NEW ISSUE

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 2019 A 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") and (ii) interest on the 2019 A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In the opinion of General Counsel to the Housing Development Fund, under existing statutes, the 2019 A 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.

$35,000,000

West Virginia Housing Development Fund

West Virginia Housing Development Fund
Housing Finance Bonds
2019 Series A (Non-AMT)

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

The Housing Finance Bonds, 2019 Series A (the "2019 A Bonds") are issuable only as fully-registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository for the 2019 A Bonds. Individual purchases will be made in book-entry form only in denominations of $5,000 principal amount and integral multiples thereof. Beneficial Owners will not receive certificates representing their interest in the 2019 A Bonds.

Principal and interest are payable by the Trustee, United Bank, a Virginia banking corporation authorized to transact business in 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 2019 A Bonds, as described herein. The 2019 A 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, 2019. Interest on the 2019 A Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

The 2019 A 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 2019 A BONDS AND THE 2019 A BONDS ARE NOT A DEBT OF THE STATE.

The 2019 A Bonds are offered when, as and if issued and received in book-entry form, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Housing Development Fund, and certain other conditions. Certain legal matters are subject to the approval of Jackson Kelly PLLC, Charleston, West Virginia, General Counsel to the Housing Development Fund. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Atlanta, Georgia. It is expected that the 2019 A Bonds in definitive form will be available for delivery at DTC in New York, New York on or about March 7, 2019.

Raymond James

February 20, 2019

MATURITY SCHEDULE

$35,000,000

West Virginia Housing Development Fund
Housing Finance Bonds

2019 Series A (Non-AMT)

Maturity	Amount	Interest Rate	CUSIP Number[1]
May 1, 2020	$360,000	1.65%	95662M 5L0
November 1, 2020	580,000	1.70	95662M 5M8
May 1, 2021	675,000	1.75	95662M 5N6
November 1, 2021	760,000	1.80	95662M 5P1
May 1, 2022	825,000	1.85	95662M 5Q9
November 1, 2022	855,000	1.90	95662M 5R7
May 1, 2023	835,000	2.00	95662M 5S5
November 1, 2023	820,000	2.05	95662M 5T3
May 1, 2024	805,000	2.10	95662M 5U0
November 1, 2024	790,000	2.15	95662M 5V8
May 1, 2025	775,000	2.20	95662M 5W6
November 1, 2025	760,000	2.25	95662M 5X4
May 1, 2026	750,000	2.35	95662M 5Y2
November 1, 2026	735,000	2.40	95662M 5Z9
May 1, 2027	720,000	2.55	95662M 6A3
November 1, 2027	710,000	2.60	95662M 6B1
May 1, 2028	700,000	2.75	95662M 6C9
November 1, 2028	685,000	2.80	95662M 6D7
May 1, 2029	675,000	2.85	95662M 6E5
November 1, 2029	665,000	2.90	95662M 6F2
May 1, 2030	655,000	2.95	95662M 6G0
November 1, 2030	645,000	3.00	95662M 6H8

$4,835,000 3.375% 2019 Series A Term Bonds Due November 1, 2034; CUSIP[1] 95662M 6J4

$5,375,000 3.75% 2019 Series A Term Bonds Due November 1, 2039; CUSIP[1] 95662M 6K1

$4,790,000 3.875% 2019 Series A Term Bonds Due November 1, 2044; CUSIP[1] 95662M 6L9

$4,220,000 3.95% 2019 Series A Term Bonds Due November 1, 2049; CUSIP[1] 95662M 6M7

Price of All 2019 A Bonds: 100%

[1] The CUSIP numbers have been assigned to the 2019 A Bonds by an organization not affiliated with the Housing Development Fund and are included solely for the convenience of the bondholders. The Housing Development Fund shall not be responsible for the selection or use of these CUSIP numbers nor is any representation made as to their correctness on the 2019 A Bonds or as indicated herein.

No dealer, broker, salesman or other person has been authorized by the Housing Development Fund to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Housing Development Fund. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2019 A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

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

The 2019 A Bonds may be offered and sold by the Underwriter to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE 2019 A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE AND THE RESOLUTIONS HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, BECAUSE OF AVAILABLE EXEMPTIONS THEREFROM.

IN MAKING AN INVESTMENT DECISION INVESTORS SHOULD MAKE AN INDEPENDENT DECISION WHETHER THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED 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 2019 A BONDS, THE UNDERWRITER MAY OVER-ALLOT AND EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2019 A BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States 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.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

OFFICIAL STATEMENT

WEST VIRGINIA HOUSING DEVELOPMENT FUND
$35,000,000
Housing Finance Bonds
2019 Series A (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 $35,000,000 Housing Finance Bonds, 2019 Series A (the "2019 A Bonds").

The 2019 A Bonds are being issued pursuant to the West Virginia Housing Development Fund Act, constituting Article 18 of Chapter 31 of the Code of West Virginia, 1931, as amended (the "Act"), the General Housing Finance Bond Resolution adopted by the Housing Development Fund on April 29, 1976, for the benefit of United Bank, a Virginia banking corporation authorized to transact business in West Virginia (formerly United Bank, Inc.) as trustee (the "Trustee"), as amended and supplemented (the "General Resolution"), the Fifty-first Supplemental Housing Finance Bond Resolution adopted by the Housing Development Fund on December 19, 2018 (the "Supplemental Resolution"), the Certification and Direction of the Governor dated January 30, 2019 and a Certificate of Determinations of the Housing Development Fund, dated as of February 20, 2019 (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 2019 A Bonds, are herein called the "Bonds." Certain provisions of the General Resolution, the Supplemental Resolution and the Certificate (collectively, the "Resolutions") are summarized herein, and a glossary of certain words and terms defined in the General Resolution appears as **APPENDIX E** to this Official Statement. Words and terms defined in the Resolutions are used herein as so defined, except as expressly provided herein.

INTRODUCTION

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

On December 19, 2018, the Housing Development Fund's Board of Directors approved the Supplemental Resolution and a plan of finance authorizing the sale of up to $50,000,000 of Bonds to provide funds to finance Program Loans. Under authorization of the Supplemental Resolution and plan of finance, proceeds of the 2019 A Bonds will be used to finance single family mortgage loans (the "2019 A Program Loans"). See "SOURCES AND USES OF FUNDS."

Approximately $3.23 billion of Bonds have been issued under the General Resolution, of which $225,105,000 are currently outstanding, following Special Redemptions on February 1, 2019. All lendable proceeds of the Outstanding Bonds have been expended as of January 23, 2019. Additional information concerning the currently Outstanding 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 the 2019 A 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 2019 A BONDS AND THE 2019 A BONDS ARE NOT A DEBT OF THE STATE.

There follows in this Official Statement a brief description of the Housing Development Fund and its Housing Finance Program, together with summaries of certain terms of the 2019 A 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 2019 A Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

Ratings

The 2019 A 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 2019 A Bonds. There is no assurance that such ratings will be maintained for any period of time or that such ratings will not be withdrawn or revised downward by Moody’s 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 2019 A Bonds.

An explanation of the Moody’s ratings may be obtained by writing to Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; 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 2019 A BONDS

General

The 2019 A Bonds will be issued as fully-registered bonds in denominations of $5,000 principal amount and integral multiples thereof. The 2019 A Bonds are available in book-entry form only in the name of Cede & Co., will be dated the date of issuance and delivery and will mature on the dates and in the amounts shown on the inside cover page of this Official Statement. Interest on the 2019 A Bonds is payable on May 1 and November 1 of each year until maturity or prior redemption, commencing November 1, 2019.

See “NATURE OF BONDS AND SOURCES OF PAYMENT – Debt Service and Estimated Revenues Including Prepayments” regarding the scheduling of maturities of the 2019 A Bonds.

So long as Cede & Co. is the registered owner of the 2019 A Bonds as nominee of The Depository Trust Company, New York, New York (“DTC”), references herein to the holders or registered owners of the 2019 A Bonds (*except* under “TAX MATTERS”) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the 2019 A Bonds. Beneficial Owners of the 2019 A Bonds will not receive certificates representing their interest in the 2019 A Bonds. DTC will act as securities depository for the 2019 A Bonds. One fully-registered Bond certificate for each maturity of the 2019 A Bonds will be issued and deposited with DTC. For a summary of DTC’s policies and procedures relating to the 2019 A Bonds, see **APPENDIX F**.

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

Redemption Provisions

The 2019 A Bonds are subject to redemption as described below.

Special Optional Redemption

The 2019 A 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 2019 A Bonds remaining in the Mortgage Loan Fund together with origination fees, if any, received in connection therewith;

(b) any repayments and Recoveries of Principal of mortgage loans deemed to be allocated to or financed with 2019 A Bond proceeds 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 2019 A 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 bonds), 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 2019 A Program Loans, in an amount equal to the percentages set forth in the table below, will be required by the Code to be applied no later than the close of the first semi-annual period beginning after the date of receipt to retire an equal amount of 2019 A Bonds in the respective periods set forth in the table below:

Dates	**Percentage**
March 7, 2019 to March 6, 2029	0%
March 7, 2029 and thereafter	100%

Additionally, the Code requires that proceeds of the 2019 A Bonds not used to originate Program Loans within 42 months from the date of issuance of the 2019 A Bonds be used to redeem 2019 A Bonds.

Optional Redemption

The 2019 A Bonds maturing on or after May 1, 2028 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 November 1, 2027, 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 2019 A 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 2019 A Bonds on the respective dates and in the respective principal amounts as set forth herein.

2019 Series A Term Bonds due November 1, 2034

Date	Amount	Date	Amount
May 1, 2031	$635,000	May 1, 2033	$600,000
November 1, 2031	625,000	November 1, 2033	590,000
May 1, 2032	615,000	May 1, 2034	585,000
November 1, 2032	610,000	November 1, 2034 †	575,000

2019 Series A Term Bonds due November 1, 2039

Date	Amount	Date	Amount
May 1, 2035	$565,000	November 1, 2037	$535,000
November 1, 2035	560,000	May 1, 2038	530,000
May 1, 2036	555,000	November 1, 2038	520,000
November 1, 2036	545,000	May 1, 2039	515,000
May 1, 2037	540,000	November 1, 2039 †	510,000

2019 Series A Term Bonds due November 1, 2044

Date	Amount	Date	Amount
May 1, 2040	$505,000	November 1, 2042	$475,000
November 1, 2040	500,000	May 1, 2043	470,000
May 1, 2041	495,000	November 1, 2043	465,000
November 1, 2041	485,000	May 1, 2044	460,000
May 1, 2042	480,000	November 1, 2044 †	455,000

2019 Series A Term Bonds due November 1, 2049

Date	Amount	Date	Amount
May 1, 2045	$450,000	November 1, 2047	$430,000
November 1, 2045	445,000	May 1, 2048	425,000
May 1, 2046	445,000	November 1, 2048	420,000
November 1, 2046	440,000	May 1, 2049	410,000
May 1, 2047	435,000	November 1, 2049 †	320,000

† 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 2019 A 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 2019 A Bonds purchased is to be credited against the applicable Sinking Fund Payment.

Upon any purchase or redemption of 2019 A 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 2019 A Bonds so purchased or redeemed shall reduce the principal amount of such 2019 A 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 2019 A Bonds so purchased or redeemed bears to the total principal amount of all the 2019 A Bonds of the applicable 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 2019 A Bonds and certain other amounts currently held under the General Resolution are expected to be applied as follows:

Sources	
Principal Amount of 2019 A Bonds	$35,000,000.00
Contribution by the Housing Development Fund	1,112,714.75
Total	$36,112,714.75

Uses	
Purchase of 2019 A Program Loans	$35,000,000.00
Payment of Origination Fees on 2019 A Program Loans	647,500.00
Underwriter's Compensation	240,214.75
Other Costs of Issuance	225,000.00
Total	$36,112,714.75

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, West Virginia Property Rescue Initiative and Affordable Housing Fund, and assets of the Housing Development Fund's 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 December 31, 2018, the amount on deposit in the Capital Reserve Fund, valued in accordance with the General Resolution, was approximately $33,660,000, which amount was at least equal to the Capital Reserve Fund Requirement on such date. Upon the issuance of the 2019 A Bonds, the amount on deposit in the Capital Reserve Fund will be at least equal to the Capital Reserve Fund Requirement.

Debt Service and Estimated Revenues Including Prepayments

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

The Housing Development Fund expects payments under the mortgage loans and moneys and securities held under the Resolutions and the income thereon to be sufficient to pay, when due, the principal (including Sinking Fund Payments) of and interest on the Outstanding Bonds (including the 2019 A Bonds).

Maturities and Sinking Fund Payments with respect to the 2019 A Bonds were scheduled based upon an assumed rate of prepayment of the related Program 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"). 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:

Housing Finance Bond Series	*Prepayment Assumption (expressed as a percentage of the PSA Prepayment Model)*	*Original Principal Amount of Related Program Loans*	*Remaining Principal Balance of Related Program Loans as of December 31, 2018*
2011 A	296% PSA†	$48,702,288	$18,536,100
2013 A	75% PSA†	$21,048,665	$10,806,244
2013 B and C	50% PSA	$47,671,300	$30,705,013
2014 A and B	50% PSA	$48,865,000	$32,424,460
2015 A and B	50% PSA	$50,660,000	$35,024,026
2015 C and D	50% PSA	$70,060,000	$54,021,311
2017 A and B	50% PSA	$39,505,000	$36,567,412
2018 A††	50% PSA	$25,000,000	$19,750,945
Total†††		$351,512,253	$237,835,511

† 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.

†† All lendable proceeds have been expended as of January 23, 2019.

††† Representing approximately 46% of the principal balance of outstanding Program Loans.

See also "**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 2019 A Bonds, which together with the sum of the amount then on deposit in the Bond Insurance Fund and in the Capital Reserve Fund, shall equal the "minimum bond insurance requirement" (as herein defined). However, pursuant to the General Resolution, amounts on deposit in the Bond Insurance Fund will not be taken into account when computing the Capital Reserve Fund Requirement.

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

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

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

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

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

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK

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, 2014 through 2018:

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

	Years Ended June 30,				
	2018	2017	2016	2015	2014
OPERATING REVENUES					
Interest on Loans	$ 854	$ 888	$ 947	$ 1,021	$ 1,110
Fees	2	9	10	12	14
Other Revenues	4	-	-	-	-
	860	897	957	1,033	1,124
OPERATING EXPENSES					
Program and Administrative Expenses, Net	(7)	(36)	(33)	(70)	47
OPERATING INCOME	867	933	990	1,103	1,077
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Interest on Investments	931	818	922	824	782
Unrealized (Loss) Gain on Investments	(679)	(964)	797	199	1,512
	252	(146)	1,719	1,023	2,294
CHANGE IN NET POSITION	1,119	787	2,709	2,126	3,371
NET POSITION AT BEGINNING OF YEAR	59,306	63,519	67,110	64,986	61,615
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE†	-	-	-	(2)	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	-	-	-	64,984	-
Inter-program Transfers, Net	1	(5,000)	(6,300)	-	-
NET POSITION AT END OF YEAR	$ 60,426	$ 59,306	$ 63,519	$ 67,110	$ 64,986

†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 program 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 2014 through 2018.

Other Revenues consist of the gain on the disposition of a foreclosed property.

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 increases in fiscal 2015 and 2016 is primarily related to an increase in investment rates. The decrease in fiscal 2017 is due to the maturity of long-term investments reinvested at lower rates. The increase in 2018 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 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, 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.

- For ease of accounting, the Housing Development Fund elected to report the entire net pension liability and deferred inflows and outflows of resources related to GASB 68 in the General Fund. Accordingly, in fiscal 2018, the net pension liability and deferred inflows and outflows of resources related to GASB 68 in an amount equal to $1,000 were transferred from the Bond Insurance Fund to the General Fund.

