
May 1, 2043	\$ 330,000	November 1, 2045	\$ 310,000
November 1, 2043	325,000	May 1, 2046	310,000
May 1, 2044	325,000	November 1, 2046	305,000
November 1, 2044	320,000	May 1, 2047	300,000
May 1, 2045	315,000	November 1, 2047 †	300,000

† Final Maturity

Amounts accumulated for each Sinking Fund Payment may be applied by the Trustee, at the direction of the Housing Development Fund, prior to the forty-fifth day preceding the due date of the related Sinking Fund Payment, to the purchase of the 2017 AB Bonds to be redeemed from such Sinking Fund Payments, at prices (including any brokerage and other charges) not exceeding the applicable redemption price, plus accrued interest to the date of purchase, and the principal amount of the 2017 AB Bonds purchased is to be credited against the applicable Sinking Fund Payment.

Upon any purchase or redemption of 2017 AB Bonds of any maturity for which Sinking Fund Payments shall have been established, other than by application of Sinking Fund Payments, the principal amount of the 2017 AB Bonds so purchased or redeemed shall reduce the principal amount of such 2017 AB Bonds required to be redeemed on any date from Sinking Fund Payments, as directed by the Housing Development Fund, or, failing such direction, shall reduce each such principal amount in the same ratio as the total principal amount of all such 2017 AB Bonds so purchased or redeemed bears to the total principal amount of all the 2017 AB Bonds of the applicable Series and maturity.

General Provisions

The Housing Development Fund may select Bonds for redemption from among any Series of Bonds and maturities as it deems appropriate, subject to the provisions of the applicable supplemental resolution. If less than all the Bonds of a single Series and maturity are called for redemption, the particular Bonds to be redeemed are to be selected by lot.

SOURCES AND USES OF FUNDS

The proceeds of the 2017 AB Bonds and certain other amounts currently held under the General Resolution are expected to be applied as follows:

Sources

Principal Amount of 2017 AB Bonds	\$39,505,000.00
Amounts Available under the General Resolution	1,215,077.50
Contribution by the Housing Development Fund	869,709.00
Total	<u><u>\$41,589,786.50</u></u>

Uses

Redemption of Principal Amount of Prior Bonds ⁽¹⁾	\$15,685,000.00
Purchase of 2017 B Program Loans	25,000,000.00
Other Costs of Redemption ⁽²⁾	35,077.50
Payment of Origination Fees on 2017 B Program Loans	375,000.00
Underwriter's Compensation	269,709.00
Other Costs of Issuance	225,000.00
Total	<u><u>\$41,589,786.50</u></u>

⁽¹⁾The sources of funds for the redemption consist of \$14,505,000 of proceeds of the 2017 A Bonds and \$1,180,000 of amounts available under the General Resolution.

⁽²⁾Including provision for interest accruing on the Prior Bonds to the Redemption Date.

Upon the redemption of the Prior Bonds with proceeds of the 2017 A Bonds, the Transferred Amounts, in the estimated principal amount of \$14,505,000, 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 2017 AB 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 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 January 31, 2017, the amount on deposit in the Capital Reserve Fund, valued in accordance with the General Resolution, was approximately \$34,524,000, which amount was at least equal to the Capital Reserve Fund Requirement on such date. Upon the issuance of the 2017 AB 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 2017 AB Bonds).

Maturities and Sinking Fund Payments with respect to the 2017 AB Bonds were scheduled based upon an assumed rate of prepayment of the related Program Loans (both the 2017 B Program Loans and the Transferred Loans) of 50% of the Securities Industry and Financial Markets Association (formerly known as the Public Securities Association ("PSA")) prepayment standard model (the "PSA Prepayment Model"). The original principal amount of the Transferred Loans was approximately \$18,675,000 and the remaining principal balance thereof as of January 31, 2017 was approximately \$15,231,000. The original principal amount of the mortgage loans financed with proceeds attributable to the Prior Bonds was approximately \$60,897,000 and the remaining principal balance thereof as of January 31, 2017 was approximately \$20,287,000. Maturities and Sinking Fund Payments with respect to the 2007 Series A Bonds were scheduled based on an assumed rate of prepayment of related mortgage loans of 0% of the PSA Prepayment Model. See the table appearing on the following page for certain information regarding prior Series of Bonds for which prepayments of Program Loans were assumed to be received at a level other than 0%. Since Program Loan prepayments cannot be predicted, the actual principal amount of and characteristics of the Program Loans may differ from assumptions. The Housing Development Fund makes no representation that actual experience will conform to such prepayment assumptions.

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 that are currently outstanding 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:

<i>Housing Finance Bond Series</i>	<i>Prepayment Assumption (expressed as a percentage of the PSA Prepayment Model)</i>	<i>Original Principal Amount of Related Program Loans</i>	<i>Remaining Principal Balance of Related Program Loans as of January 31, 2017</i>
2010 A and B	50% PSA	\$88,918,920	\$ 36,135,237
2011 A	296% PSA†	48,702,288	23,856,438
2013 A	75% PSA†	21,048,665	13,282,043
2013 B and C	50% PSA	47,671,300	37,975,634
2014 A and B	50% PSA	48,865,000	39,536,011
2015 A and B	50% PSA	50,660,000	42,943,557
2015 C and D	50% PSA	70,060,000	61,237,718††
Total		<u>\$375,926,173</u>	<u>\$254,966,641</u> †††

† Maturities and Sinking Fund Payments with respect to these Bonds were scheduled to approximate level debt service on such Bonds and not 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.

†† \$2,356,000 principal amount of lendable proceeds of the 2015 CD Bonds remained unexpended as of January 31, 2017; as of date hereof, mortgage loan commitments exceeding such amount have been received and such remaining lendable proceeds are expected to be expended to purchase Program Loans by April 1, 2017. See the third paragraph under “INTRODUCTION.”

††† Representing approximately 50% of the principal balance of outstanding Program Loans.

See “**Appendix A-2**” – “Program Loan Prepayments, Early Bond Redemptions and Recycled Loan Funds.”

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**”, “**APPENDIX A-2**” and “**APPENDIX A-3**” 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 be and have been altered. See “**APPENDIX A-4.**”

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 and early redemptions of Bonds therefrom is set forth in **APPENDICES A-1, A-2, A-3 and A-4.**

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 2017 AB 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 Fund Net Position - Bond Insurance Fund

Set forth in the following table is a summary of Revenues, Expenses and Changes in Fund Net Position for the Housing Development Fund's Bond Insurance Fund for the fiscal years ended June 30, 2012 through 2016:

BOND INSURANCE FUND SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (Dollars in Thousands) (Unaudited)					
	Years Ended June 30,				
	2016	2015	2014	2013	2012
OPERATING REVENUES					
Interest on Loans	\$ 947	\$ 1,021	\$ 1,110	\$ 1,090	\$ 1,165
Fees	10	12	14	16	17
	<u>957</u>	<u>1,033</u>	<u>1,124</u>	<u>1,106</u>	<u>1,182</u>
OPERATING EXPENSES					
Program and Administrative Expenses, Net	<u>(33)</u>	<u>(70)</u>	<u>47</u>	<u>99</u>	<u>26</u>
OPERATING INCOME	990	1,103	1,077	1,007	1,156
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Interest on Investments	922	824	782	568	787
Unrealized Gain (Loss) on Investments	797	199	1,512	(574)	404
	<u>1,719</u>	<u>1,023</u>	<u>2,294</u>	<u>(6)</u>	<u>1,191</u>
CHANGE IN NET POSITION	2,709	2,126	3,371	1,001	2,347
NET POSITION AT BEGINNING OF YEAR	67,110	64,986	61,615	64,614	64,987
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE*	-	(2)	-	-	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	-	64,984	-	-	-
Inter-program Transfers, Net	<u>(6,300)</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>	<u>(2,720)</u>
NET POSITION AT END OF YEAR	<u><u>\$ 63,519</u></u>	<u><u>\$ 67,110</u></u>	<u><u>\$ 64,986</u></u>	<u><u>\$ 61,615</u></u>	<u><u>\$ 64,614</u></u>

*Restated for implementation of GASB 68

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 Fund Net Position – 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 are primarily 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 2012 through 2016.

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 Fund Net Position 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, loan servicing fees paid to the General 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 2013 was primarily due to a decrease in investment rates. The increases in fiscal 2014 through fiscal 2016 is primarily related to an increase in investment rates.

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 Fund Net Position.

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

- 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.
- In fiscal 2013, the Housing Development Fund withdrew \$4,000,000 from the Bond Insurance Fund and transferred the funds to its Housing Finance Program to finance single family mortgage loans.

- In fiscal 2016, the Housing Development Fund withdrew \$6,300,000 from the Bond Insurance Fund and transferred the funds to its Housing Finance Program. \$5,000,000 was used to finance single family mortgage loans and \$1,300,000 was deposited to the Capital Reserve Fund in the Housing Finance Program.

In fiscal 2017 (to date) the Housing Development Fund withdrew \$5,000,000 from the Bond Insurance Fund and transferred the funds to Other Loan Programs to originate multifamily mortgage loans.

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. Upon the issuance of the 2017 AB Bonds, there will be Housing Development Fund bonds outstanding with an estimated aggregate principal maturity amount of approximately \$362,775,000. In addition to Bonds under the General Resolution, the Housing Development Fund's bonds outstanding include the bonds under the NIBP Resolution and four series of limited, special obligations of the Housing Development Fund. See "OTHER PROGRAMS OF THE HOUSING DEVELOPMENT FUND – Other Bond Programs."

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 2017 AB 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 120,000 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") seller/servicer and a Federal Home Loan Mortgage Corporation ("FHLMC") servicer (see "OTHER PROGRAMS OF THE HOUSING DEVELOPMENT FUND – Other Housing Programs" herein). 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 2021. The Governor with the advice and consent of the State Senate appoints private directors for staggered terms of four years with no more than four of the private directors from the same political party. The Act designates the Governor or his or her designee as the Chair of the Board of Directors, and 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 set forth below:

JIM JUSTICE, Chair of the Board of Directors - Governor, State of West Virginia (ex-officio) (elective term expires January 2021).

JOHN PERDUE, Treasurer of the Board of Directors - Treasurer, State of West Virginia (ex-officio) (elective term expires January 2021).

PATRICK J. MORRISEY, Attorney General, State of West Virginia (ex-officio) (elective term expires January 2021).

KENT LEONHARDT, Commissioner of Agriculture, State of West Virginia (ex-officio) (elective term expires January 2021).

ROBERT NISTENDIRK, Member/Partner at Woomer, Nistendirk & Associates, PLLC, Certified Public Accountants, in Charleston, West Virginia (term expires October 30, 2020).

SAM KAPOURALES, Owner/President, Kapourales Properties, LLC, Pharmacist and past Mayor of Williamson, West Virginia (term expires October 30, 2019).

J. D. STRICKLEN, Real Estate Developer and Homebuilder, Blue Creek, West Virginia (term expires October 30, 2019).

DAVID GARDNER, Managing Director, Stonerise Healthcare, LLC, Charleston, West Virginia (term expires October 30, 2020).

MARY SKEENS, Executive Director, CommunityWorks in West Virginia, Inc., Charleston, West Virginia (term expires October 30, 2018).

JOHN B. GIANOLA, Retired Partner, Ernst & Young, Charleston, West Virginia (term expires October 30, 2020).

MARY AGNES KERN, Owner, Mary Agnes Kern, CPA, Charleston, West Virginia (term expires October 30, 2018).

On February 1, 2017, the permanent staff of the Housing Development Fund consisted of 97 persons, including professional staff members qualified in the fields of accounting, appraisal, finance, law, mortgage underwriting, mortgage loan servicing, secondary mortgage markets, planning, cost estimation, 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. BOGGESE, 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 with a Bachelor of Science, Business Administration and is a Certified Public Accountant.

JON M. ROGERS, Senior Division Manager – Single Family Lending – Mr. Rogers joined the Housing Development Fund in January 2015 and has over 30 years of experience in the mortgage banking and affordable housing industries. He was previously employed with the Housing Development Fund from 1996 - 2004 during which time he worked in state and federal housing programs. Mr. Rogers has a Bachelor of Science in Business Administration from West Virginia State University and a Masters of Legal Studies from West Virginia University. He is a licensed mortgage lender.

CRYSTAL L. TONEY, Senior Division Manager - 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 and serves as Assistant Treasurer to the Housing Development Fund's Board of Directors. Ms. Toney is a graduate of Glenville State College, with a Bachelor of Science, Business Administration.

JULIE W. DAVIS, Senior Division Manager - 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, was appointed to her current position in June 2012 and serves as Assistant Treasurer to the Housing Development Fund's Board of Directors. Ms. Davis is a graduate of Lander University and West Virginia State University.

JULIE E. ALIFF, Senior Division Manager - Loan Servicing - Ms. Aliff joined the Housing Development Fund in 1991 in the newly-created Loan Servicing Department. Prior to joining the Housing Development Fund, she worked in mortgage banking. She served as Customer Service Manager and then Loan Servicing Manager before becoming the Managing Director of Loan Servicing in October 2005. She was appointed to her current position in February 2014.

KRISTIN A. SHAFFER, Senior 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. Prior to joining the Housing Development Fund, Ms. Shaffer worked in the Commercial and Financial Services department at Bowles Rice LLP.

NATHAN E. TESTMAN, Division Manager - Multi Family Lending - Mr. Testman joined the Housing Development in 2016. Prior to joining the Housing Development Fund, he worked in Commercial Banking where he gained experience in credit underwriting and commercial lending. Mr. Testman is a graduate of West Virginia University, with a Bachelor of Science in Business Administration – Finance.

ALICIA A. DELIGNE, Legal Counsel - Compliance - Ms. Deligne joined the Housing Development Fund in 2013 as Assistant 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. Prior to joining the Housing Development Fund, Ms. Deligne worked in private practice focusing on consumer lending and insurance-related matters.

CHAD M. LEPORT, Senior Manager - 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.

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

Set forth in the following table is a summary of Revenues, Expenses and Changes in Fund Net Position for the Housing Development Fund's General Fund for the fiscal years ended June 30, 2012 through 2016:

GENERAL FUND					
SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION					
(Dollars in Thousands) (Unaudited)					
	Years Ended June 30,				
	2016	2015	2014	2013	2012
OPERATING REVENUES					
Interest on Loans	\$ 43	\$ 49	\$ 47	\$ 52	\$ 70
Fees	6,228	6,211	6,240	6,239	6,715
Other Revenues	700	700	686	724	737
	<u>6,971</u>	<u>6,960</u>	<u>6,973</u>	<u>7,015</u>	<u>7,522</u>
OPERATING EXPENSES					
Program and Administrative Expenses, Net	<u>8,201</u>	<u>7,764</u>	<u>6,922</u>	<u>7,642</u>	<u>7,903</u>
OPERATING (LOSS) INCOME	(1,230)	(804)	51	(627)	(381)
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Gain on Sale of Capital Assets	-	-	15	-	-
Interest on Investments	61	64	64	63	61
Unrealized Gain (Loss) on Investments	-	-	-	8	(6)
	<u>61</u>	<u>64</u>	<u>79</u>	<u>71</u>	<u>55</u>
CHANGE IN NET POSITION	(1,169)	(740)	130	(556)	(326)
NET POSITION AT BEGINNING OF YEAR	15,531	17,975	17,845	18,401	18,497
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE*	-	(1,704)	-	-	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	-	16,271	-	-	-
Inter-program Transfers, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230</u>
NET POSITION AT END OF YEAR	<u>\$ 14,362</u>	<u>\$ 15,531</u>	<u>\$ 17,975</u>	<u>\$ 17,845</u>	<u>\$ 18,401</u>

*Restated for implementation of GASB 68

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 Fund Net Position – 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.

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 2013 is primarily due to a decrease in Low-Income Housing Tax Credit fees and a decrease in fees earned in the HAP Program. HUD announced that it anticipates re-bidding the administration of the HAP Program with an anticipated award date of October 1, 2017. Pending the re-bidding of the contract administration, the Housing Development Fund is currently operating the HAP Program under six-month contract renewals.

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 decrease in 2014 is due to reporting fees reclassified from Other revenues to Fees.

Program and Administrative Expenses, Net primarily includes wages, 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 decreased in 2013 primarily due to a decrease in administrative expenses, net of an increase in service release fees. The decrease in 2014 is primarily due to a decrease in service release fees, net of an increase in administrative expenses. The increases in 2015 and 2016 were primarily due to decreases in administrative reimbursements from the HOME program.

Gain on Sale of Capital Assets represents the gain on the sale of the Housing Development Fund's former office building.

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.

Inter-program Transfers, Net, in 2012 includes a transfer of a \$230,000 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.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB), the Housing Development Fund has established a fund in respect of retiree health benefits, all amounts in which are held irrevocably in trust therefor, and the Housing Development Fund makes Annual Required Contributions to such fund (as defined by GASB Statement No. 45).

GASB Statement No. 45 requires the Housing Development Fund to perform an actuarial valuation of OPEB costs every three years. The Housing Development Fund's most recent such valuation is as of January 1, 2016. Based on this valuation, the assets set aside by the Housing Development Fund's management at December 31, 2015 are such that there is a \$157,000 unfunded liability.

THE HOUSING FINANCE PROGRAM

Financing Activities of the Housing Finance Program

The General Resolution authorizes the issuance of Bonds to provide funds for the Housing Finance Program, for making or purchasing Mortgage Loans for rental or owner-occupied dwellings, including uninsured, federally insured or guaranteed, and privately insured loans. **APPENDIX A-4** sets forth the original principal amounts and amounts of Bonds outstanding as of February 1, 2017.

Since 1976, the Housing Development Fund has issued 59 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 are 11 Project Loans with a principal balance of \$7,287,964 outstanding as of December 31, 2016. Of these Project Loans, 5 receive some level of Section 8 rental assistance payments, and 7 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 (the "2000 D Loans") from the West Virginia Investment Management Board (the "WVIMB"), consisting 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, the 2000 D Loans were purchased at a significant discount from their outstanding principal balance. The 2000 Series D Bonds have been retired and the 2000 D Loans remain under the General Resolution.

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 \$85,000. On September 5, 2013, the Housing Development Fund took possession of the project and transferred it to new ownership. All Internal Revenue Service liens related to such project have been released.

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 January 31, 2017, no Project Loans are seeking refinancing under the Mark-to-Market Program.

APPENDIX A-2 and APPENDIX A-3 provide information on Program Loans financed under the Housing Finance Program. As of December 31, 2016, there are over 7,900 single family loans outstanding with a current principal balance of approximately \$511,235,000. Of these loans, approximately 73% 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 January 31, 2017, the Housing Development Fund has \$2,356,000 available to purchase Program Loans and loan applications and loans pending purchase of \$7,013,000 against such proceeds.

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

Set forth in the following table is a combined summary of Revenues, Expenses and Changes in Fund Net Position for the Housing Development Fund's Housing Finance Program for the fiscal years ended June 30, 2012 through 2016.

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

	Years Ended June 30,				
	2016	2015	2014	2013	2012
OPERATING REVENUES					
Interest on Loans	\$ 25,935	\$ 27,242	\$ 28,679	\$ 31,575	\$ 39,268
Fees	106	72	92	20	225
Other Revenues	295	73	111	69	33
	<u>26,336</u>	<u>27,387</u>	<u>28,882</u>	<u>31,664</u>	<u>39,526</u>
OPERATING EXPENSES					
Program and Administrative Expenses, Net	<u>6,741</u>	<u>6,756</u>	<u>7,286</u>	<u>5,450</u>	<u>6,305</u>
OPERATING INCOME	19,595	20,631	21,596	26,214	33,221
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Interest on Investments	2,273	2,635	2,693	2,963	3,302
Interest and Debt Expense	(9,678)	(11,161)	(12,567)	(15,641)	(23,067)
Unrealized (Loss) Gain on Investments	797	(1,034)	(1,955)	(3,828)	4,442
	<u>(6,608)</u>	<u>(9,560)</u>	<u>(11,829)</u>	<u>(16,506)</u>	<u>(15,323)</u>
CHANGE IN NET POSITION	12,987	11,071	9,767	9,708	17,898
NET POSITION AT BEGINNING OF YEAR	318,309	307,814	298,047	278,339	260,967
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE*	-	(576)	-	-	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	-	307,238	-	-	-
Inter-program Transfers, Net	<u>8,300</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(526)</u>
NET POSITION AT END OF YEAR	<u>\$ 339,596</u>	<u>\$ 318,309</u>	<u>\$ 307,814</u>	<u>\$ 298,047</u>	<u>\$ 278,339</u>

*Restated for implementation of GASB 68

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. Unless otherwise required by the Code, 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 Housing Development Fund has established a program called the Movin' Up Program to provide financing from unrestricted earnings within the General Resolution. Earnings from this program will recycle to create a self-sustaining program. The Movin' Up Program is more fully described under "OTHER PROGRAMS OF THE HOUSING DEVELOPMENT FUND -- Other Housing Programs."

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 Fund Net Position – Housing Finance Program."

Interest on Loans represents interest income on mortgage loans made under the Housing Finance Program. The decreases in *Interest on Loans* from fiscal year 2012 through 2016 are due to prepayments and repayments exceeding mortgage loan originations as a result of the economic housing crisis.

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 \$207,000 in fiscal year 2012. There were no prepayment penalties in fiscal years 2013 through 2016. The increases in 2014 and 2016 are due to increases in loan origination fees.

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 2013 through 2015 are related to the rental income on foreclosed multifamily properties and fluctuations in the gains on the disposition of foreclosed properties. The increase in 2016 is related to the gain on sale of mortgage loans.

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 costs of issuance paid on certain Housing Finance Program Bonds. The decrease in 2013 is primarily due to a decrease in administrative expenses, a decrease in origination fees and loan servicing fees and a decrease in cost of issuance expenses. The increase in 2014 is primarily due to an increase in administrative expenses and an increase in loan origination fees. The decrease in 2015 is due to a decrease in loan origination fees, a decrease in loan loss provision expenses, a decrease in losses on the sale of foreclosed properties and an increase in cost of issuance expenses. There were no significant fluctuations in fiscal 2016.

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 2014 is related to a decrease in interest rates. The decreases in 2013 and 2016 are 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 2013 through 2016 are due to the decrease in the balance of bonds outstanding.

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 Fund Net Position.

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

- 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.
- During fiscal 2013, \$10,000,000 was transferred to the Housing Finance Program. \$4,000,000 was transferred from the Bond Insurance Fund and \$6,000,000 was transferred from Other Loan Programs. These funds were used to fund single family mortgages in the Housing Finance Program.
- During fiscal 2016, \$8,300,000 was transferred to the Housing Finance Program. \$5,000,000 and \$2,000,000 was transferred from the Bond Insurance Fund and Other Loan Programs, respectively, to fund single family mortgages in the Housing Finance Program. An Additional \$1,300,000 was transferred from the Bond Insurance Fund to the Housing Finance Program and deposited to the Capital Reserve Fund in the Housing Finance Program.

In fiscal 2017 (to date) the Housing Development Fund withdrew \$5,000,000 from the General Resolution and transferred the funds to Other Loan Programs to originate multifamily mortgage loans.

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 Code and to meet the requirements of the Act, the Resolutions, 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 (including underwriting guidelines established by Fannie Mae for Housing Finance Agencies under the "HFA Preferred Program"), and industry standards and guidelines. The policies and procedures of the Housing Development Fund may be modified from time to time, and it is expected that there may be variations in the implementation of the policies and procedures in particular cases.

In order to monitor the compliance of Program Loans with applicable requirements as described above, the Housing Development Fund currently engages a third-party vendor to perform quality control audits (the "Quality Control System"). The Quality Control System reviews a sample of purchased loans for compliance with the Code and Fannie Mae, Freddie Mac, insurer and guarantor and other 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, Code and regulatory requirements are met. Appraisals are reviewed on a percentage of the loans 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.

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 (with limited exceptions) 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; and (d) 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, and manufactured housing units permanently constructed or affixed on a mortgagor’s property.

A Program Loan may be assumed with the prior written 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 otherwise meet the requirement for participating established by the Housing Development Fund as set forth in the Procedural Guide (“Participating Lenders”). Each Participating Lender must execute a Loan Purchase Agreement that requires lenders to originate Program Loans in accordance with the requirements of the Procedural Guide, which includes all applicable requirements of the Code.

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.

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.

If substantial error or defect is discovered 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 accordance with the terms of the Loan Purchase Agreement and the Procedural Guide. 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 (including the 2017 AB 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.

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 one (1) year of federal income tax returns when three (3) years of residency is clearly disclosed on the loan application. When three (3) years residency, type of residency and landlord information is not disclosed on the loan application, tax returns for the previous three (3) years are required. 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. Housing Development Fund financed developments are subject to a Loan Agreement between the Housing Development Fund and the mortgagor which typically regulates, among other things, the rents, profits, occupancy, management and operation of the development. The management of the development is also typically governed by a Management Agreement and a Management Plan 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. The Housing Development Fund has the right to terminate the Management Agreement for failure of the managing agent to perform in accordance with the Management Plan approved by the Housing Development Fund.

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

The mortgagor is required to submit a variety of reports to 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 mortgagor is also required to submit to the Housing Development Fund annual audited financial statements for the development prepared by a certified public accountant. The Project Loan documents generally require that the Housing Development Fund approve any changes in the rental rates for a development.

Reserve for Replacement and Escrow for Real Estate Taxes, and Insurance Premiums. The Loan Agreement typically 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 and approved by the Housing Development Fund's Asset Management Department for all other requests. Disbursements are made primarily in accordance with 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.

For multifamily projects with credit enhancement, an escrow account for the payment of annual federal mortgage insurance/guarantee premiums is also maintained by the Housing Development Fund and funded by monthly payments by or on behalf of the mortgagor.

The Housing Development Fund requires each mortgagor to provide adequate insurance 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.

Housing Development Fund financed loans are often also subject to restrictions from a third party that provides credit enhancement to the loan (mortgage guarantee or insurance) such as the USDA Rural Development 538 Guaranteed Rural Rental Housing Program or HUD 221(d)(3) or 221(d)(4) Program.

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 are described below. Except as specified below, these activities are financed out of the general reserves of the Housing Development Fund. Such activities are not expected to have a material impact on such reserves or the amounts available to pay debt service on the Bonds under the General Resolution.

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 outstanding in the aggregate principal amount of \$77,855,000 as of February 1, 2017. 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 purchased under the U.S. Treasury's NIBP, the Housing Development Fund may issue additional bonds under the NIBP Resolution; however, the Housing Development Fund does not currently expect to issue any additional bonds under the NIBP Resolution. Bonds issued under the NIBP Resolution are secured by the Housing Development Fund's general obligation debt pledge and the Bond Insurance Fund. The Bonds, including the 2017 AB Bonds, are not secured by the NIBP Resolution.

In addition, the Housing Development Fund has issued under separate indentures three series of limited, special obligation bonds, currently outstanding in the aggregate amount of \$7,705,000. These special obligation bonds are secured by loan repayments and deeds of trust on three respective multi-family projects. None of the Housing Development Fund's other assets or revenues, including the 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.

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's 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.

In 1991, the Housing Development Fund established the 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 currently sold to FNMA. This program is intended to encourage the making of loans on more favorable terms than are available from small State lenders. As of January 31, 2017 the Housing Development Fund has sold over 13,200 loans to either FNMA or FHLMC through its Secondary Market Program.