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 2019 A Bonds, there will be Housing Development Fund bonds outstanding with an estimated aggregate principal maturity amount of approximately $321,065,000. 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 2019 A Bonds, that the State will not limit or alter the rights vested in the Housing Development Fund to fulfill the terms of any agreements made with the holders of any such notes or bonds, or in any way impair the rights and remedies of such holders until such notes or bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses for which the Housing Development Fund is liable in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The Act authorizes the Housing Development Fund to include this pledge and agreement of the State in any agreement with the holders of such notes and bonds, and the Housing Development Fund has so covenanted in the Resolutions.

Operations to Date

Through its various programs, the Housing Development Fund has financed or assisted in the development or provision of over 122,000 housing units in the State. The Housing Development Fund finances a portion of its 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 also operates a secondary market program for single family mortgage loans 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's multifamily loan portfolio is entirely self-originated. 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 West Virginia 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. Currently, there are two vacancies on the Board of Directors pending appointment. 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, 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).

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 expired October 30, 2018†).

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

†Members whose term has expired continue to serve until reappointed or replaced.

On January 1, 2019, the permanent staff of the Housing Development Fund consisted of 105 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. BOGGESS, Executive Director – 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. On January 1, 2012, Ms. Boggess was appointed Acting Executive Director, and was confirmed by the State Senate as Executive Director on February 13, 2017. 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.

CRYSTAL L. TONEY, Deputy Director – Administration – 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, was appointed to her current position in July 2017, 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 - Accounting.

JULIE W. DAVIS, Deputy Director – Production – Ms. Davis joined the Housing Development Fund in 1992 as an Accounting Analyst and was appointed to Managing Director of Debt Administration and Federal Programs in 2005. She was named Senior Director in June 2012, was appointed to her current position in July 2017 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.

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.

NATHAN E. TESTMAN, Senior Division Manager – Multi Family Lending – Mr. Testman joined the Housing Development Fund 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.

TAMMY BONHAM, Division Manager – Loan Servicing – Ms. Bonham joined the Fund in 2000, serving as Collection Manager. In November 2017, she was named Division Manager, Loan Servicing. She has nearly three decades of experience in mortgage servicing. She is a licensed mortgage lender.

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.

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, Division Manager – Accounting and Finance – Mr. Leport joined the Housing Development Fund in 2004 as the Internal Auditor. He was appointed to Senior Manager - Internal Audit in June 2012 and was appointed to his current position in October 2017. 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.

KELLEY RIDLING, Senior Manager – Internal Audit – A graduate of West Virginia University, Ms. Ridling holds a Bachelor of Science in Business Administration and has earned the Certified Internal Auditor, Certified Fraud Examiner and Certified Quality Auditor designations. Prior to joining the Fund in 2018, Ms. Ridling worked in the banking, insurance, automotive and consulting industries.

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

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK

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, 2014 through 2018:

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

	Years Ended June 30,				
	2018	2017	2016	2015	2014
OPERATING REVENUES					
Interest on Loans	$ 44	$ 44	$ 43	$ 49	$ 47
Fees	6,376	6,585	6,228	6,211	6,240
Other Revenues	715	726	700	700	686
	7,135	7,355	6,971	6,960	6,973
OPERATING EXPENSES					
Program and Administrative Expenses, Net	6,893	7,668	8,201	7,764	6,922
OPERATING (LOSS) INCOME	242	(313)	(1,230)	(804)	51
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Gain on Sale of Capital Assets	-	-	-	-	15
Interest on Investments	90	67	61	64	64
	90	67	61	64	79
INCOME BEFORE SPECIAL ITEM	332	(246)	(1,169)	(740)	130
SPECIAL ITEM					
Transfer of operations	(19)	-	-	-	-
CHANGE IN NET POSITION	313	(246)	(1,169)	(740)	130
NET POSITION AT BEGINNING OF YEAR	14,116	14,362	15,531	17,975	17,845
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE†	(1,108)	-	-	(1,704)	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	13,008	-	-	16,271	-
Inter-program Transfers, Net	(699)	-	-	-	-
NET POSITION AT END OF YEAR	$ 12,622	$ 14,116	$ 14,362	$ 15,531	$ 17,975

†*Restated for implementation of GASB 75 and 68, respectively*

Management Discussion and Analysis - General Fund

The General Fund includes certain programs funded from excess reserves of the Housing Development Fund, single family and multifamily mortgage loans purchased for investment purposes, results of the Housing Development Fund's loan servicing operations, fees for the contract administration of the Department of Housing and Urban Development's ("HUD") Section 8 Housing Assistance Payments ("HAP") Program, the Low-Income Housing Tax Credit 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 and multifamily loans purchased for investment purposes. 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 increase in 2017 is primarily due to an increase in HAP fees and Low-Income Tax Credit fees. The decrease in 2018 is primarily due to a decrease in HAP fees and Low-Income Tax Credit fees. HUD announced that it anticipates re-bidding the administration of the HAP Program with an anticipated award in fiscal 2019. HUD has also indicated it intends to renegotiate HAP fees beginning in early 2019. 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.

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 increased in 2015 and 2016 primarily due to decreases in administrative reimbursements from the HOME program. The decrease in 2017 is primarily due to an increase in various administrative reimbursements, a decrease in capital asset depreciation and a decrease in service release fees. The decrease in 2018 is primarily due to a decrease in expenses related to postemployment healthcare insurance benefits and a decrease in expenses related to the Housing Development Fund's net pension liability.

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.

Special Item – Transfer of Operations: On March 8, 2018, the 2018 State Legislature passed Senate Bill 261 transferring administration of the West Virginia Affordable Housing Trust Fund (WVAHTF) to the Housing Development Fund effective June 8, 2018. On June 8, 2018, the WVAHTF transferred the assets, deferred outflows of resources, liabilities and deferred inflows of resources comprising its operations to the Housing Development Fund. As a result of the transaction, the Housing Development Fund recognized assets, deferred outflows of resources, liabilities, deferred inflows of resources and increase in net position at the time of the special item transfer of operations.

For ease of accounting, the Housing Development Fund elected to report the entire net pension liability and deferred inflows and outflows of resources related to GASB 68 in the General Fund. Accordingly, in fiscal 2018, the net pension liability and deferred inflows and outflows of resources related to GASB 68 in a net amount equal to $699,000 were transferred from the Bond Insurance Fund, the Housing Finance Program, and all other programs to the General Fund.

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. The Housing Development Fund’s most recent such valuation is as of January 1, 2018. Based on this valuation, the assets set aside by the Housing Development Fund’s management at January 1, 2018 are such that the Housing Development Fund does not have an unfunded OPEB 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 following Special Redemptions on February 1, 2019.

Since 1976, the Housing Development Fund has issued 61 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 10 Project Loans with a principal balance of $5,992,100 outstanding as of December 31, 2018. Of these Project Loans, 4 receive some level of Section 8 rental assistance payments, and 6 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 Multifamily Loan Program. These Project Loans have a 90% guarantee from the United States Department of Agriculture ("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, 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 December 31, 2018, 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, 2018, there are over 7,700 single family loans outstanding with a current principal balance of approximately $516,796,000. Of these loans, approximately 73% measured by principal balance are insured by the Federal Housing Administration ("FHA"), Veterans Administration ("VA"), USDA 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 and unrestricted amounts within the General Resolution in anticipation of upcoming Bond issues.

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK

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, 2014 through 2018.

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

	Years Ended June 30,				
	2018	2017	2016	2015	2014
OPERATING REVENUES					
Interest on Loans	$ 23,740	$ 24,978	$ 25,935	$ 27,242	$ 28,679
Fees	155	116	106	72	92
Other Revenues	28	40	295	73	111
	23,923	25,134	26,336	27,387	28,882
OPERATING EXPENSES					
Program and Administrative Expenses, Net	6,258	6,740	6,741	6,756	7,286
OPERATING INCOME	17,665	18,394	19,595	20,631	21,596
NON-OPERATING FINANCING AND INVESTING REVENUES (EXPENSES)					
Interest on Investments	2,201	1,934	2,273	2,635	2,693
Interest and Debt Expense	(7,576)	(8,416)	(9,678)	(11,161)	(12,567)
Unrealized (Loss) Gain on Investments	(1,796)	(2,305)	797	(1,034)	(1,955)
	(7,171)	(8,787)	(6,608)	(9,560)	(11,829)
CHANGE IN NET POSITION	10,494	9,607	12,987	11,071	9,767
NET POSITION AT BEGINNING OF YEAR	344,203	339,596	318,309	307,814	298,047
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE†	-	-	-	(576)	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	-	-	-	307,238	-
Inter-program Transfers, Net	351	(5,000)	8,300	-	-
NET POSITION AT END OF YEAR	$ 355,048	$ 344,203	$ 339,596	$ 318,309	$ 307,814

†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 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 2015 through 2018 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. The increases in 2016, 2017 and 2018 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 in 2015, 2017 and 2018 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 Bonds. 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 and 2017. The decrease in 2018 is due to a decrease in cost of issuance expenses, a decrease in losses on the sale of foreclosed properties, and a decrease in loan origination and service fees.

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 2016 is related to a decrease in both interest rates and in funds invested. The decrease in 2017 is related to a decrease in funds invested. The increase in 2018 is related to an increase in interest rates and in funds invested.

Interest and Debt Expense is the interest paid or accrued on outstanding bonds. The decreases in fiscal 2015 through 2018 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 2016, $8,300,000 was transferred to the Housing Finance Program. $5,000,000 and $2,000,000 were 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.

- During fiscal 2017, 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.

- For ease of accounting, the Housing Development Fund elected to report the entire net pension liability and deferred inflows and outflows of resources related to GASB 68 in the General Fund. Accordingly, in fiscal 2018, the net pension liability and deferred inflows and outflows of resources related to GASB 68 in an amount equal to $351,000 were transferred from the Housing Finance Program to the General Fund.

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, Third Party Originators 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 Single Family Procedural Guide (the "Procedural Guide") sets forth more particular instructions for its Participating Lenders, Third Party Originators and the Housing Development Fund's retail operation, 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, 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 that 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, consistent with the Code, 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 request for an assumption of a Program Loan may be considered in accordance with the Housing Development Fund's assumption policy.

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 up to $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 also originates Program Loans through its retail operation and receives Program Loan applications through assignment from a network of approved third party originators ("Third Party Originator") in accordance with the requirements of the Procedural Guide. Third Party Originators must execute a Third Party Originator Agreement that requires the performance of certain loan origination services for loans closed by the Housing Development Fund in accordance with the requirements of the Procedural Guide.

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. Third Party Originators forward certain information as described in the Procedural Guide to the Housing Development Fund for review. The Housing Development Fund, after review, notifies the Third Party Originator of the approval or denial of the commitment of funds.

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 185 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. Third Party Originators receive a fee payable by the Housing Development Fund, currently $575, if certain loan origination services as described in the Procedural Guide are performed.

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 single family mortgage loans made or purchased with proceeds allocable to tax-exempt bonds (including the 2019 A Bonds), and related eligible mortgagors, as well as investment and other limitations as described below. These requirements do not apply to single family mortgage loans made or purchased with proceeds allocable to taxable bonds.

The Code provides that an issue of tax-exempt bonds for single family mortgage 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, or one unit of which, 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 mortgage 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 and/or the Housing Development Fund 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 capital improvements. These requests are reviewed and approved by the Housing Development Fund's Asset Management Department. 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 $59,105,000 as of February 1, 2019. 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 2019 A Bonds, are not secured under 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 $6,855,000. These special obligation bonds are secured by loan repayments and deeds of trust on three separate 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.

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 Multifamily 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 up to $15,000).

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.

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. 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, the Housing Finance 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 $2,000,000 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.

Home4Good

Home4Good is a collaborative initiative between the Federal Home Loan Bank of Pittsburgh (the "FHLB") and the Housing Development Fund to provide grants and/or forgivable loans to address systemic gaps in support services and help make homelessness in West Virginia rare, brief and non-recurring. The funds are awarded to organizations that help individuals retain or find housing, provide supportive services to those facing homelessness or address other unmet needs within the existing homeless provider network. In 2018, the FHLB provided $1.1 million towards the effort and the Fund provided $250,000, for a total contribution of $1.35 million. The FHLB intends to continue this program in 2019 and 2020.

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. The ten percent used to offset administrative costs generally does not cover 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 an 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. This program is restricted by federal regulations.

Low-Income Housing Tax Credit Program

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

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.

Affordable Housing Fund

In 2001, the Legislature created the West Virginia Affordable Housing Trust Fund to provide funding for both technical assistance and housing assistance to non-profit organizations and government entities and to encourage stronger partnerships, collaboration and greater involvement of local communities in meeting affordable housing needs in West Virginia.

The Legislature passed legislation in 2018, effective June 8, 2018, discontinuing the existence of the Affordable Housing Trust Fund, creating under the Act an Affordable Housing Fund to be administered by the Housing Development Fund, and transferring certain former powers, procedures and assets of the Affordable Housing Trust Fund to the Housing Development Fund in connection therewith. The Affordable Housing Fund receives a per-transaction transfer fee from residential real estate transfers and sales of manufactured homes in the State. This fee must be used solely for the purposes of the Affordable Housing Fund as provided by the Act. The Housing Development Fund receives no allocation of funds to compensate it for any costs of administering the Affordable Housing Fund.

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 2019 A 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") and (ii) interest on the 2019 A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Housing Development Fund and others in connection with the 2019 A 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 2019 A Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the 2019 A Bonds, or the ownership or disposition thereof, except as stated in the paragraph above. 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 thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2019 A Bonds.

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 2019 A Bonds in order that interest on the 2019 A 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 2019 A Bonds, yield and other restrictions on investments of gross proceeds of the 2019 A Bonds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds of the 2019 A Bonds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2019 A 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 2019 A 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 2019 A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2019 A 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 2019 A Bonds.

Prospective owners of the 2019 A 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 2019 A 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 2019 A 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 (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the 2019 A Bonds. In general, the issue price for each maturity of 2019 A 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 2019 A 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 2019 A 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 2019 A 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 2019 A 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 2019 A 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 2019 A 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 2019 A 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 2019 A 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 2019 A Bonds and the income therefrom shall at all times be exempt from taxation by the State, or any county, municipality or other governmental subdivision of the State, except for death and gift taxes, taxes on transfers, sales taxes, real property taxes and business and occupation taxes.

The State also imposes a corporation net income and a business franchise tax on corporations and partnerships doing business and owning property in the State. The corporation income and business franchise tax statutes contain a formulary adjustment decreasing the amount of income and capital subject to these taxes for corporations or partnerships owning bonds such as the 2019 A Bonds.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2019 A Bonds under Federal or state law or otherwise prevent beneficial owners of the 2019 A 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 2019 A Bonds.

Prospective purchasers of the 2019 A Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Prior to the issuance of the 2019 A Bonds, the Housing Development Fund will enter into a Continuing Disclosure Agreement with the Trustee, for the benefit of the holders of the 2019 A 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 2019 A 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 2019 A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2019 A Bonds and their market price and the ability of the Housing Development Fund to issue and sell bonds in the future.

In connection with several series of the Housing Development Fund's Housing Finance Bonds, which have been redeemed and paid in full, the Housing Development Fund failed to file a table that was required to be filed under the continuing disclosure agreements related to such Bonds for the fiscal year ended June 30, 2014, due to be filed thereunder no later than 180 days thereafter. Given that such Bonds were redeemed and are no longer Outstanding and the related continuing disclosure agreements thereupon terminated, the Housing Development Fund has not made corrective filings on EMMA.

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**.

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 2019 A Bonds, or in any way contesting or affecting the validity of the 2019 A Bonds or any proceedings of the Housing Development Fund taken with respect to moneys or security provided for the payment of the 2019 A Bonds, or the existence or powers of the Housing Development Fund insofar as they relate to the authorization, sale and issuance of the 2019 A Bonds or such pledge or the application of moneys and security.