The Movin' Up Program, which was approved by the Board of Directors on December 6, 2012, provides financing from funds within the General Resolution that are not proceeds of tax-exempt qualified mortgage bonds and therefore do not have to meet the requirements of the Code, such as no home ownership in the prior three years and certain income and purchase price limits. See "THE HOUSING FINANCE PROGRAM – Single Family Procedures and Policies – Requirements of the Code." The income limits in the Movin' Up Program are set by the Housing Development Fund's Board of Directors, and are generally higher than those set forth in the Code. The Housing Development Fund does, however, use the same purchase price limits for the Movin' Up Program as those set forth in the Code. 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 tax-exempt qualified mortgage bond program because they have previously owned homes.

The Leveraged Loan Program provides construction and/or 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 lenders or programs. Many of these loans are guaranteed under the USDA Section 538 Guaranteed Rural Rental Housing Program.

The Down Payment and Closing Cost 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. Such loans may not exceed the amount authorized by the Board (currently \$15,000).

The Mini-Mod Rehabilitation Program allows owners of rental properties to borrow up to \$25,000 per unit to rehabilitate existing rental units or construct new units. The amount of the loan depends upon the Housing Development Fund's lien position.

The West Virginia Property Rescue Initiative (PRI) provides loans to assist cities and counties throughout the State in the acquisition and/or demolition of blighted properties which constitute health and safety hazards. The PRI program was enacted by the Legislature in 2015 and requires the Housing Development Fund to contribute \$1,000,000 annually for five years beginning July 1, 2015 to establish a revolving loan program. The PRI program is subject to legislative restrictions.

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 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 Special Assistance Lending Program is designed to provide construction and rehabilitation assistance and financial assistance to organizations engaged in the development and operation of programs and/or properties that improve housing opportunities. This program works with a coordinated system of state and local organizations that provide non-traditional housing and/or critically needed services to special needs populations, such as the homeless, victims of domestic violence, neglected and abused children, the elderly, individuals with HIV, those recovering from alcohol and drug abuse, disabled Veterans and families in transition from shelters to traditional housing.

New Construction Financing Program

The New Construction Financing Program encourages West Virginia-licensed home builders and modular home dealerships to build single family homes for sale to the public at a price (of the home including all improvements) not to exceed the purchase price limits set by the Housing Development Fund from time to time. Currently, the Housing Development Fund sets the purchase price limits at those set by the Code in connection with tax-exempt qualified mortgage bonds. The program may provide financing for both land acquisition and construction.

Flood Assistance Programs

From time to time, the Housing Development Fund 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 is authorized to borrow up to \$1,000,000 from the DEP Clean Water Revolving Loan Fund. These funds are 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. 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. Due to the reduction in the federal award to the HOME Program as compared to prior years, the ten percent used to offset administrative costs no longer covers the Housing Development Fund's costs of administering the HOME Program. Therefore, uncovered costs of the HOME Program are paid by the General Fund. This program is restricted by federal regulations.

Housing Trust Fund

The Housing Trust Fund (HTF) is a new affordable housing production program funded by HUD that will complement existing Federal, state and local efforts to increase and preserve the supply of safe, decent and sanitary affordable housing for extremely low and very low-income households (30% or less of the area median income). HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. In 2016, the Housing Development Fund received \$3 million in HTF funds to develop qualified projects in West Virginia.

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.

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, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2017 AB Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) interest on the 2017 A Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; and (iii) interest on the 2017 B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Housing Development Fund and others in connection with the 2017 AB Bonds, and Bond Counsel has assumed compliance by the Housing Development Fund with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2017 AB Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2017 AB Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2017 AB Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2017 AB Bonds in order that interest on the 2017 AB Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2017 AB Bonds, yield and other restrictions on investments of gross proceeds of the 2017 AB Bonds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds of the 2017 AB Bonds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2017 AB Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Housing Development Fund has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2017 AB Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2017 AB Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2017 AB Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2017 AB Bonds.

Prospective owners of the 2017 AB Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2017 AB Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2017 AB Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2017 AB Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of 2017 AB Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any 2017 AB Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2017 AB Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a 2017 AB Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2017 AB Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that 2017 AB Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a

nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2017 AB Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2017 AB Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2017 AB Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

West Virginia Taxes

Under the Act, the 2017 AB 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 2017 AB 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 2017 AB Bonds under Federal or state law or otherwise prevent beneficial owners of the 2017 AB Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2017 AB Bonds.

Prospective purchasers of the 2017 AB Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Prior to the issuance of the 2017 AB Bonds, the Housing Development Fund will enter into a Continuing Disclosure Agreement with the Trustee, for the benefit of the holders of the 2017 AB Bonds, pursuant to which the Housing Development Fund will agree to provide certain financial information and operating data relating to the Housing Development Fund on an annual basis and to provide notices of the occurrence of certain enumerated events, in each case by filings with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access portal, EMMA. The Housing Development Fund will enter into the Continuing

Disclosure Agreement in order to assist the underwriter of the 2017 AB Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, as amended (the “Rule”). **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 2017 AB Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2017 AB Bonds and their market price and the ability of the Housing Development Fund to issue and sell bonds in the future.

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 2017 AB Bonds, or in any way contesting or affecting the validity of the 2017 AB Bonds or any proceedings of the Housing Development Fund taken with respect to moneys or security provided for the payment of the 2017 AB Bonds, or the existence or powers of the Housing Development Fund insofar as they relate to the authorization, sale and issuance of the 2017 AB Bonds or such pledge or the application of moneys and security.

APPROVAL OF LEGALITY

In connection with the issuance of the 2017 AB Bonds, legal matters incident to the authorization, issuance, sale and delivery of the 2017 AB 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 **APPENDIX 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, 2016 and 2015. 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 and posted on the EMMA website of the MSRB.

UNDERWRITING

The 2017 AB 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 \$269,709, which will include reimbursement of certain expenses, with respect to the offering and sale of the 2017 AB 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 2017 AB 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 July 14, 2016 plan of finance (including the 2017 AB 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 portal. 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 2017 AB 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 2017 AB 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 2017 AB 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 Housing Development Fund 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: March 9, 2017

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APPENDIX A-1
Project Loans Financed with Housing Finance Bonds
As of December 31, 2016 (unaudited)

	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											
(1)	Clay Apts.	Clay	1.00%	<u>\$321,806</u>	<u>\$79,295</u>	09/01/33	None	04/11/35	<u>8</u>	100%	100%	None
				\$321,806	\$79,295				8			
	Housing Finance Bonds 1998 Series E (held from various issues)											
(2)	Fifth Avenue	Huntington	0.00%	\$984,000	\$142,133	04/01/19	None	N/A	(3) 52	0%	85%	None
	The Virginian	Huntington	5.75%	\$252,864	\$66,698	07/01/28	None	N/A	12	0%	75%	None
	Parkland Place	Parkersburg	9.00%	\$3,136,600	\$186,909	08/01/17	221(d)(3)	11/30/30	133	100%	100%	None
	Franklin Manor	Martinsburg	8.25%	\$1,581,200	\$531,025	09/01/21	221(d)(4)	05/31/17	48	100%	100%	None
	Dylan Heights	Summersville	7.37%	\$1,475,000	\$1,362,003	03/01/45	USDA 538	N/A	48	0%	90%	None
	Jenna Landing	Sissonville	6.25%	\$1,403,000	\$1,266,510	03/01/45	USDA 538	N/A	48	0%	96%	None
	Plateau Oaks	Oak Hill	7.54%	\$786,028	\$724,708	10/01/44	USDA 538	N/A	32	0%	94%	None
	Princeton Towers	Princeton	7.50%	\$3,260,000	\$567,954	05/01/19	221(d)(4)	09/23/29	119	100%	98%	None
	Woda Canterbury	Elkins	6.25%	\$1,350,000	\$1,225,152	08/01/45	USDA 538	N/A	50	0%	90%	None
(4)	Mountain Cap		2.00%	\$1,580,000	\$1,135,578	03/01/29	None					None
	Orient Hills	Orient Hills					None	12/20/34	8	100%	88%	
	Hunter Ridge I	Bradley					None	02/22/32	8	100%	75%	
	Hunter Ridge II	Bradley					None	02/22/32	8	100%	75%	
	Rupert Apartments	Rupert					None	03/25/32	8	100%	100%	
	Spruce Villa	Phillipi					None	03/18/32	8	100%	100%	
	Woodland Heights	Salem					None	08/26/32	8	100%	100%	
	Cherry Falls	Webster Springs					None	09/30/32	6	100%	83%	
	Hunter Ridge III	Bradley					None	12/22/32	8	100%	50%	
	Quinwood Apts.	Quinwood					None	11/15/32	8	100%	63%	
	Rainelle Apts.	Rainelle					None	11/15/32	8	100%	100%	
	Rainelle Apts. II	Rainelle					None	03/07/33	8	100%	100%	
	Rupert Apts. II	Rupert					None	03/07/33	<u>8</u>	100%	88%	
				<u>\$15,808,692</u>	<u>\$7,208,669</u>				636			
	GRAND TOTAL:			<u>\$16,130,498</u>	<u>\$7,287,964</u>				<u>644</u>			

(1) This Project Loan was assumed by a new owner on September 5, 2013.

(2) This loan was previously foreclosed but is currently under new ownership.

(3) Private HAP contract exists with local Housing Authorities.

(4) The debt of the projects listed below were restructured and consolidated into one Project Loan. Their subsidy and occupancy information is listed by project.

APPENDIX A-1
Project Loans Financed with Housing Finance Bonds
As of December 31, 2016 (unaudited)

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	29	\$55,369,000
2002 BC Bonds	6	\$16,771,000
2003 C Bonds	11	\$13,472,000
TOTAL PREPAYMENTS	84	\$98,828,000

(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, 2016 (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 General Resolution. This information does not include 397 loans in the aggregate amount of \$5,248,136 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	2,181	24.49%	\$ 166,067	\$ 125,221
Privately Insured	1,712	30.81%	172,196	157,501
Uninsured	2,809	27.26%	189,831	139,383 (1)
VA	373	3.40%	26,965	17,368
USDA RHS	892	14.04%	91,688	71,762
Totals	<u>7,967</u>	<u>100.00%</u>	<u>\$ 646,747</u>	<u>\$ 511,235</u>

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	5,918	59.22%	\$ 421,579	\$ 302,753
81 to 85%	963	16.85%	97,675	86,135
86 to 90%	529	10.44%	56,835	53,396
91 to 95%	455	10.94%	57,507	55,910
over 95%	102	2.55%	13,151	13,041
Totals	<u>7,967</u>	<u>100.00%</u>	<u>\$ 646,747</u>	<u>\$ 511,235</u>

PROGRAM LOANS PURCHASED BY ORIGINAL PRINCIPAL AMOUNT

Program Loan	Amount	Number of Program Loans				
		Uninsured	Privately Insured	VA	FHA	RHS
Less than \$30,000	\$ 2,922	160	3	7	47	8
30,000 to 39,999	10,873	280	32	33	183	30
40,000 to 49,999	26,264	452	65	68	311	60
50,000 to 59,999	41,289	502	128	50	356	71
60,000 to 69,999	52,358	421	214	53	303	100
70,000 to 79,999	51,424	286	227	42	254	84
80,000 to 89,999	45,261	188	184	42	184	76
90,000 to 99,999	34,817	114	142	20	105	59
100,000 and over	246,027	406	717	58	438	404
Totals	<u>\$ 511,235</u>	<u>2,809</u>	<u>1,712</u>	<u>373</u>	<u>2,181</u>	<u>892</u>

(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, 2016 (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	687	\$ 67,282	42.72%	13.16%
GE Mortgage Insurance	772	71,684	45.51%	14.02%
PMI Insurance Company	99	6,213	3.94%	1.22%
United Guarantee	43	3,239	2.06%	0.63%
RMIC	34	2,284	1.45%	0.45%
Radian	36	3,471	2.20%	0.68%
Other PMI Companies	41	3,328	2.11%	0.65%
Totals	1,712	\$ 157,501	100.00%	30.81% (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, 2016.

Months Past Due	Housing Finance Program Percentage Delinquent					West Virginia	USA
	6/30/2013	6/30/2014	6/30/2015	6/30/2016	12/31/2016	12/31/2016	12/31/2016
One	6.21%	5.12%	4.51%	4.40%	4.76%	3.88%	2.59%
Two	1.46%	1.51%	1.43%	1.47%	1.79%	1.30%	0.88%
Three	0.63%	0.64%	0.66%	0.67%	1.83%	1.89%	1.60%
In foreclosure	2.44%	2.24%	1.52%	2.23%	2.45%	1.24%	1.53%

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	297	695	670	292	227	2,181
Privately Insured	50	272	465	375	550	1,712
Uninsured	405	935	810	391	268	2,809
VA	32	118	134	57	32	373
RHS	50	235	294	181	132	892
Totals	834	2,255	2,373	1,296	1,209	7,967
Original Principal Amount	\$ 37,503	\$ 138,416	\$ 186,826	\$ 127,162	\$ 156,840	\$ 646,747
Percentage of Portfolio	10.47%	28.30%	29.80%	16.27%	15.18%	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, 2016 (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
2017 (to date)	\$19,573	\$9,595	\$11,064
2016	33,740	26,365	26,545
2015	34,751	31,970	30,326
2014	41,791	31,175	27,877
2013	66,945	90,600	25,763
	<u>\$ 196,800</u>	<u>\$ 189,705</u>	<u>\$ 121,575</u>

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APPENDIX A-3
Summary of Housing Finance Program Single Family Loans Outstanding
As of December 31, 2016 (unaudited)
(Dollars in Thousands)

Issue	Weighted Average Interest Rate per Issue (1)	Number of Outstanding Mortgage Loans	Original Balance of Outstanding Mortgage Loans	Outstanding Balance of Mortgage Loans
1998 E (2) (4)	5.781%	2,361	\$ 165,973	\$ 108,679
Movin' Up (3) (4)	4.111%	836	96,961	93,437
2007 A (4)	5.645%	258	25,149	20,581
2007 B (4)	5.956%	60	6,076	5,133
2007 C (4)	5.580%	70	6,522	5,452
2010 ABC (4)	5.131%	1,299	87,615	59,733
2011 A (4)	5.604%	401	31,230	24,024
2013 A (4)	5.277%	217	16,903	13,395
2013 BC (4)	4.661%	488	43,053	38,160
2014 AB (4)	4.416%	550	46,644	39,679
2015 AB (4)	4.457%	661	54,029	43,322
2015 CD (4) (5)	4.629%	766	66,592	59,640
Totals		<u>7,967</u>	<u>\$ 646,747</u>	<u>\$ 511,235</u>

- (1) All loans are fixed-rate loans.
- (2) This outstanding loan balance consists of mortgage loans transferred from various Housing Finance Bond issues which have been refunded or redeemed.
- (3) The Movin' Up Program provides financing for borrowers seeking to sell their current residence and purchase a new residence from amounts under the General Resolution that are not subject to Code requirements applicable to first-time homebuyers. The income limits in the Movin' Up Program are generally higher than those set by the Code for first-time homebuyers. Although not required by the Code, the Movin' Up Program follows the purchase price limits set by the Code for first-time homebuyers.
- (4) This issue permits the purchase of additional Program Loans from certain recoveries of principal and surplus revenues. However, the Housing Development Fund may instead elect to redeem bonds from such recoveries of principal and surplus revenues where economically prudent.
- (5) Lendable proceeds in this issue remain unexpended as of January 31, 2017. See "Introduction".

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APPENDIX A-4
Summary of Housing Finance Bonds Outstanding
As of February 1, 2017 (unaudited)
(Dollars in Thousands)

Issue (1)	Interest Rates of Outstanding Maturities	Original Issue Amount	Scheduled Maturities and Sinking Fund Payments	Early Redemptions from Prepayments, Excess Revenues, and Reserves	Amount Outstanding February 1, 2017
2007 A (3)	4.375%-4.50%	\$ 60,000	\$ 9,055	\$ 34,815	\$ 16,130
2007 B	6.00%	40,000	3,305	36,405	290
2007 C	5.75%	35,000	2,695	32,010	295
2010 ABC	2.65%-4.25%	130,870	40,400	70,885	19,585
2011 A (2)	2.559%-3.622%	50,000	23,485	-	26,515
2013 A (2)	1.23%-3.20%	21,000	4,230	-	16,770
2013 BC	1.80%-4.50%	47,500	5,945	16,635	24,920
2014 AB	1.05%-4.10%	48,865	4,475	4,375	40,015
2015 AB	1.00%-3.95%	50,660	3,560	3,705	43,395
2015 CD	1.00%-4.10%	70,060	1,105	3,030	65,925
Totals		<u>\$ 553,955</u>	<u>\$ 98,255</u>	<u>\$ 201,860</u>	<u>\$ 253,840</u>

(1) All listed issues finance Program Loans (primarily single family).

(2) Taxable Issues.

(3) The 2007 A Bonds will be refunded with the issuance of the 2017 AB Bonds.

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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”) (formerly 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 Federal Housing Administration (“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, adjusted annually as specified by HUD and the eligible tenants’ rental contributions. Housing assistance payments provide a subsidy for the benefit of families whose incomes generally do not exceed 50% of the median income (adjusted for family size), as determined by HUD, in the area where the housing is located.

Subsidy Contracts – The National Housing Act of 1937 directs HUD to contract with Public Housing Authorities to administer and implement federal rental assistance contracts. The State’s Section 8 project based subsidy program is administered by the Housing Development Fund. 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 monthly 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 eligible 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 authorized or approved by HUD.

The HAPC is usually for an initial term of 20 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 30 or 40 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 and published in the Federal Register, 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 is generally 30% of adjusted family income, with a minimum rent of \$25 a month. The total rental income from subsidized housing units payable to the owner is equal to the contract rent, part being paid by the tenants directly to the owner and the remainder subsidized by HUD and paid 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 to determine any necessary changes to the payment contribution.

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, operating cost 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, for a limited period of time, when the dwelling unit is not occupied.

If requested, 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 60 days subject to compliance by the mortgagor with certain conditions relating primarily to a diligent effort to rent the subsidized unit. If requested, the payment of a subsidy with respect to a dwelling unit vacant after initial rent-up may continue, after such 60-day period, for one or more additional periods of up to 12 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 mortgagor 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 mortgagor 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 mortgagor.

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 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 30 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% 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% 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%. 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 MORTGAGE INSURANCE

The Housing Development Fund requires private mortgage insurance coverage for all Program Loans if the principal amount of the Program Loan exceeds 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 for Housing Finance Agencies under the Fannie Mae “HFA Preferred” 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-foreclosure 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 of the unpaid principal balance plus a portion of the accrued interest; usual and customary attorneys’ fees; real estate taxes; a portion of the hazard and private mortgage insurance premiums necessarily advanced by the insured; some 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”) (formerly 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 30 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 request the borrower to participate in an interview for the purpose of resolving the past due account before the loan becomes 90 days past due and to recommend, for approval by RHS: a) deferral, b) reamortization or c) liquidation, of the loan.

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% 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 a population of less than 10,000 (and in some cases up to 35,000).

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.

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APPENDIX C

WEST VIRGINIA HOUSING DEVELOPMENT FUND

**AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE
YEARS ENDED JUNE 30, 2016 AND 2015**

Audited Financial Statements

WEST VIRGINIA HOUSING DEVELOPMENT FUND

For the Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Housing Development Fund (the Fund), a component unit of the State of West Virginia, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2016 and 2015, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, and the schedule of the proportionate share of the net pension liability and the schedule of contributions to the PERS and the accompanying notes for required supplementary information on pages 34 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Gibbons & Kawash, A.C.".

Charleston, West Virginia
October 24, 2016

**WEST VIRGINIA HOUSING DEVELOPMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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, 2016, the Fund has provided assistance for more than 119,000 housing or housing-related units.

The permanent staff of the Fund consists of 102 persons, including professional staff members qualified in the fields of accounting, appraisal, finance, law, mortgage underwriting, mortgage loan servicing, secondary mortgage markets, planning, cost estimation, construction, inspection, and housing management. 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 12 bond issues totaling \$363,085,000 par amount outstanding under its bond resolutions. The bonds are rated "AAA" by Standard & Poor's Public Ratings Services (S&P) and "Aaa" by Moody's Investors Service, Inc. (Moody's).

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. The restricted net position of the Fund includes the net position 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 Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position as of and for the years ended June 30, 2016, 2015 and 2014.

USING THIS REPORT

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

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. 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 or S&P 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.

The financial statements of the Fund are prepared in conformity with accounting principles generally accepted in the United States of America for state housing finance enterprise funds. The Statements of Net Position 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 position 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 Fund Net Position 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 Position at June 30:

(Dollars in thousands)	2016	2015	2014
ASSETS			
Current assets	\$ 62,658	\$ 70,335	\$ 77,422
Noncurrent assets:			
Mortgage loans & Restricted mortgage loans, net of allowance for losses	665,141	674,581	690,048
Restricted Federal Program mortgage loans, net of allowance for losses	62,798	55,176	48,963
Restricted cash and cash equivalents	37,107	42,408	19,073
Investments & Restricted investments	93,506	82,223	97,522
Capital assets, net of depreciation	9,032	9,378	9,985
Other assets & Restricted other assets, net of allowance for losses	7,179	9,158	7,720
Total assets	937,421	943,259	950,733
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	1,974	906	-
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	17,469	17,466	18,010
Accrued interest payable	1,903	2,115	2,515
Bonds payable	33,975	32,765	68,815
Noncurrent liabilities:			
Bonds & notes payable, net	329,905	358,682	348,020
Other liabilities	66,117	57,719	49,333
Total liabilities	449,369	468,747	486,693
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	1,489	1,615	-
NET POSITION			
Investment in capital assets	9,378	9,378	9,985
Net position - Restricted	412,542	394,353	381,359
Net position - Unrestricted	66,617	70,072	72,696
TOTAL NET POSITION	<u>\$ 488,537</u>	<u>\$ 473,803</u>	<u>\$ 464,040</u>

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 \$7,677,000 (10.9%), in **Current assets** from 2015 to 2016 was primarily due to a decrease of \$4,763,000 in cash at the end of the fiscal year due to program disbursements and a decrease of \$2,697,000 in the balance of Mortgage Loans Held for Sale.

The decrease of \$7,087,000 (9.2%), in **Current assets** from 2014 to 2015 was primarily due to funds on hand at the end of fiscal year 2014 were used for bond redemptions and recycled into additional mortgage loans during fiscal year 2015.

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

The decrease of \$9,440,000 (1.4 %) in **Mortgage loans & Restricted mortgage loans, net of allowance for losses** from 2015 to 2016 was primarily due to the sale of mortgage loans in the amount of \$10,089,000, net of originations of \$75,195,000 exceeding loan prepayments and repayments of \$69,511,000 and foreclosures of \$5,115,000.

The decrease of \$15,467,000 (2.2 %) in **Mortgage loans & Restricted mortgage loans, net of allowance for losses** from 2014 to 2015 was primarily due to mortgage loan prepayment and repayments of \$67,991,000 and foreclosures of \$6,738,000 exceeding loan originations of \$59,578,000, loans sold in the amount of \$450,000 and a decrease of \$133,000 in loan loss provisions. Mortgage loan balances in the Bond Programs decreased approximately \$15,316,000 from 2014 to 2015.

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 decrease of \$5,301,000 (12.5%) in **Restricted cash and cash equivalents** from 2015 to 2016 was primarily due to a \$6,716,000 decrease due to short-term funds on hand in 2015 invested long-term in 2016, net of a \$1,414,000 increase in the balance of funds available to purchase single family mortgage loans.

The increase of \$23,335,000 (122.3%) in **Restricted cash and cash equivalents** from 2014 to 2015 was primarily due to a \$15,382,000 increase in the balance of funds available to purchase single family mortgage loans and a \$7,953,000 increase due to the proceeds of long-term maturities 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.

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. Certain investments are required to be recorded at fair value and the unrealized gains or losses be reported in the Statements of Revenues, Expenses and Changes in Fund Net Position.

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

(Dollars in thousands)	2016	2015	2014
Balance at beginning of fiscal year	\$ 82,223	\$ 97,522	\$ 102,842
Sales, maturities and amortization	(38,750)	(42,759)	(46,835)
Purchases	47,930	28,499	42,008
Increase/(Decrease) in fair value of investments	2,103	(1,039)	(493)
Balance at end of fiscal year	<u>\$ 93,506</u>	<u>\$ 82,223</u>	<u>\$ 97,522</u>

Capital assets, net of depreciation See Note A – Capital assets, net of depreciation

The decrease of \$346,000 (3.7%) from 2015 to 2016 was due to depreciation of the Fund's office building, equipment, furnishings and software in the amount of \$494,000, net of the purchase of equipment and software of \$148,000.

The decrease of \$607,000 (6.1%) from 2014 to 2015 was due to depreciation of the Fund's office building, equipment, furnishings and software.

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

The decrease of \$1,979,000 (21.6%) in Other assets and Restricted other assets, net of allowance for losses from 2015 to 2016 was primarily due to a decrease in foreclosed properties of \$1,625,000 and an increase of \$332,000 for loss provisions on land owned.

The increase of \$1,438,000 (18.6%) in Other assets and Restricted other assets, net of allowance for losses from 2014 to 2015 was primarily due to an increase in foreclosed properties of \$1,023,000 and a \$687,000 increase in land owned.

Deferred outflows of resources related to pension and Deferred inflows of resources related to pension See Note A – Accounting methods

Deferred outflows and inflows of resources are directly related to the activity described in Note F to the financial statements in accounting for the changes in the Fund's proportionate share of the West Virginia Public Employees Retirement System's net pension liability.

Accounts payable and other liabilities

The increase of \$3,000 (0.0%) in Accounts payable and other liabilities from 2015 to 2016 was primarily due to an increase in the rebate liability of \$426,000, a decrease of \$338,000 in tax and insurance accounts held on behalf of the Fund's various mortgagors and a decrease of \$96,000 in accrued expenses at year-end.

The decrease of \$544,000 (3.0%) in Accounts payable and other liabilities from 2014 to 2015 was primarily due to a decrease in the rebate liability of \$214,000, a decrease of \$210,000 in accrued expenses at year-end and a decrease of \$120,000 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 2016 and 2015. See Note D – Bonds & Notes payable, current and noncurrent.

(Dollars in thousands)	2016	2015	2014
Balance at beginning of the fiscal year			
Bonds payable - current	\$ 32,765	\$ 68,815	\$ 40,425
Bonds payable - noncurrent	358,682	348,020	415,273
Debt issued: Housing Finance Bonds	70,060	99,525	47,500
Other Loan Programs note payable	-	250	250
Debt paid: Scheduled debt service - Bonds & notes payable	(24,458)	(23,490)	(23,052)
Early redemptions and refundings	(72,880)	(101,225)	(63,055)
Amortization of bond premiums	(289)	(448)	(506)
Balance at end of the fiscal year	<u>\$ 363,880</u>	<u>\$ 391,447</u>	<u>\$ 416,835</u>
Bonds payable - current	\$ 33,975	\$ 32,765	\$ 68,815
Bonds & notes payable - noncurrent	329,905	358,682	348,020
Total bonds & notes payable	<u>\$ 363,880</u>	<u>\$ 391,447</u>	<u>\$ 416,835</u>

Other liabilities

The increase of \$8,386,000 (17.0%) and increase of \$8,398,000 (14.5%) in Other liabilities from 2014 to 2015 and from 2015 to 2016, respectively, was due to Federal Programs mortgage loan originations exceeding repayments and prepayments. In addition, in 2015 a net pension liability of \$1,526,000 was established due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In 2016 the net pension liability increased \$784,000 to \$2,310,000. See *Note F – Retirement Plan*.

Total Net Position improved by \$9,763,000 (2.1%) from June 30, 2014 to June 30, 2015. From June 30, 2015 to June 30, 2016, Total Net Position improved by \$14,734,000 (3.1%) as the net position of the Fund improved to \$488,537,000 at June 30, 2016.