APPROVAL OF LEGALITY

In connection with the issuance of the 2019 A Bonds, legal matters incident to the authorization, issuance, sale and delivery of the 2019 A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Housing Development Fund. The proposed form of the opinion of Bond Counsel is included in **APPENDIX D**. Certain legal matters will be passed on for the Housing Development Fund by its General Counsel, Jackson Kelly PLLC, Charleston, West Virginia. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Atlanta, Georgia.

FINANCIAL STATEMENTS OF THE HOUSING DEVELOPMENT FUND

Included in **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, 2018 and 2017. The financial statements as of June 30, 2017 were audited by Gibbons & Kawash, A.C., who merged with Brown, Edwards & Company, L.L.P. as of January 1, 2018. The June 30, 2018 financial statements were audited by Brown, Edwards & Company, L.L.P. 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 2019 A Bonds are being offered by Raymond James & Associates, Inc. (the "Underwriter") at the initial offering prices set forth on the inside cover page hereof. The Underwriter will be paid a fee of $240,214.75, which will include reimbursement of certain expenses, with respect to the offering and sale of the 2019 A Bonds. The initial public offering prices may be changed, from time to time, by the Underwriter.

The Housing Development Fund has been advised that the Underwriter expects to make a market in the 2019 A Bonds. However, the Underwriter is not obligated to make such markets and may discontinue making such markets at any time without notice. Neither the Housing Development Fund nor the Underwriter can give any assurance that secondary markets will develop.

The following paragraph has been provided by the Underwriter:

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

FINANCIAL ADVISOR

Piper Jaffray & Co. has been engaged to provide financial advisory services for the issuance of Bonds under the December 19, 2018 plan of finance (including the 2019 A Bonds).

ADDITIONAL INFORMATION

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

The 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 2019 A Bonds that there has been no change in the affairs of the Housing Development Fund from the date hereof.

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

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

This Official Statement is submitted in connection with the offering of the 2019 A Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statements in this Official Statement involving matters of opinion or estimate, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Housing Development Fund and the purchasers or holders of any of the 2019 A Bonds. The distribution of this Official Statement has been approved by the Board of Directors of the Housing Development Fund. Additional information may be obtained from the 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
Executive Director

Dated: February 20, 2019

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A-1
Project Loans Financed with Housing Finance Bonds
As of December 31, 2018 (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%	$321,806	$70,140	09/01/33	None	04/11/35	8	100%	100%	None
				$321,806	**$70,140**				**8**			
	Housing Finance Bonds 1998 Series E (held from various issues)											
(2)	Fifth Avenue	Huntington	0.00%	$984,000	$21,866	04/01/19	None	N/A	(3) 52	0%	69%	None
	The Virginian	Huntington	5.75%	$252,864	$30,476	07/01/28	None	N/A	12	0%	42%	None
	Franklin Manor	Martinsburg	8.25%	$1,581,200	$332,380	09/01/21	221(d)(4)	09/01/22	48	100%	98%	None
	Dylan Heights	Summersville	7.37%	$1,475,000	$1,331,069	03/01/45	USDA 538	N/A	48	0%	92%	None
	Jenna Landing	Sissonville	6.25%	$1,403,000	$1,231,609	03/01/45	USDA 538	N/A	48	0%	92%	None
	Plateau Oaks	Oak Hill	7.54%	$786,028	$708,126	10/01/44	USDA 538	N/A	32	0%	94%	None
	Princeton Towers	Princeton	7.50%	$3,260,000	$105,372	05/01/19	221(d)(4)	09/23/29	119	100%	98%	None
	Woda Cantebury	Elkins	6.25%	$1,350,000	$1,192,431	08/01/45	USDA 538	N/A	50	0%	94%	None
(4)	Mountain Cap		2.00%	$1,580,000	$968,631	03/01/29	None					None
	Orient Hills	Orient Hills					None	12/20/34	8	100%	63%	
	Hunter Ridge I	Bradley					None	02/22/32	8	100%	88%	
	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%	75%	
	Woodland Heights	Salem					None	08/26/32	8	100%	75%	
	Cherry Falls	Webster Springs					None	09/30/32	6	100%	83%	
	Hunter Ridge III	Bradley					None	12/22/32	8	100%	63%	
	Quinwood Apts.	Quinwood					None	11/15/32	8	100%	63%	
	Rainelle Apts.	Rainelle					None	11/15/32	8	100%	88%	
	Rainelle Apts. II	Rainelle					None	03/07/33	8	100%	100%	
	Rupert Apts. II	Rupert					None	03/07/33	8	100%	75%	
				$12,672,092	**$5,921,960**				**503**			
	GRAND TOTAL:			**$12,993,898**	**$5,992,100**				**511**			

(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, 2018 (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	20	$2,629,000	(1)
2001 D Bonds	32	$55,433,000	
2002 BC Bonds	6	$16,771,000	
2003 C Bonds	11	$13,472,000	
TOTAL PREPAYMENTS	86	$98,852,000	

(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, 2018 (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 317 loans in the aggregate amount of $4,018,776 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	2,095	26.53%	$ 175,374	$ 137,109	
Privately Insured	1,763	32.77%	182,895	169,355	
Uninsured	2,802	27.29%	195,938	141,011	(1)
VA	298	2.56%	22,005	13,239	
USDA RHS	758	10.85%	76,785	56,082	
Totals	7,716	100.00%	$ 652,997	$ 516,796	

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	5,744	59.36%	$ 431,251	$ 306,754
81 to 85%	601	10.53%	60,077	54,427
86 to 90%	662	13.57%	74,236	70,152
91 to 95%	554	12.65%	67,170	65,378
over 95%	155	3.89%	20,263	20,085
Totals	7,716	100.00%	$ 652,997	$ 516,796

PROGRAM LOANS PURCHASED BY ORIGINAL PRINCIPAL AMOUNT

		Number of Program Loans				
Program Loan	Amount	Uninsured	Privately Insured	VA	FHA	RHS
Less than $30,000	$ 4,693	150	1	5	37	7
30,000 to 39,999	16,247	265	19	23	126	26
40,000 to 49,999	36,686	400	69	55	236	53
50,000 to 59,999	54,876	475	118	37	297	68
60,000 to 69,999	65,809	431	184	44	268	86
70,000 to 79,999	65,639	294	221	36	259	67
80,000 to 89,999	59,328	212	198	35	193	65
90,000 to 99,999	44,638	131	147	17	126	52
100,000 and over	305,081	444	806	46	553	334
Totals	$ 652,997	2,802	1,763	298	2,095	758

(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, 2018 (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	895	$ 89,636	52.93%	17.34%
GE Mortgage Insurance	652	61,187	36.13%	11.84%
PMI Insurance Company	39	2,704	1.60%	0.52%
United Guarantee	25	1,834	1.08%	0.35%
RMIC	15	985	0.58%	0.19%
Radian	27	2,512	1.48%	0.49%
CMG	43	3,991	2.36%	0.77%
National MI	44	4,129	2.44%	0.80%
Other PMI Companies	23	2,377	1.40%	0.47%
Totals	1,763	$ 169,355	100.00%	32.77% (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 September 30, 2018.

Months Past Due	Housing Finance Program Percentage Delinquent 6/30/2015	6/30/2016	6/30/2017	6/302018	12/31/2018	West Virginia 9/30/2018	USA 9/30/2018
One	4.51%	4.40%	3.61%	3.68%	4.23%	3.62%	2.60%
Two	1.43%	1.47%	1.46%	1.15%	1.54%	1.09%	0.80%
Three	0.66%	0.67%	0.53%	0.43%	0.80%	1.26%	1.14%
In foreclosure	1.52%	2.23%	1.77%	1.42%	1.46%	0.93%	0.99%

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	230	600	618	317	330	2,095
Privately Insured	45	238	466	380	634	1,763
Uninsured	366	887	813	446	290	2,802
VA	23	90	111	43	31	298
RHS	43	207	247	148	113	758
Totals	707	2,022	2,255	1,334	1,398	7,716
Original Principal Amount	$ 32,313	$ 126,870	$ 180,790	$ 131,200	$ 181,824	$ 652,997
Percentage of Portfolio	9.16%	26.21%	29.22%	17.29%	18.12%	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, 2018 (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
2019 (to date)	$13,474	$4,415	$19,249
2018	30,951	21,605	29,755
2017	36,716	18,100	25,120
2016	33,740	26,365	26,545
2015	34,751	31,970	30,326
	$ 149,632	$ 102,455	$ 130,995

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A-3
Summary of Housing Finance Program Single Family Loans Outstanding
As of December 31, 2018 (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)	5.509%	3,045	$ 217,463	$ 137,780
Movin' Up (3) (4)	4.267%	1,300	148,573	141,181
2011 A (4)	5.595%	335	25,852	18,536
2013 A (4)	5.269%	192	14,731	10,807
2013 BC (4)	4.631%	417	36,468	30,705
2014 AB (4)	4.352%	477	40,408	32,424
2015 AB (4)	4.355%	565	45,936	35,024
2015 CD (4)	4.505%	733	62,518	54,021
2017 AB (4)	4.632%	450	41,233	36,567
2018 A (4)	4.642%	202	19,815	19,751
Totals		7,716	$ 652,997	$ 516,796

(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 prinicpal and surplus revenues where economically prudent.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A-4
Summary of Housing Finance Bonds Outstanding
As of February 1, 2019 (unaudited) (1)
(Dollars in Thousands)

Issue (2)	Interest Rates of Outstanding Maturities	Original Issue Amount	Scheduled Maturities and Sinking Fund Payments	Early Redemptions from Prepayments, Excess Revenues, and Reserves	Amount Outstanding 2/1/2019 (1)
2011 A (3)	3.122%-3.622%	50,000	33,610	-	16,390
2013 A (3)	1.68%-3.20%	21,000	6,700	-	14,300
2013 BC	2.75%-4.35%	47,500	10,625	24,310	12,565
2014 AB	2.00%-3.95%	48,865	9,785	7,120	31,960
2015 AB	1.80%-3.80%	50,660	9,775	6,755	34,130
2015 CD	1.80%-4.10%	70,060	7,980	7,895	54,185
2017 AB	1.50%-4.125%	39,505	1,315	1,590	36,600
2018 A	1.65%-3.90%	25,000	-	25	24,975
Totals		$ 352,590	$ 79,790	$ 47,695	$ 225,105

(1) Following Special Redemptions on February 1, 2019.
(2) All listed issues finance Program Loans (primarily single family).
(3) Taxable Issues.

THIS PAGE INTENTIONALLY LEFT BLANK

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 a term of 20 years. The loan terms for all Project Loans with Housing Development Fund Mortgage Loans, whether HUD insured or not, mature prior to their HAPC expiration.

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.

Not all mortgaged properties are required to be conveyed to HUD. The Housing Development Fund participates in the Claims Without Conveyance of Title Program. In this Program, the foreclosure bid price is based on the Federal Housing Commissioner's Adjusted Fair Market Value (CAFMV) after a HUD appraisal is received. If these properties are not sold to a third party during the foreclosure sale, they are added to the Housing Development Fund's real estate owned inventory.

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 MORTAGE 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. The Housing Development Fund is a delegated servicer and is not required to seek RHS approval for loss mitigation, but must provide information to RHS via their website. Options for resolving the past due account are informal forbearance/repayment, special forbearance, loan modifications, special loan servicing or pre-foreclosure sale and deed in lieu.

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 78% of the appraised value. After liquidation, the Housing Development Fund markets the property and a claim must be filed with RHS for insurance benefits no later than 60 days from the date of recording of the foreclosure sale deed. 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.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX C

WEST VIRGINIA HOUSING DEVELOPMENT FUND

AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Audited Financial Statements

WEST VIRGINIA HOUSING DEVELOPMENT FUND

For the Years Ended June 30, 2018 and 2017

Audited Financial Statements

Required Supplementary Information

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 business-type activities (enterprise fund) and fiduciary fund type activities 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, 2018 and 2017, 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 opinions on these financial statements based on our audit. We conducted our audit 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities (enterprise fund) and the fiduciary fund type activities of the West Virginia Housing Development Fund as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2017, were audited by Gibbons & Kawash, A.C., who merged with Brown, Edwards & Company, L.L.P. as of January 1, 2018, and whose report dated August 30, 2017, expressed an unmodified opinion on those statements.

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, the schedule of contributions to the PERS, the schedule of changes in net OPEB liability and related ratios of the Welfare Benefit plan, the schedule of contributions to the Welfare Benefit plan, the schedule of annual rate of return on investments of the Welfare Benefit plan, the schedule of the proportionate share of the net OPEB liability West Virginia Public Employees Insurance Agency plan, the schedule of contributions to the West Virginia Public Employees Insurance Agency plan, and the accompanying notes to required supplementary information on pages 46 through 50 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
August 29, 2018

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, 2018, the Fund has provided assistance for more than 122,000 housing or housing-related units.

The permanent staff of the Fund consists of 102 persons as of June 30, 2018, 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 9 bond issues totaling $280,730,000 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 related to its various programs are reported in the enterprise fund financial statements, which are more fully explained in the Notes to the Financial Statements. These programs consist of the General Account, Bond Programs, Other Loan Programs, Affordable Housing Fund, 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, Affordable Housing Fund, Land Development Program, Bond Insurance Account, and Federal Programs, which are restricted by the bond resolutions, the Act, or federal regulations. The Fund reports one fiduciary type fund, the Welfare Benefit Plan, an irrevocable trust for postemployment healthcare insurance benefits (OPEB) for the Fund's employees. The fiduciary fund's activities benefit the employees of the Fund and the fiduciary fund's resources are not available to support the various programs of the enterprise fund.

As management of the Fund, we offer readers of the Fund's enterprise fund financial statements the following 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, 2018, 2017 and 2016.

[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.

USING THIS REPORT

This report consists of a series of enterprise fund 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 for each period presented.

The Fund prepares financial statements in conformity with accounting principles generally accepted in the United States of America for state housing finance enterprise funds. The enterprise fund Statements of Net Position represent the difference between the assets and liabilities and include all assets and liabilities using the basis of accounting described above. Over time, increases or decreases in the net position are one indicator of whether financial status is improving, stable, or deteriorating. There are also other factors that should be considered when reviewing the operational results, 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 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 enterprise fund condensed Statements of Net Position at June 30:

(Dollars in thousands)	**2018**	**2017**	2016
ASSETS			
Current assets	**$ 68,416**	**$ 65,272**	$ 62,658
Noncurrent assets:			
Mortgage loans & Restricted mortgage loans, net of allowance for losses	**640,514**	**648,321**	665,141
Restricted Federal Program mortgage loans, net of allowance for losses	**64,901**	**65,358**	62,798
Restricted cash and cash equivalents	**22,430**	**48,708**	37,107
Investments & Restricted investments	**75,667**	**81,632**	93,506
Capital assets, net of depreciation	**8,538**	**8,663**	9,032
Other assets & Restricted other assets, net of allowance for losses	**5,207**	**6,314**	7,179
Total assets	**885,673**	**924,268**	937,421
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension and OPEB	**1,101**	**2,070**	1,974
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	**16,244**	**16,044**	17,469
Accrued interest payable	**1,464**	**1,795**	1,903
Bonds payable	**27,280**	**35,715**	33,975
Noncurrent liabilities:			
Bonds & notes payable, net	**254,324**	**302,056**	329,905
Other liabilities	**69,975**	**70,986**	66,117
Total liabilities	**369,287**	**426,596**	449,369
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension and OPEB	**1,486**	**316**	1,489
NET POSITION			
Investment in capital assets	**8,538**	**8,663**	9,032
Net position - Restricted	**429,722**	**413,345**	412,542
Net position - Unrestricted	**77,741**	**77,418**	66,963
TOTAL NET POSITION	**$ 516,001**	**$ 499,426**	$ 488,537

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 financial and programmatic operations.

Current assets

The increase of $3,144,000 (4.8%) in *Current assets* from 2017 to 2018 was primarily due to the receipt of $4,114,000 in cash related to the transfer of the West Virginia Affordable Housing Trust Fund (WVAHTF) to the Fund (See *Note I – Special Item - Transfer of Operations*), an increase of $1,648,000 in cash for HOME program disbursements, a decrease of $2,017,000 due to funds on hand at the end of fiscal year 2017 being used for bond redemptions and a decrease of $840,000 in cash for program disbursements.

The increase of $2,614,000 (4.2%) in *Current assets* from 2016 to 2017 was primarily due to an increase of $3,813,000 in cash for program disbursements, a decrease of $564,000 in funds held for others due to an increase in escrow disbursements, a decrease of $321,000 due to funds on hand at the end of fiscal year 2016 were used for bond redemptions and a decrease of $212,000 in the balance of Mortgage Loans Held for Sale.

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

The decrease of $7,807,000 (1.2%) in *Mortgage loans & Restricted mortgage loans, net of allowance for losses* from 2017 to 2018 was primarily due to repayments and loan prepayments of $74,026,000 exceeding originations of $70,020,000, foreclosures of $4,166,000 and the transfer of $379,000 in mortgages related to the transfer of the WVAHTF to the Fund. See *Note I – Transfer of Operations*.

The decrease of $16,820,000 (2.5%) in *Mortgage loans & Restricted mortgage loans, net of allowance for losses* from 2016 to 2017 was primarily due to repayments and loan prepayments of $71,172,000 exceeding originations of $59,583,000 and foreclosures of $5,102,000.

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 of HOME program loan originations and repayments during the years presented.

Restricted cash and cash equivalents

The decrease of $26,278,000 (54.0%) in *Restricted cash and cash equivalents* from 2017 to 2018 was primarily due to a net decrease in the balance of funds available to purchase single family mortgage loans related to the timing of bond issuances.

The increase of $11,601,000 (31.3%) in *Restricted cash and cash equivalents* from 2016 to 2017 was primarily due to a net increase in the balance of funds available to purchase single family mortgage loans related to the timing of bond issuances.

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 to be reported in the enterprise fund 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)	**2018**	**2017**	2016
Balance at beginning of fiscal year	**$ 81,632**	**$ 93,506**	$ 82,223
Sales and maturities	**(33,730)**	**(44,318)**	(38,750)
Purchases	**30,438**	**35,995**	47,930
(Decrease) Increase in fair value of investments and amortizations	**(2,673)**	**(3,551)**	2,103
Balance at end of fiscal year	**$ 75,667**	**$ 81,632**	$ 93,506

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

The decrease of $125,000 (1.4%) from 2017 to 2018 was due to depreciation of the Fund's office building, equipment, and software in the amount of $399,000, net of purchases of $274,000.

The decrease of $369,000 (4.1%) from 2016 to 2017 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 $1,107,000 (17.5%) in *Other assets and Restricted other assets, net of allowance for losses* from 2017 to 2018 was primarily due to a decrease of $840,000 in foreclosed properties and an increase of $362,000 in allowance for loan loss.

The decrease of $865,000 (12.0%) in *Other assets and Restricted other assets, net of allowance for losses* from 2016 to 2017 was primarily due to a decrease of $1,201,000 in foreclosed properties and a decrease of $243,000 in allowance for loan loss.

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

Deferred outflows and inflows of resources are directly related to the activity described in *Note F – Retirement Plan* 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 and in *Note H – Other Postemployment Benefits* to the financial statements in accounting for the changes in the Fund's net OPEB liability.

Accounts payable and other liabilities

The increase of $200,000 (1.2%) in *Accounts payable and other liabilities* from 2017 to 2018 was primarily due to an increase of $366,000 in accrued expenses at year-end and a decrease of $146,000 in tax and insurance accounts held on behalf of the Fund's various mortgagors.

The decrease of $1,425,000 (8.2%) in *Accounts payable and other liabilities* from 2016 to 2017 was primarily due to a decrease of $1,071,000 in tax and insurance accounts held on behalf of the Fund's various mortgagors and a decrease in the rebate liability of $377,000.

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 2018 and 2017. See *Note D – Bonds & Notes payable, current and noncurrent.*

(Dollars in thousands)		2018	2017	2016
Balance at beginning of the fiscal year				
Bonds payable - current		$ 35,715	$ 33,975	$ 32,765
Bonds payable - noncurrent		302,056	329,905	358,682
Debt issued:	Housing Finance Bonds	-	39,505	70,060
	Other Loan Programs note payable	250	250	-
Debt paid:	Scheduled debt service - Bonds & notes payable	(28,241)	(27,196)	(24,458)
	Early redemptions and refundings	(28,195)	(38,495)	(72,880)
Amortization of bond premiums		-	(173)	(289)
Other Loan Programs note payable allowance for losses [1]		19	-	-
Balance at end of the fiscal year		$ 281,604	$ 337,771	$ 363,880
Bonds payable - current		$ 27,280	$ 35,715	$ 33,975
Bonds & notes payable - noncurrent		254,324	302,056	329,905
Total bonds & notes payable		$ 281,604	$ 337,771	$ 363,880

[1] See *Note D - Bonds Payable*

Other liabilities

The decrease of $1,011,000 (1.4%) in *Other liabilities* from 2017 to 2018 was due to a decrease in the net pension liability of $1,878,000, See *Note F – Retirement Plan*, an increase in the net OPEB liability of $279,000 related to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* See *Note H – Other Postemployment Benefits* and an increase of $587,000 due to Federal Program mortgage loan originations exceeding repayments and prepayments.

The increase of $4,869,000 (7.4%) in *Other liabilities* from 2016 to 2017 was due to Federal Programs mortgage loan originations exceeding repayments and prepayments and an increase in the net pension liability of $1,216,000. See *Note F – Retirement Plan*.

Total Net Position improved by $10,889,000 (2.2%) from June 30, 2016 to June 30, 2017. From June 30, 2017 to June 30, 2018, *Total Net Position* improved by $16,575,000 (3.3%) as the enterprise fund net position improved to $516,001,000 at June 30, 2018.

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

(Dollars in thousands)	**2018**	**2017**	2016
REVENUES			
Interest on loans	**$ 29,676**	**$ 31,106**	$ 32,296
Pass-through grant revenue	**69,164**	**72,124**	75,910
Fee revenue	**6,774**	**6,905**	6,444
Net investment earnings (non-operating)	**877**	**(82)**	5,116
Other	**1,439**	**1,416**	1,407
Total Revenues	**107,930**	**111,469**	121,173
EXPENSES			
Pass-through grant expense	**69,164**	**72,124**	75,910
Interest and debt expense (non-operating)	**9,573**	**10,686**	12,183
Loan fees expense	**3,676**	**3,538**	3,943
Program expenses, net	**2,357**	**3,547**	3,551
Administrative expenses, net	**9,946**	**10,685**	10,852
Total Expenses	**94,716**	**100,580**	106,439
INCOME BEFORE SPECIAL ITEM	**13,214**	**10,889**	14,734
SPECIAL ITEM - Transfer of operations (1)	**4,469**	**-**	-
CHANGE IN NET POSITION	**17,683**	**10,889**	14,734
NET POSITION AT BEGINNING OF YEAR	**499,426**	**488,537**	473,803
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE (2)	**(1,108)**	**-**	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	**498,318**	**488,537**	473,803
NET POSITION AT END OF YEAR	**$ 516,001**	**$ 499,426**	$ 488,537

(1) See *Note I - Special item - transfer of operations*

(2) See *Note A - Accounting methods*

Interest on loans

The decrease in *Interest on loans* of $1,430,000 (4.6%) and $1,190,000 (3.7%) from 2017 to 2018 and 2016 to 2017, 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 decrease of $2,960,000 (4.1%) from 2017 to 2018 was primarily due to a decrease in HOME disbursements of $4,303,000, an increase of $925,000 in National Housing Trust Fund disbursements and an increase of $417,000 in Section 8 Housing Assistance Payments Program (HAP) disbursements.

The decrease of $3,786,000 (5.0%) from 2016 to 2017 was primarily due to a decrease in HOME disbursements of $5,274,000 and an increase of $1,488,000 in Section 8 Housing Assistance Payments Program (HAP) disbursements.

Fee revenue

The decrease of $131,000 (1.9%) in *Fee revenue* from 2017 to 2018 was due to a decrease of $88,000 in Low-Income Housing Tax Credit fees earned, a decrease of $32,000 in Section 8 fees earned and a net decrease of $6,000 in mortgage loan processing fees.

The increase of $461,000 (7.2%) in *Fee revenue* from 2016 to 2017 was due to an increase of $125,000 in Section 8 fees earned, $108,000 in Low-Income Housing Tax Credit fees earned, and a net increase of $224,000 in mortgage loan processing fees.

Net investment earnings

Net investment earnings decreased $5,198,000 (101.6%) from 2016 to 2017 and increased $959,000 (1,169.5%) from 2017 to 2018 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, investment earnings, adjusted for the unrealized gains or losses, decreased 9.7% from 2016 to 2017 and increased 6.5% from 2017 to 2018 due to higher cash and investment balances and increases in rates throughout the year.

(Dollars in thousands)		**June 30,**	
	2018	**2017**	2016
Net investment income per operating statement	**$ 877**	**$ (82)**	$ 5,116
Adjustments for unrealized loss (gain) on fair value of securities	**2,518**	**3,270**	(1,587)
Interest earned on investments	**$ 3,395**	**$ 3,188**	$ 3,529
% Increase (Decrease) from prior year	**6.5%**	**(9.7%)**	

Other revenues

The increase of $23,000 (1.6%) in *Other revenues* from 2017 to 2018 was primarily due to an increase in gains on sale of mortgage loans of $50,000, net of a decrease of $16,000 in gains on sale of foreclosed properties.

The increase of $9,000 (.6%) in *Other revenues* from 2016 to 2017 was primarily due to an increase due to the sale of Fund-owned vehicles of $28,000, an increase in gains on sale of mortgage loans of $11,000, net of a decrease of $29,000 in gains on sale of foreclosed properties.

Interest and debt expense

The $1,113,000 (10.4%) decrease in *Interest and debt expense* from 2017 to 2018 was primarily due to $56,436,000 in bond redemptions and debt service and no bond issuances during 2018.

The $1,497,000 (12.3%) decrease in *Interest and debt expense* from 2016 to 2017 was primarily due to $65,691,000 in bond redemptions, refundings and debt service exceeding bond issuances of $39,755,000 during 2017.

Loan fees expense

The $138,000 (3.9%) increase in *Loan fees expense* was primarily due to an increase in loan origination fees of $255,000, which was a result of an increase in the fee paid to lenders to originate a loan and an increase in the number of loan originations, a decrease in service fees on loans of $63,000 and a decrease in service release fees of $58,000.

The $405,000 (10.3%) decrease in *Loan fees expense* was primarily due to a decrease in loan originations which resulted in a decrease in loan origination fees of $230,000, a decrease in service release fees of $128,000 and a decrease in service fees on loans of $45,000.

Program expenses, net

The $1,190,000 (33.5%) decrease in *Program expenses, net* from 2017 to 2018 was primarily due to a $410,000 decrease in Special Needs disbursements, a $383,000 decrease in cost of issuance expenses, a $260,000 decrease in bad debt expense and a $137,000 decrease in losses on sale of foreclosed properties.

The $4,000 (.1%) decrease in *Program expenses, net* from 2016 to 2017 was primarily due to a decrease of $230,000 in building expenses, a $220,000 decrease in cost of issuance expenses, a $47,000 decrease in bad debt expense, net of a $480,000 increase in losses on sale of foreclosed properties and a $12,000 increase in program disbursements.

Administrative expenses, net

The $739,000 (6.9%) decrease in *Administrative expenses, net* from 2017 to 2018 was primarily due to a decrease in OPEB related expenses of $501,000, a net decrease in the expense related to the Fund's proportionate share of the net pension liability of $252,000, an increase of $96,000 in various administrative reimbursements and an increase of $128,000 in salary expenses due to vacant positions from fiscal year 2017 hired in fiscal year 2018.

The $167,000 (1.5%) decrease in *Administrative expenses, net* from 2016 to 2017 was primarily due to a net decrease of $118,000 in technology-related expenses, an increase of $93,000 in legal expenses and an increase of $106,000 in various administrative reimbursements.

OVERVIEW OF THE ENTERPRISE FUND 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 Fund's 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. Mortgage loan balances and continued loan originations are key elements to future earnings potential.

The Bond Programs mortgage loan balances decreased from fiscal year 2016 through fiscal year 2018 as follows:

(Dollars in thousands)	June 30, 2018	June 30, 2017	June 30, 2016
Beginning Balance	**$ 575,325**	**$ 597,007**	$ 609,095
Repayments/Prepayments	**(59,425)**	**(65,361)**	(64,561)
Foreclosures	**(3,735)**	**(4,857)**	(4,834)
Originations	**53,866**	**48,536**	66,928
Loans sold to Secondary Market	**-**	**-**	(9,621)
Ending Balance	**$ 566,031**	**$ 575,325**	$ 597,007
% Decrease from prior year	**(1.6%)**	**(3.6%)**	

Interest rates on new single family bond loans originated in fiscal year 2018 have averaged approximately 4.50%. 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. The average loan interest rate listed below shows the average for fiscal years 2016 through 2018.

Average Loan Interest Rate	
June 30, 2016	4.66%
June 30, 2017	4.62%
June 30, 2018	4.56%

The Fund's Bond Programs consist of 30-year fixed rate loans and no sub-prime loans. The median income of Fund borrowers is $50,003 as of June 30, 2018. 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 2016 through 2018 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 As of June 30,			WV* As of March 31, 2018	USA*
Months Past Due	2018	2017	2016		
One	3.58%	3.94%	4.30%	3.03%	2.10%
Two	1.16%	1.11%	1.35%	0.95%	0.75%
Three	0.44%	0.46%	0.69%	1.29%	1.45%
Three +	1.44%	1.66%	2.12%	2.31%	2.61%
In foreclosure	0.29%	0.26%	0.32%	1.02%	1.16%

*Most current data available.

In response to the increased demand for affordable rental housing, the Fund is increasing its financing of both construction and permanent financing of multifamily rental housing. Resources for this initiative are provided from Other Loan Programs, HOME and the National Housing Trust Fund. Permanent loans financed from Other Loan Programs often carries United States Department of Agriculture (USDA) 538 loan guarantees. The Fund expects to continue its focus on financing rental housing into fiscal 2019 and future years.