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

(Dollars in thousands)	2016	2015	2014
REVENUES			
Interest on loans	\$ 32,296	\$ 34,014	\$ 35,907
Pass-through grant revenue	75,910	75,785	67,454
Fee revenue	6,444	6,386	6,402
Net investment earnings (non-operating)	5,116	2,998	3,402
Gain on sale of capital assets	-	-	15
Other	1,407	980	977
Total Revenues	121,173	120,163	114,157
EXPENSES			
Pass-through grant expense	75,910	75,785	67,454
Interest and debt expense (non-operating)	12,183	13,900	15,469
Loan fees expense	3,943	3,758	3,825
Program expenses, net	3,551	3,991	3,964
Administrative expenses, net	10,852	10,156	9,710
Total Expenses	106,439	107,590	100,422
CHANGE IN NET POSITION	14,734	12,573	13,735
NET POSITION AT BEGINNING OF YEAR	473,803	461,230 *	450,305
NET POSITION AT END OF YEAR	\$ 488,537	\$ 473,803	\$ 464,040
*Restated for implementation of GASB 68			

Interest on loans

The decrease in Interest on loans of \$1,718,000 (5.1%) and \$1,893,000 (5.3%) from 2015 to 2016 and 2014 to 2015, respectively, 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.

The increase of \$125,000 (.2%) from 2015 to 2016 was primarily due to an increase of \$948,000 in the Section 8 Housing Assistance Payments Program (HAP) disbursements, net of a decrease in HOME disbursement of \$823,000.

The increase of \$8,331,000 (12.4%) from 2014 to 2015 was primarily due to HOME disbursements as well as an increase in the Section 8 Housing Assistance Payments Program (HAP) disbursements.

Fee revenue

The increase of \$58,000 (0.9%) in Fee revenue from 2015 to 2016 was due to an increase of \$102,000 in Low-Income Housing Tax Credit fees, an increase of \$9,000 in Section 8 fees earned, net of a decrease of \$53,000 in mortgage loan processing fees.

The decrease of \$16,000 (0.2%) in Fee revenue from 2014 to 2015 was primarily due to a decrease of \$189,000 in mortgage loan fees and an increase in Low-Income Housing Tax Credit fees in the amount of \$172,000.

Net investment earnings

Net investment earnings decreased \$404,000 (11.9%) from 2014 to 2015 and increased \$2,118,000 (70.6%) from 2015 to 2016 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 Generally Accepted Accounting Principles (GAAP). As shown in the schedule below, the Fund's investment earnings, adjusted for the unrealized gains or losses, decreased .4% from 2014 to 2015 and decreased an additional 7.9% from 2015 to 2016 due to lower cash and investment balances and higher coupon securities called throughout the year and reinvested at lower rates.

(Dollars in thousands)	June 30,		
	2016	2015	2014
Net investment income per operating statement	\$ 5,116	\$ 2,998	\$ 3,402
Adjustments for unrealized loss on fair value of securities	(1,587)	834	447
Interest earned on investments	<u>\$ 3,529</u>	<u>\$ 3,832</u>	<u>\$ 3,849</u>
% Decrease from prior year	(7.9%)	(0.4%)	

Other revenues

The increase of \$427,000 (43.6%) in Other revenues from 2015 to 2016 was primarily due to an increase in gains on sale of mortgage loans.

The decrease of \$12,000 (1.2%) in Other revenues from 2014 to 2015 was primarily due to a decrease in gains on sale of capital assets related to the sale of the Fund's office building in 2014.

Interest and debt expense

The \$1,717,000 (12.4%) decrease in Interest and debt expense from 2015 to 2016 was primarily due to \$97,334,000 in bond redemptions, refundings and debt service exceeding bond issuances of \$70,060,000 during 2016.

The \$1,569,000 (10.1%) decrease in Interest and debt expense from 2014 to 2015 was primarily due to \$124,715,000 in bond redemptions, refundings and debt service exceeding bond issuances of \$99,775,000 during 2015.

Loan fees expense

The \$185,000 (4.9%) increase in Loan fees expense was primarily due to an increase in loan origination fees due to an increase in loan originations.

The \$67,000 (1.8%) decrease in Loan fees expense was primarily due to a decrease in service fees due to a decrease in loan balances.

Program expenses, net

The \$440,000 (11.0%) decrease in Program expenses, net from 2015 to 2016 was primarily due to a decrease of \$360,000 in cost of issuance expenses, a decrease of \$292,000 in servicing expense net of a \$210,000 increase in Special Needs disbursements.

The \$27,000 (0.7%) increase in Program expenses, net from 2014 to 2015 was primarily due to an increase of \$456,000 in cost of issuance expenses, an increase of \$183,000 in servicing expense net of a \$380,000 decrease in Special Needs disbursements, a decrease of \$174,000 in losses on foreclosed properties and a \$34,000 decrease in bad debt expense.

Administrative expenses, net

The \$696,000 (6.9%) increase in Administrative expenses, net from 2015 to 2016 was primarily due to a \$727,000 decrease in administrative reimbursements from the HOME program.

The \$446,000 (4.6%) increase in Administrative expenses, net from 2014 to 2015 was primarily due to a decrease in administrative reimbursements from the HOME program.

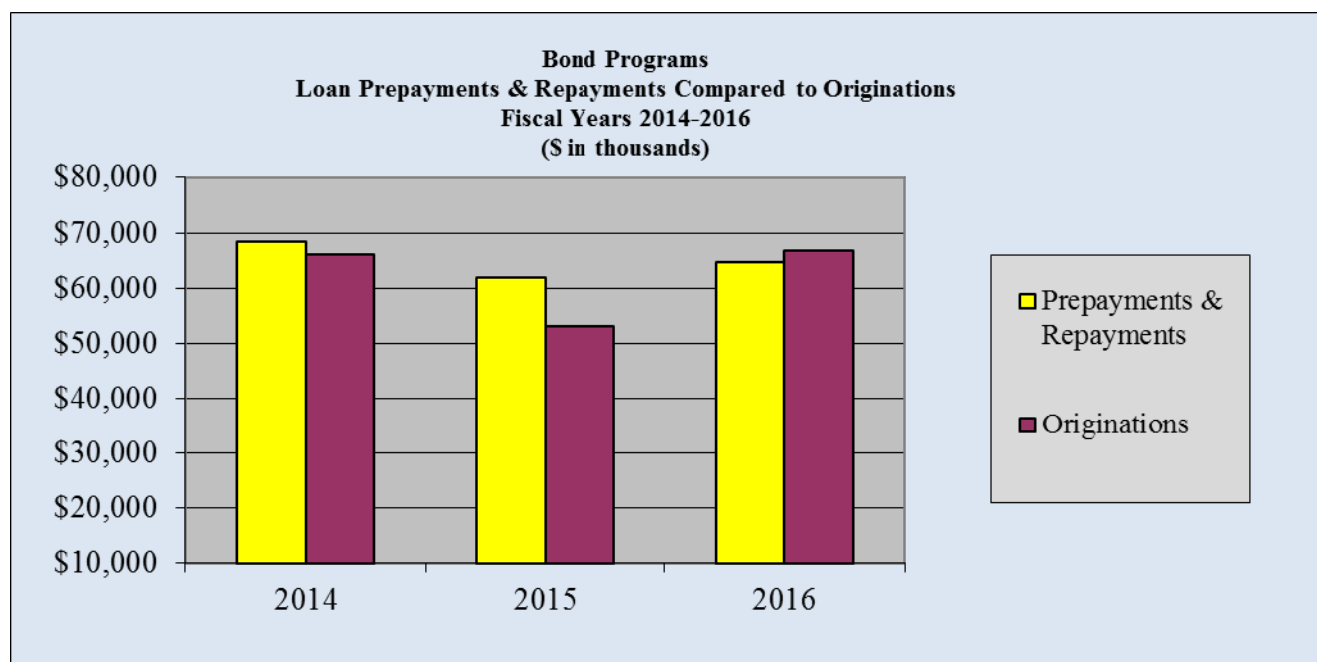
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

Since the onset of the housing crisis in 2009, the fund's single family mortgage loan originations have declined due to several related factors. During this time conventional mortgage rates have been comparable to the Funds tax-exempt bond mortgage rates reducing the Fund's traditional competitive edge of mortgage rates. In addition, lending guidelines have been more restrictive, preventing many borrowers from qualifying for home mortgage loans. Record low interest rates have also contributed to a large number of borrowers refinancing their Bond Program loans. The Bond Programs mortgage loan balances decreased \$9,553,000 in fiscal year 2014 and \$15,316,000 in fiscal 2015 as a result of mortgage loan repayments and prepayments exceeding loan originations by \$2,334,000 and \$8,762,000, respectively and foreclosures of \$7,219,000 and \$6,554,000, respectively. Fiscal year 2016 Bond Program mortgage loan balances decreased \$12,088,000. For the first time since 2008, originations exceeded prepayments and repayments in 2016 by \$2,367,000, but was offset with the sale of \$9,621,000 in loans to the Secondary Market and foreclosures of \$4,834,000. 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 2014 through fiscal year 2016 for the Bond Programs.



Interest rates on new single family bond loans originated in fiscal year 2016 have averaged approximately 3.68%. 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, 2014	4.97%
June 30, 2015	4.91%
June 30, 2016	4.66%

The Fund's Bond Programs consist of 30-year fixed rate loans and no sub-prime loans. The median income of Fund borrowers is \$41,923. This income level tends to be impacted quicker than an average borrower during economic declines. Despite the economic downturn in the State related to the decline in coal and gas sector jobs, the Fund has not seen a significant increase in foreclosures and delinquencies. For the years 2014 through 2016 the Fund's foreclosure and delinquency rates have remained stable with the exception of the Three + category increase in 2016. This is attributable to an increase in the number of loans in loss mitigation while the Fund assists those borrowers through financial difficulties. The Fund will continue to monitor delinquencies and increase communication with borrowers through monthly statements to control delinquencies where possible and/or modify loans as borrowers deal with unemployment.

Delinquency Rates					
	WV Housing Development Fund			WV*	USA*
	As of June 30,			As of	
	2014	2015	2016	March 31, 2016	
Months Past Due					
One	4.88%	4.29%	4.30%	3.07%	2.12%
Two	1.35%	1.29%	1.35%	0.95%	0.74%
Three	0.55%	0.60%	0.69%	1.61%	1.55%
Three +	1.98%	1.37%	2.12%	2.73%	3.29%
In foreclosure	0.16%	0.18%	0.32%	1.12%	1.74%
*Most current data available.					

Investments

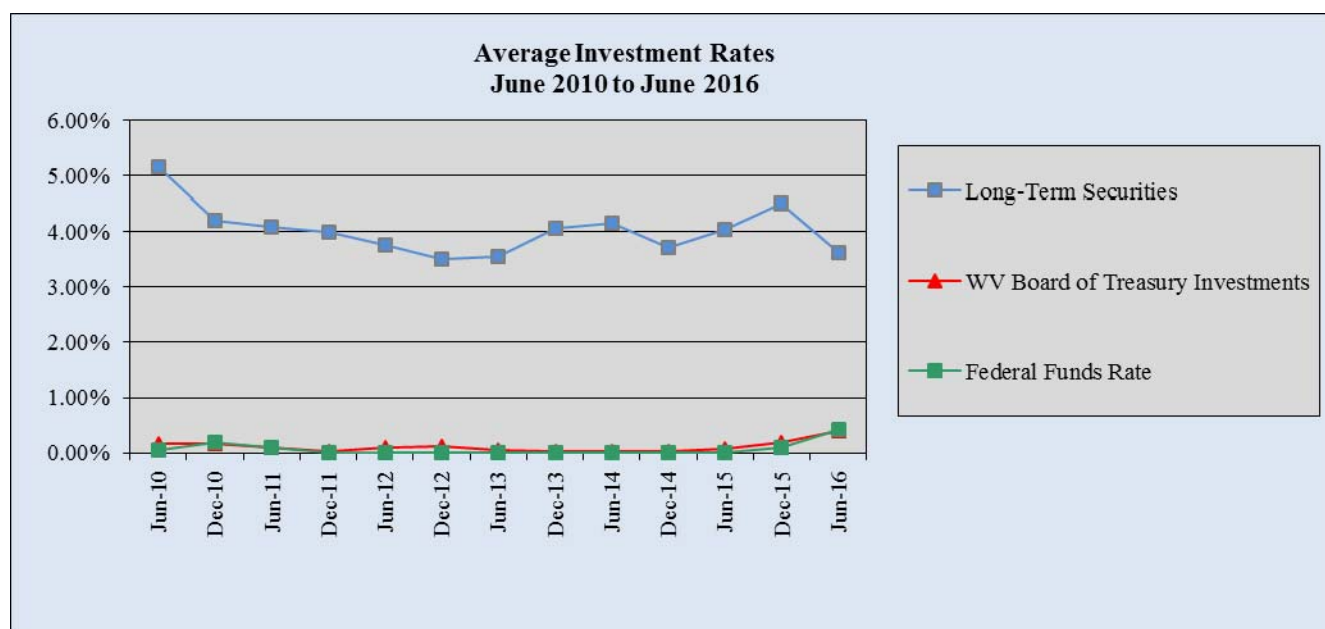
The Fund invests cash not required for immediate disbursement as permitted by the Act, the bond resolutions, and the Board approved Investment Policy. Funds related to the Bond Programs capital reserves and the Bond Insurance Account are primarily invested in long-term United States agency securities and FDIC insured certificates of deposit or collateralized certificates of deposit, 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, the Fund's long-term average rates are decreasing due to lower yield opportunities for the reinvestment of these funds.

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 rates for short-term investments and the WVBOTI has been consistent with the Federal Funds rate and remained at a historical low of 0.00% to 0.25% from 2009 through 2015. In December 2015, the Federal Funds rate increased to 0.25% to 0.50%. Due to market conditions the Fund invests 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 .4% from 2014 to 2015, net of unrealized gains or losses, and an additional 7.9% from 2015 to 2016, net of unrealized gains or losses. The decrease in 2016 was primarily due to lower cash and investment balances and the call of higher coupon investments throughout the year that were reinvested at lower rates.