Investments

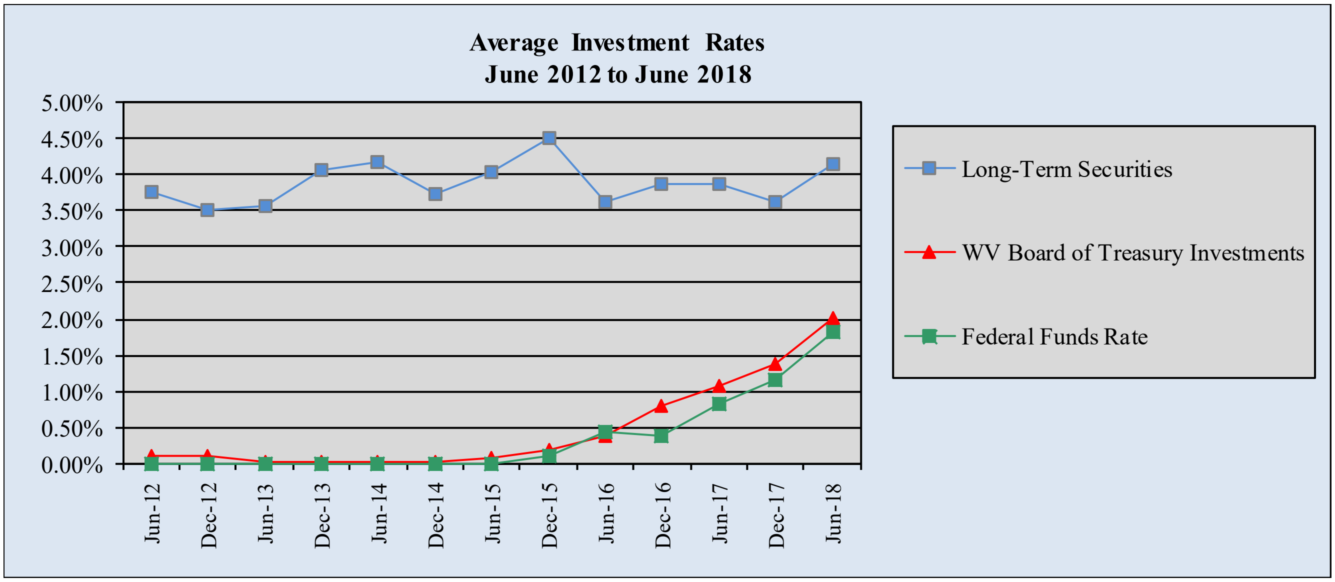
The Fund invests cash not required for immediate disbursement as permitted by the Act, the bond resolutions, and the Board approved Investment Policy. Funds related to the Bond Programs capital reserves and the Bond Insurance Account are primarily invested in long-term United States agency securities 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 2012 through 2015. During fiscal year 2016, the Federal Reserve increased the federal funds rate ranging from 0.25% to 0.50% and continued to increase the rate three additional times during fiscal year 2017 ranging from 1.00% to 1.25%. During fiscal year 2018, the Federal Reserve increased the rate an additional three times to the current rate ranging from 1.75% to 2.00%. 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 9.7% from 2016 to 2017, net of unrealized gains or losses, and increased 6.5% from 2017 to 2018, net of unrealized gains or losses. The increase in 2018 was primarily due to higher cash and investment balances and increases in rates throughout the year.

Below is a summary of the average investment rates from June 2012 to June 2018:



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.

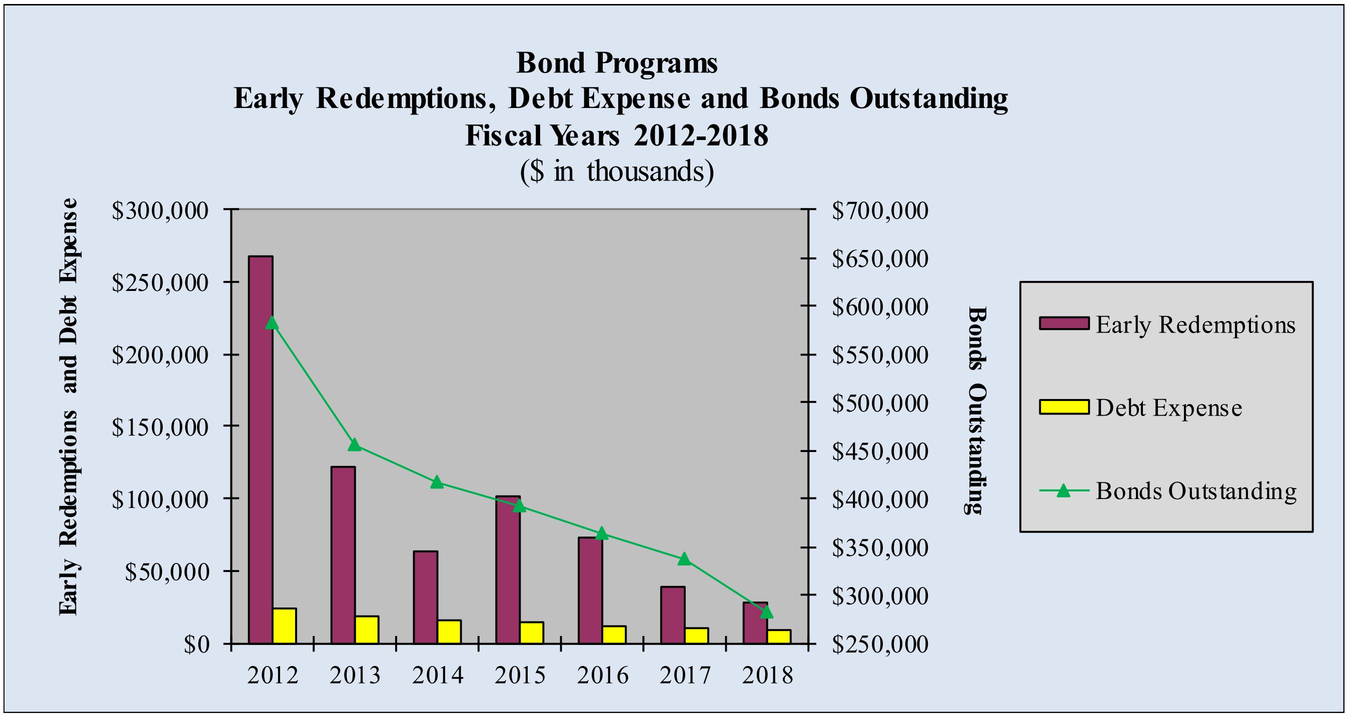
When bonds are issued from the bond volume allocation, known as "new money" bonds, certain repayments and prepayments of mortgage loans made from these proceeds may be "recycled" into additional mortgage loans for ten years. The Fund uses recycling to supplement its bond issues by using prepayments for 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 2019 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 2016, 2017 and 2018, the Fund redeemed or refunded $72,880,000, $38,495,000 and $28,195,000 in bonds, respectively. In addition, 2016 and 2017 redemptions included the refunding of bonds in the amount of $40,060,000, and $14,505,000, respectively. There were no bonds refunded in 2018.

Debt expense was $12,183,000, $10,686,000 and $9,573,000 in fiscal years 2016, 2017 and 2018, respectively. Debt expense decreased in 2017 and 2018 as compared to 2016 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 Jobs Investment Trust and various non-profit organizations and banks. The Fund is the largest loan servicer in the State with serviced loans of $1.2 billion. Servicing fee income in the amount of $2,960,000 represents 7.64% of the Fund's total revenues, net of pass through grant revenue, for the fiscal year ended June 30, 2018.

OVERVIEW OF THE FIDUCIARY FUND FINANCIAL STATEMENTS

The Fund has one fiduciary fund, the Welfare Benefit Plan, which is an irrevocable trust for postemployment healthcare benefits for employees. These funds are not available to support the Fund's enterprise activities. The accounting used for fiduciary funds is much like that used for enterprise funds.

Net position restricted for other postemployment benefits improved by $193,000 (3.7%) from June 30, 2016 to June 30, 2017. From June 30, 2017 to June 30, 2018, *Net position restricted for other postemployment benefits* improved by $11,000 (.2%) to $5,444,000 at June 30, 2018.

The fiduciary fund financial statements can be found on pages 17 and 18 of this report and the Welfare Benefit Plan is discussed in greater detail in *Note H – Postemployment Healthcare Plan*.

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 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
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF NET POSITION
(Dollars in Thousands)

	June 30, 2018	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents-- *(Notes A and C)*	$ 21,097	$ 21,038
Accrued interest on loans	312	266
Accounts receivable and other assets, net of allowance for losses-- *(Note A)*	939	1,050
Mortgage loans held for sale-- *(Note A)*	-	116
Restricted cash and cash equivalents-- *(Notes A and C)*	43,095	39,822
Restricted accrued interest on loans	2,289	2,403
Restricted accrued interest on investments	684	577
Total current assets	68,416	65,272
Noncurrent assets:		
Mortgage loans, net of allowance for losses-- *(Note A)*	58,106	56,505
Capital assets, net of depreciation-- *(Note A)*	8,538	8,663
Restricted cash and cash equivalents-- *(Notes A and C)*	22,430	48,708
Restricted investments-- *(Notes A and C)*	75,667	81,632
Restricted mortgage loans, net of allowance for losses-- *(Note A)*	647,309	657,174
Restricted other assets, net of allowance for losses-- *(Note A)*	5,207	6,314
Total noncurrent assets	817,257	858,996
Total assets	885,673	924,268
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension and OPEB--*(Notes A, F and H)*	1,101	2,070
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities-- *(Note A)*	16,244	16,044
Accrued interest payable	1,464	1,795
Bonds payable-- *(Note D)*	27,280	35,715
Total current liabilities	44,988	53,554
Noncurrent liabilities:		
Other liabilities-- *(Notes A, F and H)*	69,975	70,986
Bonds & notes payable-- *(Note D)*	254,324	302,056
Total noncurrent liabilities	324,299	373,042
Total liabilities	369,287	426,596
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension and OPEB--(Notes A, F and H)	1,486	316
NET POSITION		
Restricted for debt service	357,312	346,325
Restricted by state statute	72,410	67,020
Investment in capital assets	8,538	8,663
Unrestricted	77,741	77,418
Total net position	$ 516,001	$ 499,426

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
(Dollars in Thousands)

	Year Ended June 30, 2018	2017
OPERATING REVENUES		
Interest on loans	$ 29,676	$ 31,106
Pass-through grant revenue-- *(Note A)*	69,164	72,124
Fee revenue-- *(Note A)*	6,774	6,905
Other-- *(Note A)*	1,439	1,416
	107,053	111,551
OPERATING EXPENSES		
Pass-through grant expense-- *(Note A)*	69,164	72,124
Loan fees expense-- *(Note A)*	3,676	3,538
Program expenses, net-- *(Note A)*	2,357	3,547
Administrative expenses, net-- *(Note A)*	9,946	10,685
	85,143	89,894
OPERATING INCOME	21,910	21,657
NON-OPERATING - FINANCING AND INVESTING (EXPENSES) REVENUES		
Investment earnings:		
Interest	3,395	3,188
Net decrease in the fair value of investments	(2,518)	(3,270)
Net investment earnings	877	(82)
Interest and debt expense	(9,573)	(10,686)
	(8,696)	(10,768)
INCOME BEFORE SPECIAL ITEM	13,214	10,889
SPECIAL ITEM		
Transfer of operations--*(Note I)*	4,469	-
CHANGE IN NET POSITION	17,683	10,889
NET POSITION AT BEGINNING OF YEAR	499,426	488,537
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE (1)	(1,108)	-
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	498,318	488,537
NET POSITION AT END OF YEAR	$ 516,001	$ 499,426

(1) See Note A - Accounting Methods

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended June 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from lending activities	$ 110,039	$ 109,356
Receipts from other operating activities	8,185	8,283
Receipts from escrows and advance activities [1]	73,643	86,144
Disbursements from escrows and advance activities [1]	(73,825)	(87,678)
Receipts for federal lending activities	4,347	8,149
Receipts for federal activities	63,434	63,034
Disbursements for federal activities	(63,433)	(63,016)
Purchase of mortgage loans	(74,823)	(68,691)
Purchase of mortgage loans held for sale	(38,387)	(42,078)
Sales of mortgage loans	38,503	42,290
Payments to employees for salaries and benefits	(7,092)	(7,666)
Payments to vendors	(8,053)	(8,322)
Net cash provided by operating activities	32,538	39,805
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES		
Net proceeds from bonds and notes	250	39,755
Retirement of bonds and notes	(56,436)	(65,691)
Interest paid	(9,904)	(10,967)
Special item - transfer of operations [2]	4,114	-
Net cash used in noncapital financing activities	(61,976)	(36,903)
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment and furnishings	(274)	-
Net cash used in capital and related financing activities	(274)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments	33,730	44,318
Purchase of investments	(30,438)	(35,995)
Net investment earnings	3,474	3,170
Net cash provided by investing activities	6,766	11,493
Net (decrease) increase in cash and cash equivalents	(22,946)	14,395
Cash and cash equivalents at beginning of year	109,568	95,173
Cash and cash equivalents at end of year	$ 86,622	$ 109,568
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 21,097	$ 21,038
Restricted cash and cash equivalents - current	43,095	39,822
Restricted cash and cash equivalents - noncurrent	22,430	48,708
	$ 86,622	$ 109,568

[1] See Note A, _Restricted cash and cash equivalents_

[2] See Note I, _Special item - transfer of operations_

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
PROPRIETARY FUND TYPE - ENTERPRISE FUND
STATEMENTS OF CASH FLOWS (CONTINUED)
(Dollars in Thousands)

	Year Ended June 30, 2018	Year Ended June 30, 2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 21,910	$ 21,657
Adjustments to reconcile operating income to net cash provided by operating activities:		
Pension expense	317	569
OPEB expense (credit)	(21)	-
Change in assets and liabilities:		
Accrued interest on loans	(46)	(36)
Mortgage loans held for sale	116	212
Other assets	780	(15)
Allowance for (recovery of) losses on other assets	(270)	295
Restricted accrued interest on loans	114	16
Restricted other assets	745	907
Allowance for (recovery of) losses on restricted other assets	362	(42)
Mortgage loans	(1,699)	(5,822)
Allowance for losses on mortgage loans	98	60
Restricted mortgage loans	7,236	19,049
Allowance for losses on restricted mortgage loans	3,003	973
Accounts payable	188	(1,049)
Other liabilities, Federal Programs	587	3,653
Deferred outflows of resources - pension and OPEB contributions	(654)	(622)
Other liabilities, OPEB	(228)	-
Net cash provided by operating activities	$ 32,538	$ 39,805
Noncash investing and financing activities:		
Decrease in fair value of investments	$ (2,843)	$ (3,647)
Net amortization of premiums/discounts on investments	170	97
Transfer of operations--*(Note I)*	355	-

WEST VIRGINIA HOUSING DEVELOPMENT FUND
FIDUCIARY FUND TYPE - WELFARE BENEFIT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
(Dollars in Thousands)

	June 30, 2018	June 30, 2017
ASSETS		
Restricted cash and cash equivalents	$ 235	$ 984
Restricted accrued interest on investments	23	7
Restricted investments:		
Federal agency securities		700
U.S. Treasury securities	2,983	1,497
Certificates of deposit	2,218	2,245
Total restricted investments	5,201	4,442
Total restricted assets	5,459	5,433
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	15	-
Total current liabilities	15	-
Total liabilities	15	-
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	$ 5,444	$ 5,433

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

WEST VIRGINIA HOUSING DEVELOPMENT FUND
FIDUCIARY FUND TYPE - WELFARE BENEFIT PLAN
STATEMENTS OF CHANGES IN FUDICIARY NET POSITION
(Dollars in Thousands)

	Year Ended June 30, 2018	Year Ended June 30, 2017
ADDITIONS		
Contributions - Employer	$ 228	$ 405
Investment income:		
Interest	85	63
Net decrease in fair value of investments	(39)	(41)
Net investment income	46	22
Total additions	274	427
DEDUCTIONS		
Benefits	228	218
Administrative expenses	35	16
Total deductions	263	234
NET INCREASE IN NET POSITION	11	193
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS		
BEGINNING OF YEAR	5,433	5,240
END OF YEAR	$ 5,444	$ 5,433

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

NOTE A – AGENCY DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

The Fund receives no appropriations from the State; however it is included as a discretely presented component unit of the primary government in the State's Comprehensive Annual Financial Report. The reporting entity for the Fund includes its Enterprise Fund and Welfare Benefit Plan Fund. 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 one component unit, the Welfare Benefit Plan, an irrevocable trust for postemployment healthcare insurance benefits provided to the Fund's employees. The Fund's financial statement presentation includes the Welfare Benefit Plan as a fiduciary fund.

The various programs of the Fund consist of the General Account, the Bond Programs, Other Loan Programs, Affordable Housing Fund, 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 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 Affordable Housing Fund was created by the State Legislature in 2018 through the transfer of operations of the West Virginia Affordable Housing Trust Fund (WVAHTF) to the Fund effective June 8, 2018. The Legislation maintains those funds for its original purpose in support of much-needed affordable Housing. The Affordable Housing Fund's purpose is to provide funding for both technical assistance and housing assistance to non-profits and government entities to encourage stronger partnerships, collaboration and greater involvement of local communities in meeting housing needs in the State. The Affordable Housing Fund receives a fee of twenty dollars on the transfer of real property and on the sale of factory-built homes by licensed dealers and is restricted by State statute. The transfer fees are required to be set aside in a special purpose account for the sole purpose of continuing the activities of the WVAHTF for the sole benefit of governments, 501(c)(3) non-profits and public housing authorities.

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 includes the West Virginia Property Rescue Initiative Program and 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), National Housing Trust Fund (NHTF), 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 accounting principles generally accepted in the United States and to 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 of the enterprise fund and the fiduciary fund 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.

Effective July 1, 2017, the Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The Fund determined that it was not practical to restate all periods presented and has recorded the cumulative effect of implementing this change as a $1,108,000 decrease to beginning net position as of July 1, 2017, which is the net OPEB liability of $1,179,000 less deferred outflows of resources related to OPEB contributions of $71,000 as of that date. The Fund further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to OPEB as of July 1, 2017 and these amounts are not reported.

Restatements – Certain amounts in the 2017 financial statements have been restated due to implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The early implementation in the 2017 financial statements was recorded and presented as effective July 1, 2016 and it should have been implemented in the 2018 financial statements and effective July 1, 2017. The restatements to fiscal year 2017, which are not material, are: a $174,000 decrease in *Deferred outflows related to pension and OPEB*, a $146,000 decrease in *Other liabilities*, a $190,000 increase in *Administrative expenses*, a $162,000 increase in *Net position* at beginning of year, and a $28,000 decrease in *Net position* at end of year.

Estimates – Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with accounting principles generally accepted in the United States (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 significantly 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, 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, 2018			June 30, 2017		
	Balance	Allowance	Net	Balance	Allowance	Net
Accounts receivable and other Assets:						
Accounts receivable	$ 847	$ (7)	$ 840	$ 977	$ (9)	$ 968
Land	117	(58)	59	117	(35)	82
Foreclosed property	352	(312)	40	603	(603)	-
Total	$ 1,316	$ (377)	$ 939	$ 1,697	$ (647)	$ 1,050

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.

Enterprise fund *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 $15,441,000 at June 30, 2018 and $13,870,000 at June 30, 2017. *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*.

Fiduciary fund *Restricted cash and cash equivalents* represents monies held in an irrevocable trust for postemployment healthcare insurance benefits for Fund employees. These funds are not available to support the various programs of the enterprise fund.

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, 2018			June 30, 2017		
	Balance	**Allowance**	**Net**	**Balance**	**Allowance**	**Net**
Unrestricted Mortgage Loans:						
General Account	$ 3,182	$ (1,997)	$ 1,185	$ 3,475	$ (2,012)	$ 1,463
Other Loan Programs	70,599	(13,678)	56,921	68,608	(13,566)	55,042
Total	$ 73,781	$ (15,675)	$ 58,106	$ 72,083	$ (15,578)	$ 56,505

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, 2017**	**Additions**	**Deletions**	**June 30, 2018**
Capital assets, not being depreciated:				
Land	$ 1,810	$ -	$ -	$ 1,810
Total capital assets, not being depreciated	1,810	-	-	1,810
Capital assets, being depreciated:				
Buildings	7,709	20	-	7,729
Equipment and furnishings	1,260	48	-	1,308
Computer software	531	207	-	738
Total capital assets, being depreciated	9,500	275	-	9,775
Less accumulated depreciation for:				
Buildings	(1,147)	(193)	-	(1,340)
Equipment and furnishings	(1,185)	(45)	-	(1,230)
Computer software	(315)	(162)	-	(477)
Total accumulated depreciation	(2,647)	(400)	-	(3,047)
Total capital assets being depreciated, net	6,853	(125)	-	6,728
Total capital assets, net	$ 8,663	$ (125)	$ -	$ 8,538

(Dollars in thousands)	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets, not being depreciated:				
Land	$ 1,810	$ -	$ -	$ 1,810
Total capital assets, not being depreciated	1,810	-	-	1,810
Capital assets, being depreciated:				
Buildings	7,709	-	-	7,709
Equipment and furnishings	1,260	-	-	1,260
Computer software	531	-	-	531
Total capital assets, being depreciated	9,500	-	-	9,500
Less accumulated depreciation for:				
Buildings	(954)	(193)	-	(1,147)
Equipment and furnishings	(1,114)	(71)	-	(1,185)
Computer software	(210)	(105)	-	(315)
Total accumulated depreciation	(2,278)	(369)	-	(2,647)
Total capital assets being depreciated, net	7,222	(369)	-	6,853
Total capital assets, net	$ 9,032	$ (369)	$ -	$ 8,663

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, or at amortized cost as permissible, 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, Affordable Housing Fund 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, 2018			June 30, 2017		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted Mortgage Loans:						
General Account	$ 486	$ (484)	$ 2	$ 464	$ (462)	$ 2
Other Loan Programs	647	(246)	401	698	(265)	433
Land Development	3,384	(1,629)	1,755	3,172	(1,608)	1,564
Affordable Housing Fund	2,008	(1,629)	379	-	-	-
Bond Insurance Account	14,457	(617)	13,840	15,143	(649)	14,494
Bond Programs	575,748	(9,717)	566,031	585,445	(10,120)	575,325
Federal Programs	149,488	(84,587)	64,901	148,158	(82,802)	65,356
Total	$ 746,218	$ (98,909)	$ 647,309	$ 753,080	$ (95,906)	$ 657,174

Federal Programs include HOME and NHTF, which are 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 and NHTF 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, NHTF, TCAP and TCEP projects are recorded as restricted mortgage loans and the

TCAP, TCEP and nonprofit HOME and NHTF 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.

Enterprise fund 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, 2018			June 30, 2017		
	Balance	Allowance	Net	Balance	Allowance	Net
Restricted other assets:						
Accounts receivable	$ 129	$ -	$ 129	$ 34	$ -	$ 34
Land	2,936	(2,049)	887	2,936	(2,049)	887
Foreclosed property	6,571	(2,380)	4,191	7,411	(2,018)	5,393
Total	$ 9,636	$ (4,429)	$ 5,207	$ 10,381	$ (4,067)	$ 6,314

Deferred outflows of resources related to pension and OPEB 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* and *Note H – Other Postemployment Healthcare Benefits*.

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 and NHTF programs, the Fund's net pension liability as explained in *Note F – Retirement Plan* and the Fund's net OPEB liability (asset) as explained in *Note H – Other Postemployment Healthcare Benefits.*

Deferred inflows of resources related to pension and OPEB 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 and Note H – Other Postemployment Healthcare Benefits.*

Enterprise fund *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 Affordable Housing Fund, 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.

Fiduciary fund *Restricted net position:* Net position of the fiduciary fund is restricted to postemployment healthcare insurance benefits for the Fund's employees.

Operating revenues and expenses: The Fund classifies operating revenues and expenses in the enterprise fund 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, NHTF 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 and deferred document penalty fees.

The Fund services all loans in its portfolio as well as loans on behalf of others totaling approximately $1,171,000,000 and $1,185,000,000 at June 30, 2018 and 2017, respectively. Of this total, the portfolio serviced by the Fund on behalf of others approximated $349,719,000 and $358,785,000 at June 30, 2018 and 2017, 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.

Contributions – Employer includes contributions from the enterprise fund to the fiduciary fund for healthcare insurance benefits for retired employees and their eligible dependents.

Net investment income represents interest earnings on postemployment healthcare cash and investments and the increase or decrease in the fair value of investments for the fiduciary fund.

Benefits include benefit payments from the fiduciary fund for postemployment healthcare costs for retired employees and their eligible dependents.

Administrative Expenses in the fiduciary fund include trustee fees associated with investment management of the Welfare Benefit Plan and fees for actuarial valuations.

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 Affordable Housing Fund, Land Development Program and the Bond Insurance Account are 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, 2018, the Fund has committed $38,850,000 from Other Loan Programs for various loans or projects and $3,084,000 from Other Loan Programs for the purchase of secondary market loans. In addition, the Fund has committed to sell loans to FNMA of $2,845,000 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 2019 administrative budget of $12,351,600 will be provided from the *Unrestricted net position* and from future revenues of the Fund.

NOTE C – CASH AND INVESTMENTS

The Fund's enterprise 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 enterprise 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 enterprise fund investments, including cash equivalents, by type:

(Dollars in thousands)		June 30, 2018		June 30, 2017	
	Weighted Avg Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Reported at cost					
Demand Deposits, Money Market Funds	1 day	$ 50,056	$ 50,056	$ 43,656	$ 43,656
Mortgages held for investment purposes	21.85 years	15,757	15,757	16,712	16,712
Collateralized CDs	292 days	2,000	2,000	4,000	4,000
FDIC Insured CDs	1.07 years	10,700	10,700	6,800	6,800
WVBOTI deposits	1 day	25,639	25,639	22,550	22,550
Total		104,152	104,152	93,718	93,718
Reported at estimated fair value					
Fannie Mae MBS pools	12.69 years	1,083	1,168	1,309	1,446
Federal agency securities	5.90 years	55,401	61,587	92,655	101,098
U.S. Treasury securities	2.87 years	10,207	11,139	10,182	11,650
Total		66,691	73,894	104,146	114,194
Total investments, including cash equivalents		$ 170,843	$ 178,046	$ 197,864	$ 207,912

The Fund's fiduciary fund actively invests cash in conformity with the Act and the Board-approved Investment Policy. Permitted investments include a wide variety of securities and obligations such as certain corporate deposits, money market accounts, certificates of deposit, 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 fiduciary fund's investments consist primarily of United States government or agency securities, FDIC insured money markets and negotiable certificates of deposit.

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

(Dollars in thousands)		June 30, 2018		June 30, 2017	
	Weighted Avg Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Reported at cost					
Money Market Funds	1 day	$ 235	$ 235	$ 984	$ 984
Total		235	235	984	984
Reported at estimated fair value					
Federal agency securities		-	-	700	700
U.S. Treasury securities	296 days	2,993	2,983	1,497	1,497
Certificates of deposit	2.29 years	2,248	2,218	2,246	2,245
Total		5,241	5,201	4,443	4,442
Total investments, including cash equivalents		$ 5,476	$ 5,436	$ 5,427	$ 5,426

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

	Permitted Maturity Limit	Average Maturity as of June 30, 2018
Reserve Funds	30 Years	7 years
Bond Insurance Funds	15 Years	8 years
Other Funds	4 years	5 months
Funds held for others*		1 day

*Funds held for others not applicable to limit calculations

Interest Rate Risk – Fiduciary fund. The Fiduciary fund does not have a Board-approved policy for interest rate risk. The fiduciary fund's Board-approved investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Fiduciary fund investments are managed at an appropriate average duration based on current interest rate environments.

Credit Risk – Enterprise fund. 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, 2018, 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 Atlanta, 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.

Credit Risk – Fiduciary fund. The fiduciary fund has not adopted a Board-approved credit risk policy. The trustee is to purchase U.S. Treasury Securities that are backed by the full faith and credit of the United States, Federal agency securities, which are rated AA+ and FDIC insured certificates of deposit.

Concentration of Credit Risk – Enterprise fund. 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. The Act does not limit the percentage of investments in any permitted investment type.

As of June 30, 2018

(Dollars in thousands)	Maximum of Portfolio	Invested Funds	% of Total Investment
Direct Federal Obligations	100%	$ 10,206	7%
Federal Agency Obligations	90%	56,485	36%
Federally Guaranteed Obligations	100%	-	0%
Demand Deposits, Time Deposits	30%	22,215	15%
Demand Deposit Marketplace, FDIC Insured	$17,000	-	0%
Collateralized CDs	$75,000	2,000	1%
CDARS FDIC Insured CDs	$50,000	10,700	7%
West Virginia Obligations	15%	-	0%
ICS FDIC Insured Money Market Funds	$75,000	15,419	10%
Mortgages Held for Investment Purposes	30%	15,757	10%
Money Market Funds	25%	274	0%
WVBOTI deposits	$40,000	22,346	14%
TOTAL		$ 155,402	100%
Funds Held for Others *	N/A	15,441	
TOTAL INVESTED FUNDS		$ 170,843	

* Funds held for others not applicable to limit calculations.

Concentration of Credit Risk – Fiduciary fund. The fiduciary fund has not adopted a Board-approved concentration of credit risk policy. The trustee monitors and limits exposure to any one government agency or issuer to 10% of the market value of the portfolio.

Custodial Credit Risk – Deposits - The Act requires all deposits to be FDIC insured or fully collateralized by permitted investments for both enterprise funds and fiduciary funds. The enterprise fund 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 enterprise fund cash, including escrow funds, had a carrying value of $50,056,000 and $43,656,000 as of June 30, 2018 and 2017, respectively. Bank balances approximated $50,864,000 and $44,576,000 as of June 30, 2018 and 2017, respectively, of which approximately $31,552,000 and $29,540,000 was covered by federal depository insurance as of June 30, 2018 and 2017, respectively, and $19,038,000 and $14,523,000 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, 2018 and 2017, respectively. Also included in the bank balances above are trust account money market fund balances of $274,000 and $513,000 as of June 30, 2018 and 2017, respectively, which are not subject to custodial credit risk.

The fiduciary fund cash had a carrying value of $235,000 and $984,000 as of June 30, 2018 and 2017, respectively. Bank balances approximated $235,000 and $985,000 as of June 30, 2018 and 2017, respectively, which are trust account money market funds and 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.

Enterprise fund investments measured at fair value using the fair value hierarchy categories are as follows:

(Dollars in thousands)	June 30, 2018	June 30, 2017
Level 1 inputs		
Federal agency securities	$ 61,587	$ 101,098
U.S. Treasury securities	11,139	11,650
Total	72,726	112,748
Level 2 inputs		
Fannie Mae MBS pools	1,168	1,446
Total	1,168	1,446
Total investments, reported at estimated fair value	$ 73,894	$ 114,194

Fiduciary fund investments measured at fair value using the fair value hierarchy categories are as follows:

(Dollars in thousands)	June 30, 2018	June 30, 2017
Level 1 inputs		
Federal agency securities	$ -	$ 700
U.S. Treasury securities	2,983	1,497
Certificates of deposit	2,218	2,245
Total investments, reported at estimated fair value	$ 5,201	$ 4,442

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 enterprise fund financial statements as follows:

(Dollars in thousands)	June 30, 2018	June 30, 2017
Cash and cash equivalents	$ 21,097	$ 21,038
Current restricted cash and cash equivalents	43,095	39,822
Noncurrent restricted cash and cash equivalents	22,430	48,708
Restricted investments	75,667	81,632
Plus mortgages held for investment purposes	15,757	16,712
Total Investments and cash equivalents	$ 178,046	$ 207,912
Less unrealized gains	7,203	10,048
Total Invested Funds	$ 170,843	$ 197,864

Investments are included in the accompanying fiduciary fund financial statements as follows:

(Dollars in thousands)	June 30, 2018	June 30, 2017
Restricted cash and cash equivalents	$ 235	$ 984
Restricted investments	5,201	4,442
Total Investments and cash equivalents	$ 5,436	$ 5,426
Plus unrealized losses	40	1
Total Invested Funds	$ 5,476	$ 5,427

The enterprise fund has an unrealized gain on investments of $7,203,000 and $10,048,000 as of June 30, 2018 and 2017, respectively. This represents a decrease in unrealized gain on investments of $2,845,000 and $3,646,000 from June 30, 2017 and 2016, respectively. In connection with the unrealized gain, $746,000 and $1,069,000 is recorded as a liability for related investment earnings as of June 30, 2018 and 2017, 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, 2018 and 2017 and to properly reflect the rebate liability, a $2,518,000 decrease and $3,270,000 decrease was recorded in *Net investment earnings* in the Statements of Revenues, Expenses, and Changes in Fund Net Position for year ended June 30, 2018 and 2017, respectively.