Below is a summary of the average investment rates from June 2010 to June 2016:



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.

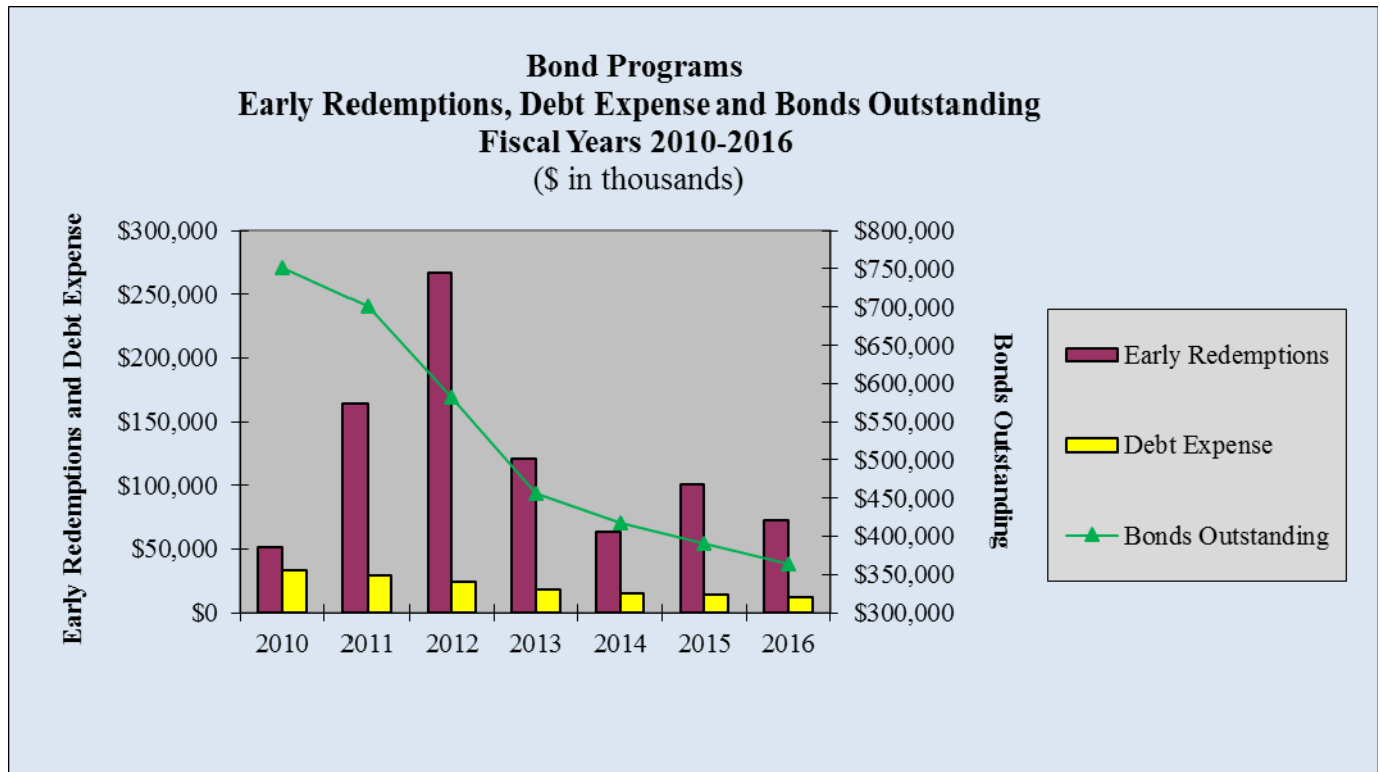
When bonds are issued from the bond volume allocation, known as “new money” bonds, certain repayments and prepayments of mortgage loans made from these proceeds may be “recycled” into additional mortgage loans for ten years. The Fund uses recycling to supplement its bond issues by using prepayments for 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 2017 the Fund expects to continue to recycle mortgage loan repayments from its bond issues when it is economically prudent to do so.

The Fund created the Movin’ Up program as a long-term strategy intended to be a self-funding lending program as an alternative to dependency on the bond market and a method of assisting moderate income borrowers. The program is designed to attract a new market to our single family loan program and provide a long-term increase in our mortgage loan balances. Unlike other single family bond programs the Fund offers, the Movin’ Up Program does not have a first time homebuyer restriction and has significantly higher income limits than other single family programs offered. Its target market is for moderate income buyers who may have outgrown their current homes and want to move up to a larger home or move on to a home of greater value and provides the borrower with down payment and closing cost assistance.

During fiscal years 2014, 2015 and 2016, the Fund redeemed or refunded \$63,055,000, \$101,225,000 and \$72,880,000 in bonds, respectively. In addition, 2014, 2015 and 2016 redemptions included the refunding of bonds in the amount of \$27,500,000, \$69,320,000 and \$40,060,000, respectively.

Debt expense was \$15,469,000, \$13,900,000 and \$12,183,000 in fiscal years 2014, 2015 and 2016, respectively. Debt expense decreased in 2015 and 2016 as compared to 2014 due to lower bond balances as a result of redemptions exceeding new debt issuances and interest savings resulting from refundings of high rate bonds.

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



By actively redeeming bonds the Fund has offset the impact of reduced mortgage loan balances and rates.

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 \$1.2 billion. Servicing fee income in the amount of \$3,185,000 represents 7.93% of the Fund's operating revenues, net of pass through grant revenue, for the fiscal year ended June 30, 2016.

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 POSITION
(Dollars in Thousands)

	June 30,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents-- <i>(Notes A and C)</i>	\$ 14,707	\$ 21,224
Accrued interest on loans	196	217
Accounts receivable and other assets, net of allowance for losses-- <i>(Note A)</i>	961	1,043
Mortgage loans held for sale-- <i>(Note A)</i>	328	3,025
Restricted cash and cash equivalents-- <i>(Notes A and C)</i>	43,359	41,427
Restricted accrued interest on loans	2,453	2,548
Restricted accrued interest on investments	654	851
Total current assets	62,658	70,335
Noncurrent assets:		
Mortgage loans, net of allowance for losses-- <i>(Note A)</i>	50,382	47,296
Capital assets, net of depreciation-- <i>(Note A)</i>	9,032	9,378
Restricted cash and cash equivalents-- <i>(Notes A and C)</i>	37,107	42,408
Restricted investments-- <i>(Notes A and C)</i>	93,506	82,223
Restricted mortgage loans, net of allowance for losses-- <i>(Note A)</i>	677,557	682,461
Restricted other assets, net of allowance for losses-- <i>(Note A)</i>	7,179	9,158
Total noncurrent assets	874,763	872,924
Total assets	937,421	943,259
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	1,974	906
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities-- <i>(Note A)</i>	17,469	17,466
Accrued interest payable	1,903	2,115
Bonds payable-- <i>(Note D)</i>	33,975	32,765
Total current liabilities	53,347	52,346
Noncurrent liabilities:		
Other liabilities-- <i>(Note A)</i>	66,117	57,719
Bonds & notes payable-- <i>(Note D)</i>	329,905	358,682
Total noncurrent liabilities	396,022	416,401
Total liabilities	449,369	468,747
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	1,489	1,615
NET POSITION		
Restricted for debt service	341,213	319,293
Restricted by state statute for bond insurance and land development	71,329	75,060
Investment in capital assets	9,032	9,378
Unrestricted	66,963	70,072
Total net position	\$ 488,537	\$ 473,803

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 FUND NET POSITION
(Dollars in Thousands)

	Year Ended	
	June 30,	
	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Interest on loans	\$ 32,296	\$ 34,013
Pass-through grant revenue-- <i>(Note A)</i>	75,910	75,785
Fee revenue-- <i>(Note A)</i>	6,444	6,386
Other-- <i>(Note A)</i>	1,407	980
	<u>116,057</u>	<u>117,164</u>
OPERATING EXPENSES		
Pass-through grant expense-- <i>(Note A)</i>	75,910	75,785
Loan fees expense-- <i>(Note A)</i>	3,943	3,757
Program expenses, net-- <i>(Note A)</i>	3,551	3,991
Administrative expenses, net-- <i>(Note A)</i>	10,852	10,156
	<u>94,256</u>	<u>93,689</u>
OPERATING INCOME	21,801	23,475
NON-OPERATING - FINANCING AND		
INVESTING REVENUES (EXPENSES)		
Net investment earnings	5,116	2,998
Interest and debt expense	(12,183)	(13,900)
	<u>(7,067)</u>	<u>(10,902)</u>
CHANGE IN NET POSITION	14,734	12,573
NET POSITION AT BEGINNING OF YEAR	<u>473,803</u>	<u>461,230</u>
NET POSITION AT END OF YEAR	<u>\$ 488,537</u>	<u>\$ 473,803</u>

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,	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from lending activities	\$ 110,428	\$ 109,581
Receipts from other operating activities	7,773	7,293
Receipts from escrows and advance activities ⁽¹⁾	86,173	85,443
Disbursements from escrows and advance activities ⁽¹⁾	(85,484)	(84,981)
Receipts for federal lending activities	12,500	14,332
Receipts for federal activities	61,545	60,599
Disbursements for federal activities	(61,527)	(60,579)
Purchase of mortgage loans	(89,575)	(74,854)
Purchase of mortgage loans held for sale	(36,792)	(36,333)
Sales of mortgage loans	49,578	35,210
Payments to employees for salaries and benefits	(8,163)	(8,152)
Payments to vendors	(10,686)	(11,270)
Net cash provided by operating activities	35,770	36,289
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES		
Net proceeds from bonds and notes	70,060	99,775
Retirement of bonds and notes	(97,334)	(124,673)
Interest paid	(12,690)	(14,769)
Net cash used in noncapital financing activities	(39,964)	(39,667)
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment and furnishings	(148)	-
Net cash used in capital and related financing activities	(148)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments	38,750	42,827
Purchase of investments	(47,930)	(28,499)
Net investment earnings	3,636	3,737
Net cash (used in) provided by investing activities	(5,544)	18,065
Net (decrease) increase in cash and cash equivalents	(9,886)	14,687
Cash and cash equivalents at beginning of year	105,059	90,372
Cash and cash equivalents at end of year	<u>\$ 95,173</u>	<u>\$ 105,059</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 14,707	\$ 21,224
Restricted cash and cash equivalents - current	43,359	41,427
Restricted cash and cash equivalents - noncurrent	37,107	42,408
	<u>\$ 95,173</u>	<u>\$ 105,059</u>

⁽¹⁾ See Note A, Restricted cash and cash equivalents

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,	
	<u>2016</u>	<u>2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 21,801	\$ 23,475
Adjustments to reconcile operating income to net cash provided by operating activities:		
Pension expense	303	211
Change in assets and liabilities:		
Accrued interest on loans	21	30
Mortgage loans held for sale	2,697	(1,571)
Other assets	397	408
Allowance for losses on other assets	179	14
Restricted accrued interest on loans	95	184
Restricted other assets	2,435	(1,703)
Allowance for losses on restricted other assets	(456)	265
Mortgage loans	(3,612)	(1,716)
Allowance for losses on mortgage loans	526	(24)
Restricted mortgage loans	3,761	9,791
Allowance for losses on restricted mortgage loans	1,143	1,203
Accounts payable	(421)	(352)
Other liabilities, Federal Programs	7,615	6,860
Deferred outflows of resources - pension contributions	(714)	(786)
Net cash provided by operating activities	<u>\$ 35,770</u>	<u>\$ 36,289</u>
Noncash investing and financing activities:		
Increase (decrease) in fair value of investments	\$ 2,013	\$ (1,047)
Net amortization of premiums/discounts on investments	88	69

WEST VIRGINIA HOUSING DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS, AN INTEGRAL PART OF THE FINANCIAL STATEMENTS
June 30, 2016

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 Downpayment and Closing Cost Assistance Program, Secondary Market Program, Leveraged Loan Program, Mini-Mod Renovation Program, Flood Program, Demolition Program, Home Emergency Loan Program, Low-Income Assisted Mortgage Program, On-Site Septic Systems Loan Program, New Construction Financing Program and the Special Assistance Lending 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 using the flow of economic resources measurement focus and the accrual basis of accounting, which requires recognition of revenue when earned and expenses when incurred.

Reclassifications: Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Such reclassifications had no effect on Total Net Position.

Estimates – Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP). The significant estimates and assumptions are those required in the determination of the allowance for losses for the following items: accounts receivable and other assets, mortgage loans, restricted mortgage loans, and restricted other assets. Actual results in the near-term could differ from those estimates.

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 certain deposits with the West Virginia Board of Treasury Investments (WVBOTI).

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, 2016			June 30, 2015		
	Balance	Allowance	Net	Balance	Allowance	Net
Accounts receivable and other Assets:						
Accounts receivable	\$ 901	\$ (22)	\$ 879	\$ 969	\$ (8)	\$ 961
Land	117	(35)	82	117	(35)	82
Foreclosed property	295	(295)	-	131	(131)	-
Total	<u>\$ 1,313</u>	<u>\$ (352)</u>	<u>\$ 961</u>	<u>\$ 1,217</u>	<u>\$ (174)</u>	<u>\$ 1,043</u>

Mortgage loans held for sale: In its Secondary Market Program, the Fund purchases and sells fixed-rate mortgage loans, primarily to FNMA, on a servicing retained basis. The sale price is determined at the date of commitment and the commitment period generally ranges from 30 to 90 days. Mortgage loans held for sale are carried at the lower of aggregate cost or fair value.