The fiduciary fund has an unrealized loss on investments of $40,000 and $1,000 as of June 30, 2018 and June 30, 2017, respectively. This represents a decrease in unrealized gain on investments of $39,000 and $41,000 from the June 30, 2017 and 2016, respectively. To adjust the fair value of investments to reflect this unrealized gain at June 30, 2018 and 2017 a $39,000 decrease and a $41,000 decrease was recorded in *Net investment income* in the Statements Changes in Fiduciary Net Position for year ended June 30, 2018 and 2017, 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 70.95% 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, 2018 and 2017 was $66,340,000 and $62,153,000, respectively. In addition, 2017 included the refunding of bonds in the amount of $14,505,000. The 2017 refundings reduced total debt service payments over the next 17 years by approximately $4,645,000 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 $1,861,000. Total pledged revenues in 2018 and 2017 were $91,698,000 and $99,904,000, 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. An allowance for loan losses has been established based on management's review of potential problem loans. At June 30, 2018, *Bonds & notes payable - noncurrent* includes a $1,080,000 note payable, net of a $206,000 loss allowance, 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, 2018 and 2017, the Fund redeemed or refunded $28,195,000 and $38,495,000 of bonds, respectively, at redemption prices that approximated their carrying value.

The following charts summarize bond and note activity from 2017 to 2018 and 2016 to 2017, respectively.

(Dollars in thousands)	Bonds Payable Current	Bonds & Notes Payable Noncurrent	Bonds & Notes Payable Total
Outstanding Balance, June 30, 2017	$ 35,715	$ 302,056	$ 337,771
Debt Issued	-	250	250
Debt Paid	(28,095)	(146)	(28,241)
Early Redemptions/Refundings	(7,970)	(20,225)	(28,195)
Note Payable allowance for losses	-	19	19
Reclassification from noncurrent to current	27,630	(27,630)	-
Outstanding Balance, June 30, 2018	$ 27,280	$ 254,324	$ 281,604

(Dollars in thousands)	Bonds Payable Current	Bonds & Notes Payable Noncurrent	Bonds & Notes Payable Total
Outstanding Balance, June 30, 2016	$ 33,975	$ 329,905	$ 363,880
Debt Issued	-	39,755	39,755
Debt Paid	(27,075)	(121)	(27,196)
Early Redemptions/Refundings	(5,000)	(33,495)	(38,495)
Amortization of Premium	-	(173)	(173)
Reclassification from noncurrent to current	33,815	(33,815)	-
Outstanding Balance, June 30, 2017	$ 35,715	$ 302,056	$ 337,771

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

	Original Amount Authorized	Outstanding at June 30, 2018	2017
		(Dollars in thousands)	
HOUSING FINANCE BOND PROGRAM			
2010 Series A,B,C	$ 130,870	$ -	$ 15,825
2011 Series A (2.909% to 3.622%), due 2018-2021	50,000	18,970	24,040
2013 Series A (1.55% to 3.20%) due 2018-2028	21,000	14,925	16,160
2013 Series B,C (2.45% to 4.35%) due 2018-2026	47,500	15,985	23,355
2014 Series A,B (1.70% to 4.10%), due 2018-2035	48,865	34,770	38,415
2015 Series A,B (1.50% to 3.80%), due 2018-2034	50,660	36,330	41,400
2015 Series C,D (1.50% to 4.10%), due 2018-2039	70,060	57,440	63,580
2017 Series A,B (1.25% to 4.125%), due 2018-2045	39,505	37,700	39,505
GENERAL NEW ISSUE BOND PROGRAM			
2011 A (2.32% to 3.80%), due 2018-2041	51,850	27,730	32,500
2012 A (1.60% to 3.35%), due 2018-2041	66,770	36,880	42,240
Total bonds payable		280,730	337,020
OTHER LOAN PROGRAMS			
Notes Payable (0.00%), net of allowance for losses [1]	2,000	874	751
Total bonds & notes payable		$ 281,604	$ 337,771

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

Total bonds payable does not include $7,095,000 in special obligation bonds issued by the Fund as a conduit issuer. These special obligation bonds are secured by loan payments and deeds of trust on three projects. None of the Fund's assets or revenues are pledged to the payment of these special obligations. Furthermore, these special obligations are not secured by the Fund's general obligation debt pledge or its moral obligation and are not included in the Fund's financial statements.

The following is a summary of scheduled annual principal and interest for bonds in the Bond Programs for the five years commencing July 1, 2018 and thereafter to maturity.

Bonds Maturing During Year Ending June 30:	Principal	Interest	Total
		(Dollars in thousands)	
2019	(1) $ 27,280	$ 8,555	$ 35,835
2020	23,475	7,988	31,463
2021	23,405	7,386	30,791
2022	20,390	6,724	27,114
2023	16,735	6,173	22,908
2024-2028	64,030	23,947	87,977
2029-2033	55,540	13,975	69,515
2034-2038	36,105	5,303	41,408
2039-2043	12,375	1,150	13,525
2044-2046	1,395	77	1,472
	$ 280,730	$ 81,278	$ 362,008

(1) Includes the anticipated redemptions of General New Issue Bond Program Bonds in the amount of $1,455,000 and Housing Finance Bonds in the amount of $2,440,000.

In accordance with Section 103A of the Code, the Fund has established allowances for excess rebateable investment earnings. The excess rebateable investment earnings arise due to actual investment yields earned by the Fund being greater than yields permitted to be retained by the Fund under the Code. The Code requires such excess investment earnings to be remitted to the Internal Revenue Service. The Housing Finance Bond Program established liabilities for excess rebateable investment earnings in the amount of $353,000 as of June 30, 2018; however, there were no excess rebateable investment earnings as of June 30, 2017. These amounts are included in *Accounts payable and other liabilities* and represent actual earnings in excess of those permitted by the Code. These amounts are in addition to the $746,000 and $1,069,000 established as a liability at June 30, 2018 and 2017, respectively, for the excess of the fair value of investments over amortized costs as explained in *Note C - Cash and Investments*. Future excess investment earnings may require the establishment of 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 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, based upon the advice of 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, 2018, 41.65% of the Fund's single family Bond Program loans were VA, USDA Rural Development, or FHA guaranteed. Another 29.30% of these loans carry private mortgage insurance. Substantially all permanent 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. A member may retire with the pension reduced actuarially if the member is at least age 55 and at least ten years of contributory service, or at any age with thirty years of contributory service. Employees hired on or after July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service, or between ages 55 and 62 with at least thirty years of contributory service. 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 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.

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 11.0%, 12.0% and 13.5% for the years ended June 30, 2018, 2017 and 2016, 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 is 6.0%. The Fund's contribution to the Plan, excluding the employee's contribution paid by the Fund, approximated $588,000, $622,000, and $714,000 for the fiscal years ended June 30, 2018, 2017, and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018 and June 30, 2017 respectively, the Fund reported a liability of $1,648,000 and $3,526,000 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2018 was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, rolled forward to the measurement date of June 30, 2017. 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, 2017. At June 30, 2017 and June 30, 2016, the Fund's proportionate share was 0.38% for both years.

For the years ended June 30, 2018 and June 30, 2017, respectively, the Fund recognized pension expense of $317,000 and $569,000. At June 30, 2018 and June 30, 2017, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars in thousands)	June 30, 2018	
	Deferred Outflow of Resouces	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ -	$ 401
Difference between expected and actual experience	147	4
Difference in assumptions	-	85
Changes in proportion and differences between Fund contributions and proportionate share of contributions	11	126
Fund contributions made subsequent to the measurement date	588	-
	$ 746	**$ 616**

(Dollars in thousands)	June 30, 2017	
	Deferred Outflow of Resouces	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ 1,108	$ -
Difference between expected and actual experience	294	-
Difference in assumptions	-	172
Changes in proportion and differences between Fund contributions and proportionate share of contributions	46	144
Fund contributions made subsequent to the measurement date	622	-
	$ 2,070	**$ 316**

Deferred outflows of resources related to pensions of $588,000 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, 2019. 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
2019	$ (199)
2020	104
2021	(18)
2022	(345)

Actuarial Assumptions and Methods. The following assumptions and methods were used in the actuarial valuation:

	2017	2016
Actuarial cost method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair value	Fair value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through Fiscal Year 2035	Through Fiscal Year 2035
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases:		
State	3.0 - 4.6%	3.0 - 4.6%
Non-state	3.35 - 6.0%	3.35 - 6.0%
Inflation rate	3.00%	3.00%
Discount rate	7.50%	7.50%
Mortality rates	Active - 100% of RP-2000 Non-Annuitant, Scale AA fully generational	Active - 100% of RP-2000 Non-Annuitant, Scale AA fully generational
	Retired healthy males - 110% of RP-2000 Healthy Annuitant, Scale AA fully generational	Retired healthy males - 110% of RP-2000 Healthy Annuitant, Scale AA fully generational
	Retired healthy females - 101% of RP-2000 Healthy Annuitant, Scale AA fully generational	Retired healthy females - 101% of RP-2000 Healthy Annuitant, Scale AA fully generational
	Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational	Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational
	Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational
Withdrawal rates		
State	1.75 - 35.1%	1.75 - 35.1%
Non-state	2 - 35.88%	2 - 35.88%
Disability rates	.007 - .675%	.007 - .675%
Retirement rates	12% - 100%	12% - 100%
Date range in most recent experience study	2009-2014	2009-2014

The long-term expected rate of return on pension plan investments was determined using the building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expenses 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. Best estimates of long-term geometric rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Average Expected Real Rate of Return
US Equity	27.5%	7.0%	1.92%
International equity	27.5%	7.7%	2.12%
Core fixed income	7.5%	2.7%	0.20%
High yield fixed income	7.5%	5.5%	0.41%
Real estate	10.0%	7.0%	0.70%
Private equity	10.0%	9.4%	0.94%
Hedge funds	10.0%	4.7%	0.47%
Total	100%		6.76%
Inflation (CPI)			1.90%
			8.66%

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)		
1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
$ 4,562	$ 1,648	$ (816)

NOTE G – COMPENSATED ABSENCES

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 additional service in the computation of retirement benefits or toward their postemployment health care insurance premium as further explained in *Note H – Postemployment Healthcare Plan.*

(Dollars in thousands)

	Accumulated Annual Leave		
	2018	2017	2016
Balance at beginning of fiscal year	$ 414	$ 392	$ 366
Increase in annual leave	21	22	26
Balance at end of fiscal year	$ 435	$ 414	$ 392

NOTE H – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

The Fund has participants in two separate Other Postemployment Healthcare Benefit Plans – the Fund's Welfare Benefit Plan and the West Virginia Public Employees Insurance Agency Plan.

Welfare Benefit Plan (the Plan)

Plan Description

Plan administration. The Welfare Benefit Plan (the Plan), an irrevocable trust, is a single-employer defined other postemployment benefit plan administered by the Fund and the Fund's Board of Directors that is used to provide postemployment benefits other than pensions (OPEB) for employees of the Fund. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Fund. The assets of the Plan are deposited with an external trustee and are presented in the fiduciary fund financial statements.

Benefits provided. The Fund provides certain healthcare insurance benefits for retired employees and their eligible dependents. Benefits are fully self-insured by the Fund and are administered through a third-party administrator. The full cost of benefits is covered by the plan. Management of the Fund has the authority to establish and amend benefit provisions to the Plan.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Welfare Benefit Plan Covered Employees	
Inactive employees or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	-
Active plan members	100
Total	111

Contributions. The contribution requirements of plan members and the Fund are established and may be amended by the Fund's management. Management establishes contribution rates based on an actuarially determined rate. Plan members are not required to contribute to the plan. 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 contribution to the Plan approximated $228,000, and $405,000 for the fiscal years ended June 30, 2018 and 2017, respectively.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by Management of the Fund. Investments are to be diversified as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so in the sole judgement of the Trustee.

Rate of Return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was .78 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The components of the net OPEB liability (asset) of the Fund at June 30, 2018, were as follows:

Welfare Benefit Plan	
(Dollars in thousands)	
Total OPEB Liability	$ 4,872
Plan Fiduciary Net Position	5,444
Net OPEB Liability (Asset)	$ (572)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability (Asset)	111.74%

Actuarial assumptions and methods. The total OPEB liability (asset) was determined by an actuarial valuation using the following actuarial assumptions and methods:

Welfare Benefit Plan	
Valuation Date	1/1/2018 Rolled forward to 6/30/2018
Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Pay Closed
Remaining Amortization Period	19 years as of 1/1/2018
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.00%
General Rate of Inflation	2.00%

Mortality rates were based on RP-2014 Mortality Table, adjusted to 2006 with Scale MP-2014, and projected fully generationally with Scale MP-2017.

An actuarial experience study was not completed. Actuarial assumptions for disability, termination, retirement, and dependent age were based on the PERS actuarial valuation as of July 1, 2016.

The long-term expected rate of return on the 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 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:

Welfare Benefit Plan		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	10.0%	1.50%
U.S. Government Obligations	90.0%	2.25%
Total	100.0%	

Discount rate. The discount rate as of June 30, 2018 is 4.50%, which is the assumed long-term expected rate of return on Plan investments. This is the same discount rate that was used for June 30, 2017 and in the January 1, 2018 liability calculations. Projections of the Plan's fiduciary net position have indicated that it is expected to be sufficient to make projected benefit payments for current plan members. As such, the single rate of return is equal to the long-term expected rate of return on the Plan assets, which is 4.50%.

Development of discount rate. The Plan uses the Bond Buyer GO 20-Bond Municipal Bond Index. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 29, 2017 was 3.58% and the municipal bond rate at June 28, 2017 was 3.87%. However, the depletion test as of the most recent actuarial valuation as of January 1, 2018, reflecting known contributions after that date as well as the current funding policy, showed that the projected assets are expected to cover future benefit payments for current participants and as such the single rate used as the discount rate is the long-term expected rate of return, 4.50%. The actuarial liability, normal cost, and expected benefit payments were projected for the remaining lifetimes of the closed group population as of January 1, 2018 using the assumptions detailed in the 2018 actuarial valuation report. An Actuarily Determined Contribution (ADC) was calculated each year based on the current closed amortization period. The assets were then projected forward reflecting known contributions through June 30, 2018, and then assuming that two times the ADC is contributed for the next five years. Since the assets are projected to always be greater than the expected benefit payments in any year, the long-term expected rate of return of 4.50% is used to calculate the liabilities.

Changes in the Net OPEB Liability

At June 30, 2018, the Fund reported a liability of ($572,143) for its Net OPEB Liability (Asset). The Total OPEB Liability (TOL) at the beginning of the current measurement year is measured as of a valuation date of January 1, 2018 and rolled forward to June 30, 2018. The TOL at the end of the measurement year, June 30, 2018, is measured as of a valuation date of January 1, 2018 and projected to June 30, 2018. Valuations will be completed every other year.