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 \$14,437,000 at June 30, 2016 and \$13,705,000 at June 30, 2015. 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, 2016			June 30, 2015		
	Balance	Allowance	Net	Balance	Allowance	Net
Unrestricted Mortgage Loans:						
General Account	\$ 3,299	\$ (2,100)	\$ 1,199	\$ 3,566	\$ (2,214)	\$ 1,352
Other Loan Programs	62,511	(13,328)	49,183	58,632	(12,688)	45,944
Total	<u>\$ 65,810</u>	<u>\$ (15,428)</u>	<u>\$ 50,382</u>	<u>\$ 62,198</u>	<u>\$ (14,902)</u>	<u>\$ 47,296</u>

Capital assets, net of depreciation include land, buildings, equipment, furnishings and computer software that are stated at their original cost less accumulated depreciation. Capital asset expenditures of \$20,000 or more with a useful life greater than 1 year are capitalized at cost and reported net of accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets, which is 40 years for the building and from 3 to 10 years for furniture, equipment and software.

(Dollars in thousands)	June 30, 2015	Additions	Deletions	June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 1,810	\$ -	\$ -	\$ 1,810
Total capital assets, not being depreciated	<u>1,810</u>	<u>-</u>	<u>-</u>	<u>1,810</u>
Capital assets, being depreciated:				
Buildings	7,709	-	-	7,709
Equipment and furnishings	1,196	64	-	1,260
Computer software	447	84	-	531
Total capital assets, being depreciated	<u>9,352</u>	<u>148</u>	<u>-</u>	<u>9,500</u>
Less accumulated depreciation for:				
Buildings	(761)	(193)	-	(954)
Equipment and furnishings	(857)	(257)	-	(1,114)
Computer software	(166)	(44)	-	(210)
Total accumulated depreciation	<u>(1,784)</u>	<u>(494)</u>	<u>-</u>	<u>(2,278)</u>
Total capital assets being depreciated, net	<u>7,568</u>	<u>(346)</u>	<u>-</u>	<u>7,222</u>
Total capital assets, net	<u>\$ 9,378</u>	<u>\$ (346)</u>	<u>\$ -</u>	<u>\$ 9,032</u>

(Dollars in thousands)	June 30, 2014	Additions	Deletions	June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 1,810	\$ -	\$ -	\$ 1,810
Total capital assets, not being depreciated	<u>1,810</u>	<u>-</u>	<u>-</u>	<u>1,810</u>
Capital assets, being depreciated:				
Buildings	7,709	-	-	7,709
Equipment and furnishings	1,196	-	-	1,196
Computer software	447	-	-	447
Total capital assets, being depreciated	<u>9,352</u>	<u>-</u>	<u>-</u>	<u>9,352</u>
Less accumulated depreciation for:				
Buildings	(568)	(193)	-	(761)
Equipment and furnishings	(609)	(248)	-	(857)
Computer software	-	(166)	-	(166)
Total accumulated depreciation	<u>(1,177)</u>	<u>(607)</u>	<u>-</u>	<u>(1,784)</u>
Total capital assets being depreciated, net	<u>8,175</u>	<u>(607)</u>	<u>-</u>	<u>7,568</u>
Total capital assets, net	<u>\$ 9,985</u>	<u>\$ (607)</u>	<u>\$ -</u>	<u>\$ 9,378</u>

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 and a portion of the unrealized gains or losses is reported in the Statements of Revenues, Expenses, and Changes in Fund Net Position 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, Other Loan Programs and Federal Programs as well as loans held in the Bond Insurance Account. These mortgages are restricted by the bond resolutions, the Act, State statute or other restricted purposes.

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

(Dollars in thousands)	June 30, 2016			June 30, 2015		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted Mortgage Loans:						
General Account	\$ 514	\$ (511)	\$ 3	\$ 531	\$ (527)	\$ 4
Other Loan Programs	1,160	(357)	803	710	(270)	440
Land Development	3,161	(1,655)	1,506	3,123	(1,786)	1,337
Bond Insurance Account	16,136	(696)	15,440	17,157	(748)	16,409
Bond Programs	607,072	(10,065)	597,007	619,298	(10,203)	609,095
Federal Programs	144,537	(81,739)	62,798	135,522	(80,346)	55,176
Total	<u>\$ 772,580</u>	<u>\$ (95,023)</u>	<u>\$ 677,557</u>	<u>\$ 776,341</u>	<u>\$ (93,880)</u>	<u>\$ 682,461</u>

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 include 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 Position.

Most loans in the Bond Programs are protected against loss by 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, 2016			June 30, 2015		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted other assets:						
Accounts receivable	\$ 8	\$ -	\$ 8	\$ 31	\$ -	\$ 31
Land	2,936	(2,049)	887	3,028	(1,809)	1,219
Foreclosed property	8,333	(2,049)	6,284	10,652	(2,744)	7,908
Total	<u>\$ 11,277</u>	<u>\$ (4,098)</u>	<u>\$ 7,179</u>	<u>\$ 13,711</u>	<u>\$ (4,553)</u>	<u>\$ 9,158</u>

Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time as explained in *Note F – Retirement Plan*.

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.

Other liabilities include federal housing program funds for which the Fund acts as grantee or agent to originate mortgages under the HOME program and the Fund's net pension liability as explained in *Note F – Retirement Plan*.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time as explained in *Note F – Retirement Plan*.

Restricted net position: Net position of the Bond Programs is restricted to meet specified reserve and funding provisions in accordance with the bond resolutions. Net positions 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 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 sub recipient.

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 \$1,209,000,000 and \$1,211,000,000 at June 30, 2016 and 2015, respectively. Of this total, the portfolio serviced by the Fund on behalf of others approximated \$370,238,000 and \$369,888,000 at June 30, 2016 and 2015, 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 and vendors related to 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.

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. Program expenses also include daily operating expenses of the office building 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.

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 position 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. As of June 30, 2016, the Fund has committed \$94,000 from the General Account and \$11,350,000 from Other Loan Programs for various loans or projects and \$5,093,000 from Other Loan Programs for the purchase of secondary market loans. In addition, the Fund has committed to sell loans to FNMA of \$4,590,000 from Other Loan Programs. These amounts are included in Unrestricted net position. 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 position for the "Directors' and Officers' Insurance Account" for the purpose of providing indemnification for the directors and officers of the Fund. The fiscal year 2017 administrative budget of \$12,216,000 will be provided from the Unrestricted net position 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 money markets, cash, 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 WVBOTI West Virginia Money Market Pool. The deposits with the WVBOTI are reported at amortized cost. The WVBOTI operates in accordance with applicable State laws and regulations.

The following is a detail of the Fund's investments, including cash equivalents, by type:

(Dollars in thousands)					
		June 30, 2016		June 30, 2015	
	Weighted Avg Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Reported at cost					
Demand Deposits, Money Market Funds	1 day	\$ 77,263	\$ 77,263	\$ 54,336	\$ 54,336
Mortgages held for investment purposes	23.09 years	17,410	17,410	18,574	18,574
Collateralized CDs	172 days	16,500	16,500	48,236	48,236
FDIC Insured CDs	224 days	4,700	4,700	10,700	10,700
WVBOTI deposits	1 day	13,410	13,410	10,488	10,488
Total		129,283	129,283	142,334	142,334
Reported at estimated fair value					
Fannie Mae MBS pools	14.74 years	1,628	1,815	2,135	2,389
Federal agency securities	8.04 years	51,328	62,682	43,406	52,858
U.S. Treasury securities	4.87 years	10,156	12,309	6,301	8,275
Total		63,112	76,806	51,842	63,522
Total investments, including cash equivalents		\$ 192,395	\$ 206,089	\$ 194,176	\$ 205,856

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.

	<u>Permitted Maturity Limit</u>	<u>Average Maturity as of June 30, 2016</u>
Reserve Funds	30 Years	8 years
Bond Insurance Funds	15 Years	10 years
Other Funds	4 years	4 months
Funds held for others*		1 day
*Funds held for others not applicable to limit calculations		

Credit Risk – Although permitted by the Act, the Fund’s Investment Policy prohibits investment in State and Local obligations other than West Virginia 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, 2016, 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+. Insured Cash Sweep (ICS) Funds and the Demand Deposit Marketplace Funds are FDIC insured. 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 AAAm. 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, 2016			
(Dollars in thousands)			
	Maximum of Portfolio	Invested Funds	% of Total Investment
Direct Federal Obligations	100%	\$ 10,156	6%
Federal Agency Obligations	90%	52,956	30%
Federally Guaranteed Obligations	100%	-	0%
Demand Deposits, Time Deposits	30%	28,702	16%
Demand Deposit Marketplace, FDIC Insured	\$17,000	-	0%
Collateralized CDs	\$50,000	16,500	9%
CDARS FDIC Insured CDs	\$50,000	4,700	3%
West Virginia Obligations	15%	-	0%
ICS FDIC Insured Money Market Funds	\$75,000	37,500	21%
Mortgages Held for Investment Purposes	30%	17,410	10%
Money Market Funds	25%	196	0%
WVBOTI deposits	\$40,000	9,838	6%
TOTAL		\$ 177,958	100%
Funds Held for Others *	N/A	14,437	
TOTAL INVESTED FUNDS		<u>\$ 192,395</u>	
* 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 \$77,263,000 and \$54,336,000 as of June 30, 2016 and 2015, respectively. Bank balances approximated \$78,312,000 and \$55,175,000 as of June 30, 2016 and 2015, respectively, of which approximately \$56,851,000 and \$19,643,000 was covered by federal depository insurance as of June 30, 2016 and 2015, respectively, and \$21,265,000 and \$29,065,000 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, 2016 and 2015, respectively. Also included in the bank balances above are trust account money market fund balances of \$196,000 and \$6,467,000 as of June 30, 2016 and 2015, respectively, which are not subject to custodial credit risk.

Custodial Credit Risk – Investments – The Investment Policy requires purchased securities to 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. The Act does not address custodial credit risk for investments.

Fair value hierarchy: The fair value hierarchy established under GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted prices in active markets inputs (Level 1) and the lowest priority to unobservable inputs (Level 3).

The levels of the hierarchy are identified as follows:

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in an active market.

Level 2 – Valuation is based upon inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Valuation is based upon unobservable inputs for an asset or liability.

The Fund's investments measured at fair value using the fair value hierarchy categories are as follows:

(Dollars in thousands)		
	June 30,	
	2016	2015
<u>Level 1 inputs</u>		
Federal agency securities	\$ 62,682	\$ 52,858
U.S. Treasury securities	12,309	8,275
Total	74,991	61,133
<u>Level 2 inputs</u>		
Fannie Mae MBS pools	1,815	2,389
Total	1,815	2,389
Total investments, reported at estimated fair value	<u>\$ 76,806</u>	<u>\$ 63,522</u>

Mortgages held for investment are included in Mortgage loans, net of allowances and Restricted mortgage loans, net of allowances on the Statements of Net Position. Investments are included in the accompanying financial statements as follows:

(Dollars in thousands)		
	June 30,	
	2016	2015
Cash and cash equivalents	\$ 14,707	\$ 21,224
Current restricted cash and cash equivalents	43,359	41,427
Noncurrent restricted cash and cash equivalents	37,107	42,408
Restricted investments	93,506	82,223
Plus mortgages held for investment purposes	17,410	18,574
Total Investments and cash equivalents	<u>\$ 206,089</u>	<u>\$ 205,856</u>
Less unrealized gains	13,694	11,680
Total Invested Funds	<u>\$ 192,395</u>	<u>\$ 194,176</u>

The Fund has an unrealized gain on investments of \$13,694,000 and \$11,680,000 as of June 30, 2016 and 2015, respectively. This represents an increase in unrealized gain on investments of \$2,014,000 and \$1,047,000 from the June 30, 2015 and 2014, respectively. In connection with the unrealized gain, \$1,254,000 and \$1,021,000 is recorded as a liability for related investment earnings as of June 30, 2016 and 2015, respectively. 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, 2016 and 2015 and to properly reflect the rebate liability, a \$1,588,000 and \$834,000 decrease was recorded in Net investment earnings in the Statements of Revenues, Expenses, and Changes in Fund Net Position for year ended June 30, 2016 and 2015, respectively.

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 72.23% of all Bond Program 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, 2016 and 2015 was \$69,964,000 and \$74,917,000, respectively. In addition, 2016 and 2015 included the refunding of bonds in the amount of \$40,060,000 and \$64,525,000, respectively. The 2016 refundings reduced total debt service payments over the next 25 years by approximately \$21,742,000 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 \$7,415,000. Total pledged revenues in 2016 and 2015 were \$102,773,000 and \$100,464,000, 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 funds from the DEP Clean Water Revolving Loan Fund. These funds are then loaned to State residents to upgrade, replace or repair inadequate septic systems. Initially, the Board authorized \$1,000,000 for the OSLP and in March 2013 the Board authorized an additional \$1,000,000 for the program. 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, 2016, Bonds & notes payable - noncurrent includes a \$622,000 note payable due to DEP related to this program under Other Loan Programs.

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. To reduce its debt expense, 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, 2016 and 2015, the Fund redeemed or refunded \$72,880,000 and \$101,225,000 of bonds, respectively, at redemption prices that approximated their carrying value.

The following charts summarize bond and note activity from 2015 to 2016 and 2014 to 2015, respectively.

	Bonds Payable Current	Bonds & Notes Payable Noncurrent	Bonds & Notes Payable Total
Outstanding Balance, June 30, 2015	\$ 32,765	\$ 358,682	\$ 391,447
Debt Issued	-	70,060	70,060
Debt Paid	(24,240)	(218)	(24,458)
Early Redemptions/Refundings	(3,970)	(68,910)	(72,880)
Amortization of Premium	-	(289)	(289)
Reclassification from noncurrent to current	29,420	(29,420)	-
Outstanding Balance, June 30, 2016	<u>\$ 33,975</u>	<u>\$ 329,905</u>	<u>\$ 363,880</u>

	Bonds Payable Current	Bonds & Notes Payable Noncurrent	Bonds & Notes Payable Total
Outstanding Balance, June 30, 2014	\$ 68,815	\$ 348,020	\$ 416,835
Debt Issued	-	99,775	99,775
Debt Paid	(23,345)	(145)	(23,490)
Early Redemptions/Refundings	(39,450)	(61,775)	(101,225)
Amortization of Premium	-	(448)	(448)
Reclassification from noncurrent to current	26,745	(26,745)	-
Outstanding Balance, June 30, 2015	<u>\$ 32,765</u>	<u>\$ 358,682</u>	<u>\$ 391,447</u>

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, 20162015	
		(Dollars in thousands)	
<u>HOUSING FINANCE BOND PROGRAM</u>			
2006 Series B	\$ 30,000	\$ -	\$ 26,205
2006 Series C	40,000	-	15,405
2006 Series D	35,000	-	250
2007 Series A (4.15% to 4.50%), due 2016-2034	60,000	18,250	21,945
2007 Series B (6.00%), due 2016-2037	40,000	985	2,485
2007 Series C (5.75%), due 2016-2037	35,000	940	2,330
2010 Series A,B,C (2.45% to 4.25%), due 2016-2020	130,870	25,875	36,545
2011 Series A (2.226% to 3.622%), due 2016-2021	50,000	28,965	33,790
2013 Series A (1.04% to 3.20%) due 2016-2028	21,000	17,380	18,590
2013 Series B, C (1.40% to 4.50%) due 2016-2030	47,500	28,245	41,170
2014 Series A,B (0.65% to 4.10%), due 2016-2039	48,865	43,035	46,815
2015 Series A,B (0.70% to 3.95%), due 2016-2039	50,660	46,410	50,660
2015 Series C,D (0.60% to 4.10%), due 2016-2044	70,060	68,860	-
<u>GENERAL NEW ISSUE BOND PROGRAM</u>			
2011 A (2.20% to 3.80%), due 2016-2041	51,850	36,865	40,890
2012 A (1.35% to 3.35%), due 2016-2041	66,770	47,275	53,065
Total bonds payable, excluding unamortized premium		363,085	390,145
Unamortized bond premium, net		173	468
<u>OTHER LOAN PROGRAMS</u>			
Notes Payable (0.00%) ⁽¹⁾	2,000	622	834
Total bonds & notes payable, net of unamortized premium		\$ 363,880	\$ 391,447

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

Total bonds payable does not include \$22,140,000 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 four 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, 2016 and thereafter to maturity.

Bonds				
Maturing During				
Year Ending June 30:		Principal	Interest	Total
(Dollars in thousands)				
2017	(1)	\$ 33,975	\$ 11,108	\$ 45,083
2018		28,205	10,419	38,624
2019		28,355	9,733	38,088
2020		28,190	8,954	37,144
2021		23,760	8,136	31,896
2022-2026		79,905	31,811	111,716
2027-2031		63,820	19,345	83,165
2032-2036		48,230	9,254	57,484
2037-2041		24,420	2,759	27,179
2042-2045		4,225	219	4,444
		<u>\$ 363,085</u>	<u>\$ 111,738</u>	<u>\$ 474,823</u>
(1) Includes the anticipated redemptions of NIBP Bonds in the amount of \$1,180,000 and Housing Finance Bonds in the amount of \$3,820,000.				

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. As of June 30, 2016 and June 30, 2015 the Fund does not have any excess rebateable investment earnings other than the rebate liability as explained in *Note C - Cash and Investments*. Future excess investment earnings may require the establishment of liabilities for these and other bond issues.

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 relating to current federal program expenditures, 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, 2016, 43.19% of the Fund's single family Bond Program loans were VA, USDA Rural Development, or FHA guaranteed. Another 28.18% 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 position 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

Plan Description. All full-time Fund employees participate in the State's Public Employees' Retirement System (PERS), a multiple-employer defined benefit cost-sharing public employee retirement system administered by the West Virginia Consolidated Public Retirement Board (CPRB). Benefits under PERS include deferred retirement, early retirement, death, and disability benefits and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits Provided. Employees are eligible for normal retirement at age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with ten years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit, established by State statute, is equivalent to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employee hired on or after July 1, 2015, this age increases to age 64.

Contributions. While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 13.5%, 14.0% and 14.5% for the years ended June 30, 2016, 2015 and 2014, respectively. 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%. For all employees hired on or after July 1, 2015 the employee contribution increased to 6.0%. The Fund's contribution to the Plan, excluding the employee's contribution paid by the Fund, approximated \$714,000, \$785,000, and \$803,000 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016 and June 30, 2015 respectively, the Fund reported a liability of \$2,310,000 and \$1,526,000 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2016 was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, rolled forward to the measurement date of June 30, 2015. The Fund's proportion of the net pension liability was based on the Fund's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2015. At June 30, 2015, the Fund's proportionate share was 0.41%, which was essentially the same as its proportionate share measured as of June 30, 2014.

For the years ended June 30, 2016 and June 30, 2015, respectively, the Fund recognized pension expense of \$303,000 and \$211,000. At June 30, 2016 and June 30, 2015, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars in thousands)	June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 705	\$ 1,211
Difference between expected and actual experience	472	-
Difference in assumptions	-	278
Changes in proportion and differences between Fund contributions and proportionate share of contributions	84	-
Fund contributions made subsequent to the measurement date	714	-
	\$ 1,975	\$ 1,489

(Dollars in thousands)	June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,615
Changes in proportion and differences between Fund contributions and proportionate share of contributions	121	-
Fund contributions made subsequent to the measurement date	785	-
	\$ 906	\$ 1,615

Deferred outflows of resources related to pensions of \$714,000 resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

(Dollars in thousands)	
Year Ended June 30:	Pension Expense
2017	\$ (126)
2018	(126)
2019	(153)
2020	177

Actuarial Assumptions and Methods. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	1.9 %
Salary increases	3.00 - 6.0%, average, including inflation
Investment rate of return	7.5 %, net of pension plan investment expense

Mortality rates were based on 110% of the RP-2000 Non-Annuitant, Scale AA for healthy males, 101% of RP-2000 Non-Annuitant Scale for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA for disabled females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2 %
Salary increases	4.25 - 6.0%, average, including inflation
Investment rate of return	7.5 %, net of pension plan investment expense

Mortality rates were based on the 1983 Group Annuity Mortality (GAM) for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	15.0%	2.9 - 4.8%
Domestic equity	27.5%	7.6%
International equity	27.5%	8.5%
Real estate	10.0%	6.8%
Private equity	10.0%	9.9%
Hedge funds	10.0%	5.0%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

Sensitivity of the Fund's proportionate share of the net pension liability to changes in the discount rate. The following table presents the Fund's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

(Dollars in thousands)		
Net Pension Liability (Asset)		
	Current	
1% Decrease	Discount Rate	1% Increase
<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
\$ 5,327	\$ 2,310	\$ (239)

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 leave for all employees in accordance with GAAP. The liability for annual leave is shown below. 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.

Accumulated Annual Leave:			
(Dollars in thousands)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance at beginning of fiscal year	\$ 366	\$ 426	\$ 437
Annual leave earned	523	589	573
Annual leave (used)	<u>(497)</u>	<u>(649)</u>	<u>(584)</u>
Balance at end of fiscal year	<u>\$ 392</u>	<u>\$ 366</u>	<u>\$ 426</u>

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**

**STATEMENTS OF PLAN NET POSITION
(Dollars in Thousands)**

	June 30,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Restricted cash and cash equivalents	\$ 619	\$ 2,238
Restricted accrued interest on investments	9	9
Accounts receivable	31	32
Total assets	<u>659</u>	<u>2,279</u>
Restricted investments:		
U.S. Government Securities	1,212	200
Federal Agency Securities	1,873	2,230
Certificates of Deposit	1,496	-
Total investments	<u>4,581</u>	<u>2,430</u>
Total assets	<u>5,240</u>	<u>4,709</u>
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	-	-
Total current liabilities	<u>-</u>	<u>-</u>
TOTAL NET POSITION HELD IN TRUST	<u>\$ 5,240</u>	<u>\$ 4,709</u>
STATEMENTS OF CHANGES IN PLAN NET POSITION		
ADDITIONS		
Contributions - Employer	\$ 723	\$ 698
Investment income	61	42
	<u>784</u>	<u>740</u>
DEDUCTIONS		
Benefits	227	201
Administrative expenses	26	12
	<u>253</u>	<u>213</u>
CHANGE IN PLAN NET POSITION	531	527
NET POSITION HELD IN TRUST:		
BEGINNING OF YEAR	<u>4,709</u>	<u>4,182</u>
END OF YEAR	<u>\$ 5,240</u>	<u>\$ 4,709</u>

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 GAAP. 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 January 1, 2016, the date of the most recent actuarial evaluation, the Fund has unfunded actuarial liabilities of \$157,000.

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)			
	2016	June 30, 2015	2014
Annual Required Contribution (ARC)	\$ 156	\$ 233	\$ 225
Interest on Net OPEB Obligation	-	-	-
Annual OPEB cost (expense)	156	233	225
Contributions Receivable	156	233	225
Additional Contributions	567	465	469
Total Contributions	723	698	694
Percentage of Annual OPEB Expense Contributed	463%	300%	308%

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, 2016, January 1, 2013, January 1, 2010 and January 1, 2007 was as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2016	\$ 5,166	\$ 5,323	\$ 157	97%	\$ 5,360	3%
1/1/2013	3,609	5,008	1,399	72%	5,217	27%
1/1/2010	3,202	2,114	(1,088)	151%	5,365	(20%)
1/1/2007	2,678	2,244	(434)	119%	5,259	(8%)

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, 2016 actuarial valuation, the following information was used:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Pay Closed
Remaining Amortization Period	21 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Rate of Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.00%
General Rate of Inflation	2.00%

NOTE I – SUBSEQUENT EVENTS

On August 1, 2016 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 \$5,000,000. In addition, the Fund, as a conduit issuer, redeemed special obligation bonds in advance of the scheduled maturity at a par amount of \$14,000,000.

On November 30, 2016 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 \$7,265,000.

NOTE J - NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued four statements relating to accounting and financial reporting for pension and postemployment benefit plans: Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and Statement No. 82, *Pension Issues- an amendment of GASB Statements No. 67, No. 69, and No. 73..* The provisions of Statements No. 73 and 74 are effective for financial periods beginning after June 15, 2016; the provisions of Statement No. 75 and 82 are effective for periods beginning after June 15, 2017. The Fund has not yet determined the effect, if any, these statements will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PERS

	Year Ended June 30	
	2016	2015
The Fund's proportionate (percentage) of the net pension liability	0.413624%	0.413581%
The Fund's proportionate share of the net pension liability	\$ 2,310,000	\$ 1,526,000
The Fund's covered employee payroll	\$ 5,609,000	\$ 5,538,000
The Fund's proportionate share of the net pension liability as a Percentage of its covered employee payroll	41.18%	27.56%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	93.98%
Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date		

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Year Ended, June 30,			
	2016	2015	2014	2013
Statutorily required contribution	\$ 714,000	\$ 785,000	\$ 803,000	\$ 743,000
Contributions in relation to the statutorily required contribution	714,000	785,000	803,000	743,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Fund's covered employee payroll	\$ 5,286,000	\$ 5,609,000	\$ 5,538,000	\$ 5,307,000
Contributions as a percentage of covered employee payroll	13.5%	14.0%	14.5%	14.0%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A – TREND INFORMATION PRESENTED

The accompanying schedules of the Fund's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedules for those years for which information is available.

NOTE B – PLAN AMENDMENT

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

NOTE C - CHANGES IN ASSUMPTIONS

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuation for the year ending June 30, 2015 as follows:

	2015	2014
Projected salary increases:		
State	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	1.90%	2.20%
Mortality rates	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA	Healthy males - 1983 GAM
	Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA	Healthy females - 1971 GAM
	Disabled males - 96% of RP-2000 Disabled annuitant, Scale AA	Disabled males - 1971 GAM
	Disabled females - 107% of RP-2000 Disabled annuitant, Scale AA	Disabled females - Revenue ruling 96-7
Withdrawal rates		
State	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .8%

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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 \$14,505,000 aggregate principal amount of Housing Finance Bonds, 2017 Series A (the “2017 A Bonds”) and \$25,000,000 aggregate principal amount of Housing Finance Bonds, 2017 Series B (the “2017 B Bonds”; together with the 2017 A Bonds, the “2017 AB 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 2017 AB Bonds are authorized to be issued pursuant to the Act, the General Housing Finance Bond Resolution, dated April 29, 1976, as amended and supplemented (the “Resolution”), the Forty-Ninth Supplemental Housing Finance Bond Resolution, adopted on July 14, 2016 (the “Supplemental Resolution”; together with the Resolution, the “Resolutions”), and a Certificate of Determinations of the Housing Development Fund, dated as of March 9, 2017 (the “Certificate”). Housing Finance Bonds, including the 2017 AB 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 2017 AB 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 2017 AB Bonds upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall with the 2017 AB 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 2017 AB 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 2017 AB 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 2017 AB 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 2017 AB 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 2017 AB 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 2017 AB Bonds and the 2017 AB 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 2017 AB Bonds.

8. The Housing Development Fund has validly pledged amounts in the Mortgage Finance Bond Insurance Fund to secure the payment of the 2017 AB 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. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the 2017 AB Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”); (ii) interest on the 2017 A Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; and (iii) interest on the 2017 B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Housing Development Fund and others in connection with the 2017 AB Bonds, and we have assumed compliance by the Housing Development Fund with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2017 AB Bonds from gross income under Section 103 of the Code.

We express no opinion regarding any other federal or state tax consequences with respect to the 2017 AB Bonds. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that 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 exclusion from gross income for Federal income tax purposes of interest on the 2017 AB 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 2017 AB 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 2017 AB 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 are 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 2017 AB 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.

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APPENDIX F

SUMMARY OF DTC'S POLICIES AND PROCEDURES

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2017 AB 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 each Series 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 April 19, 2017 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 \$39,505,000 aggregate principal amount of Housing Finance Bonds, 2017 Series A and Series B (collectively, 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, 2017, 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.

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 of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of 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:_____