Welfare Benefit Plan
(Dollars in thousands)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at 6/30/2017	$ 5,579	$ 5,433	$ 146
Changes for the year:			
Service cost	147	-	147
Interest	234	-	234
Changes of benefits	-	-	-
Differences between expected and actual experience	(200)	-	(200)
Changes of assumptions	(660)	-	(660)
Contributions - employer	-	228	(228)
Contributions - member	-	-	-
Net investment income	-	46	(46)
Benefit payments	(228)	(228)	-
Administrative expense	-	(35)	35
Net changes	(707)	11	(718)
Balances at 6/30/2018	$ 4,872	$ 5,444	$ (572)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability (asset) of the Fund, as well as what the Fund's net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (3.5 percent) or one-percentage-point higher (5.5 percent) than the current discount rate:

Welfare Benefit Plan
(Dollars in thousands)

	1% Decrease 3.50%	Discount Rate 4.50%	1% Increase 5.50%
Total OPEB Liability	$ 5,326	$ 4,872	$ 4,476
Plan Fiduciary Net Position	5,444	5,444	5,444
Net OPEB Liability (Asset)	$ (118)	$ (572)	$ (968)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	102.20%	111.70%	121.60%

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability (asset) of the Fund, as well as what the Fund's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

Welfare Benefit Plan
(Dollars in thousands)

	Trend Minus 1%	Baseline Trends	Trend Plus 1%
Total OPEB Liability	$ 4,398	$ 4,872	$ 5,425
Plan Fiduciary Net Position	5,444	5,444	5,444
Net OPEB Liability (Asset)	$ (1,046)	$ (572)	$ (19)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	123.80%	111.70%	100.40%

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Fund recognized OPEB expense of $111,305. At June 30, 2018, the Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Welfare Benefit Plan
(Dollars in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 167
Changes in assumptions	-	550
Net difference between projected and actual earnings on OPEB plan investments	289	-
Total	$ 289	$ 717

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Welfare Benefit Plan
(Dollars in thousands)

Year Ended June 30:	OPEB Expense
2019	$ (60)
2020	(60)
2021	(60)
2022	(104)
Thereafter	(144)

West Virginia Public Employees Insurance Agency Plan (the PEIA Plan)

Plan Description

Plan administration. The PEIA Plan is a cost-sharing, multiple-employer, defined other postemployment benefit plan administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The PEIA Plan covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the PEIA Plan are accounted for in the RHBT and PEIA issues a financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 571h Street, SE Suite 2, Charleston, WV 25304.

Benefits provided. The PEIA plan provides certain healthcare insurance benefits for retired Fund employees and their eligible dependents, provided they meet the minimum eligibility requirements of PEIA and PERS. Fund employees must also meet the Fund's requirements for retirement to be eligible for coverage in the PEIA Plan and if the Fund retiree is eligible for the Fund's healthcare coverage, that coverage is exhausted first before they can enroll in the PEIA Plan. Management of PEIA and RHBT, with approval of the PEIA Finance Board, establish and amend benefit provisions to the PEIA Plan.

Employees covered by benefit terms. A limited number of Fund retirees are eligible to participate in the PEIA Plan. Prior to July 1990, the Fund was a participating agency in the PEIA Plan and all employees were eligible to participate in the PEIA Plan. In July 1990, the Fund became self-insured and was no longer a participating agency in the PEIA Plan. All staff at that time were transferred from the PEIA Plan to the Fund's self-insured plan. In 1996, WV Code §5-16-22 was amended to allow a non-participating state agency's employee, who were insured under PEIA for five or more years and who have ten or more years of service as of July 1, 2008, to enroll in PEIA once they retire. The Fund has 8 retirees and 6 retirees' spouses currently enrolled or eligible for coverage in the PEIA Plan. The Fund has 3 current employees that are eligible for coverage in the PEIA Plan upon retirement. The Plan is a closed plan to new entrants and as such, there will be no additional employees eligible for the PEIA Plan.

Contributions. West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The Fund's contributions to the PEIA plan were $66,000 for the year ended June 30, 2018.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below;

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.

- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by Nonemployer Contributing Entities in Special Funding Situations. The State of West Virginia is a nonemployer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating $30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The $30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of $5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The $5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Fund reported a liability for its proportionate share of the PEIA Plan's net OPEB liability that reflected a reduction for State OPEB support provided to the Fund. The amount recognized by the Fund as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Fund was as follows:

PEIA Plan (Dollars in thousands)		
Fund proportionate share of the net OPEB liability	$	851
State's special funding proportionate share of the net OPEB liability associated with the Fund		175
Total portion of the net OPEB liability associated with the Fund	$	1,026

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The Fund's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2017, the Fund's proportion was .034607 percent, which is a decrease of .0069803 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Fund recognized OPEB expense of $95,981 and for support provided by the State under special funding situations revenue of $53,658. At June 30, 2018, the Fund reported deferred outflows of resources and deferred inflows of resources related to the PEIA Plan from the following sources:

PEIA Plan
(Dollars in thousands)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and acutal experience	$	-	$	3
Net difference between projected and actual earnings on OPEB plan investments		-		13
Changes in proportion and differences between Fund contributions and proportionate share of contributions				137
Fund contributions subsequent to the measurement date		66		
Total	$	66	$	153

The amount of $66,000 reported as deferred outflows of resources related to OPEB resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

PEIA Plan
(Dollars in thousands)

Year Ended June 30:	OPEB Expense
2019	$ (41)
2020	(41)
2021	(41)
2022	(30)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

PEIA Plan

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization method	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS). RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010- June 30, 2015.

The long-term expected rate of return of 7.15% on the PEIA Plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the WVIMB and an expected short-term rate of return of 3.0% for assets invested with the WVBOTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBOTI.

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

PEIA Plan

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that PEIA Plan contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the PEIA Plan is expected to be fully funded by fiscal year ended June 30, 2036, the PEIA Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PEIA Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability at June 30, 2016 is a 0.45% increase from the June 30, 2015 valuation.

Other key assumptions. The projection assumes that the capped subsidy aggregate contribution limit of $150 million for 2017 would increase by $10 million per year on and after 2018. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected remain stable as a percentage of total costs following the year that the program is fully funded. After 2035, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2035, the member's share of total plan costs is assumed to remain stable at approximately 61% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2023 and 4.5% per year after 2023.

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

Sensitivity of the Fund's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Fund’s proportionate share of the net OPEB liability, calculated using the current discount rate, as well as what the Fund’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

PEIA Plan
(Dollars in thousands)

	Net Change in Discount Rate		
	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
Fund's proportionate share of the net OPEB liability	$ 991	$ 851	$ 735

Sensitivity of the Fund' proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the Fund’s proportionate share of the net OPEB liability, as well as what the Fund’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

PEIA Plan
(Dollars in thousands)

	Net Change in Healthcare Cost Trend Rates		
	1% Decrease	Current Healthcare Cost Trend	1% Increase
Fund's proportionate share of the net OPEB liability	$ 715	$ 851	$ 1,018

NOTE I – SPECIAL ITEM - TRANSFER OF OPERATIONS

On March 8, 2018, the 2018 State Legislature passed Senate Bill 261 transferring administration of the WVAHTF to the Fund effective June 8, 2018 to streamline government and provide efficiency by reducing redundancy. On June 8, 2018, the WVAHTF transferred the assets, deferred outflows of resources, liabilities and deferred inflows of resources comprising its operations to the Fund. As a result of the transaction, the Fund recognized the following assets, deferred outflows of resources, liabilities, deferred inflows of resources and increase in net position at the time of the special item transfer of operations:

(Dollars in thousands)	Carrying Values
Transferred Assets	
Restricted cash and cash equivalents	$ 4,114
Restricted mortgage loans, net of allowance for losses	379
Total Assets	4,493
Deferred outflows of resources	22
Transferred Liabilities	
Accounts payable and other liabilities	42
Total Liabilities	42
Deferred inflows of resources	4
Restricted Net Position of Transferred Operations	$ 4,469

NOTE J – SUBSEQUENT EVENTS

On July 19, 2018, the Fund issued the Housing Finance 2018 Series A bonds in the amount of $25,000,000. Bond proceeds will be used to originate single family mortgage loans.

On August 1, 2018, 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 $3,895,000.

NOTE K - NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The provisions of Statement No. 88 are effective for periods beginning after June 15, 2018. The provisions of Statement No. 84 are effective for periods beginning after December 15, 2018. The provisions of Statements No. 87 and 89 are effective for periods beginning after December 15, 2019. 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 LIABILTIY PERS

(Dollars in thousands)	Year Ended June 30 2018	2017	2016	2015
The Fund's proportionate (percentage) of the net pension liability	0.381747%	0.383639%	0.413624%	0.413581%
The Fund’s proportionate share of the net pension liability	$ 1,648	$ 3,526	$ 2,310	$ 1,526
The Fund’s covered payroll	$ 5,180	$ 5,286	$ 5,609	$ 5,538
The Fund’s proportionate share of the net pension liability as a Percentage of its covered payroll	31.81%	66.70%	41.18%	27.56%
Plan fiduciary net position as a percentage of the total pension liability	93.67%	86.11%	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

(Dollars in thousands)	Year Ended, June 30, 2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 588	$ 622	$ 714	$ 785	$ 803	$ 743
Contributions in relation to the statutorily required contribution	588	622	714	785	803	743
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Fund's covered payroll	$ 5,345	$ 5,183	$ 5,289	$ 5,607	$ 5,538	$ 5,307
Contributions as a percentage of covered payroll	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%

See Independent Auditor’s Report and Notes to the Required Supplementary Information.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS WELFARE BENEFIT PLAN

(Dollars in thousands)	June 30, 2018	2017
Total OPEB Liability		
Service cost	$ 147	$ 150
Interest (includes interest on service cost)	234	245
Changes of benefit terms	-	-
Differences between expected and actual experience	(200)	-
Changes of assumptions	(660)	-
Benefit payments	(228)	(218)
Net change in total OPEB liability	**$ (707)**	**$ 177**
Total OPEB liability - beginning	**5,579**	**5,402**
Total OPEB liability - ending	**$ 4,872**	**$ 5,579**
Plan fiduciary net position		
Contributions - employer	$ 228	$ 405
Contributions - member	-	-
Net investment income	46	22
Benefit payments, including refunds of member contributions	(228)	(218)
Administrative expense	(35)	(16)
Net change in plan fiduciary net position	**$ 11**	**$ 193**
Plan fiduciary net position - beginning	**5,433**	**5,240**
Plan fiduciary net position - ending	**$ 5,444**	**$ 5,433**
Net OPEB (asset) liability - ending	**$ (572)**	**$ 146**
Plan fiduciary net position as a percentage of the total OPEB liability	111.74%	97.40%

SCHEDULE OF CONTRIBUTIONS TO THE WELFARE BENEFIT PLAN

(Dollars in thousands)	June 30, 2018	2017
Actuarially determined contribution	$ 101	$ 162
Contributions in relation to the actuarially determined contribution	228	405
Contribution (excess)	(127)	(243)
Covered employee payroll	$ 5,396	$ 5,268
Contributions as a percentage of covered employee payroll	4.23%	7.69%

SCHEDULE OF ANNUAL RATE OF RETURN ON INVESTMENTS WELFARE BENEFIT PLAN

	2018	2017
Money-weighted rate of return, net of investment expense	0.78%	0.66%

See Independent Auditor’s Report and Notes to the Required Supplementary Information.

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY PLAN

(Dollars in thousands)	Year Ended June 30, 2017
The Fund's proportionate (percentage) of the net OPEB liability	0.034607%
The Fund’s proportionate share of the net OPEB liability	$ 851
State's proportionate share of the net OPEB liability associated with the Fund	175
Total	$ 1,026
The Fund’s covered employee payroll	$ 124
The Fund’s proportionate share of the net OPEB liability as a Percentage of its covered employee payroll	686.29%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%

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 WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY PLAN

(Dollars in thousands)	Year ended June 30, 2018
Required contribution	$ 66
Contributions in relation to the required contribution	66
Contribution deficiency (excess)	$ -
The Fund's covered employee payroll	$ 126
Contributions as a percentage of covered payroll	52.4%

See Independent Auditor’s Report and Notes to the Required Supplementary Information.

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, PEIA, and the Welfare Benefit Plan and the schedules of annual rate of return on investments of the Welfare Benefit Plan 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 – ACTUARIAL ASSUMPTIONS AND METHODS

The information presented in the Schedule of Contributions to PERS was based on the actuarial valuation as of July 1, 2017 using the actuarial assumptions and methods as follows:

	2015 - 2017	2014
Actuarial cost method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair value	Fair value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through Fiscal Year 2035	Through Fiscal Year 2035
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases:		
State	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	
Inflation rate	3%; (2015 - 1.90%)	2.20%
Discount rate	7.50%	7.50%
Mortality rates	Active - 100% of RP-2000 Non-Annuitant, Scale AA fully generational (2016, 2017)	Healthy males - 1983 GAM
	Retired healthy males - 110% of RP-2000 Healthy Annuitant, Scale AA fully generational	Healthy females - 1971 GAM
	Retired healthy females - 101% of RP-2000 Healthy Annuitant, Scale AA fully generational	Disabled males - 1971 GAM
	Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational	Disabled females - Revenue ruling 96-7
	Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	
Withdrawal rates: State	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 31.2%
Disability rates	.007 - .675% (2015 - 0-.675%)	0 - .8%
Retirement rates	12% - 100% (2015 - 15% - 100%)	15% - 100%
Date range in most recent experience study	2009-2014	2004-2009

The information presented in the Schedule of Contributions to the Welfare Benefit Plan was based on the actuarial assumptions and methods as follows:

Valuation date	1/1/2016 Rolled forward to 6/30/2017
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation completed during even calendar years
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Amortization Method	Level Percentage of Pay Closed
Remaining Amortization Period	21 years as of 1/1/2016
Actuarial Assumptions:	
Discount rate	4.50%
Salary Increases	3% total payroll growth
Healthcare cost trend rates	Pre-Medicare: 10.0% in calendar 2016 grading down to 4.0% over 15 years
	Medicare: 6.0% in calendar 2016 grading down to 4.0% over 15 years
	Administrative expenses: 4.0% per year

NOTE C – PERS PLAN AMENDMENTS

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 D – PEIA PLAN CHANGES IN ASSUMPTIONS

Below are changes in the assumptions between the 2016 and 2015 valuations for the PEIA Plan:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the $30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

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 $35,000,000 aggregate principal amount of Housing Finance Bonds, 2019 Series A (the "2019 A Bonds") of the West Virginia Housing Development Fund (the "Housing Development Fund"), a public body corporate of the State created by and pursuant to Article 18 of Chapter 31 of the Code of West Virginia, 1931, as amended (the "Act"), and organized and existing under the Act and the laws of the State.

The 2019 A 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 Fifty-first Supplemental Housing Finance Bond Resolution, adopted on December 19, 2018 (the "Supplemental Resolution"; together with the Resolution, the "Resolutions"), and a Certificate of Determinations of the Housing Development Fund, dated as of February 20, 2019 (the "Certificate"). Housing Finance Bonds, including the 2019 A Bonds, are authorized to be issued for the purpose of providing funds to carry out the Housing Finance Program as described in the Resolution.

The 2019 A Bonds are dated the date of issuance and delivery, mature on the dates, in the respective principal amounts, bear interest at the rates and are subject to redemption and otherwise are as described and provided for in the Supplemental Resolution and the Certificate.

The Housing Development Fund is authorized to issue other Housing Finance Bonds in addition to the 2019 A Bonds upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall with the 2019 A Bonds and with all other such Bonds theretofore and thereafter issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

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

Legislature is authorized, but not required, to make an appropriation of the amount necessary to cure such deficiency.

We are of the opinion that:

1. Under the constitution and laws of the State, the Housing Development Fund has good, right and lawful authority, among other things, to carry out the Housing Finance Program (as defined in the Resolution), to provide sufficient funds therefor by the adoption of the Resolutions and the issuance and sale of the Housing Finance Bonds, including the 2019 A Bonds, and to perform its obligations under the terms and conditions of the Resolutions, including financing the mortgage loans and collecting and enforcing the collection of Pledged Receipts and Recoveries of Principal as covenanted in the Resolution.

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

3. The 2019 A Bonds have been duly authorized, sold and issued by the Housing Development Fund in accordance with the Resolutions and the laws of the State, including the Act, and pursuant to the Act are issued by a public body corporate of the State for a public purpose.

4. Subject to agreements heretofore or hereafter made with the holders of any notes or other bonds of the Housing Development Fund pledging any particular revenues or assets not pledged under the Resolution and the exclusion by the Act of a pledge of funds in the Land Development, Operating Loan and Jobs Development Funds, the 2019 A Bonds are valid and legally binding general obligations of the Housing Development Fund payable from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolutions, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

5. The Housing Finance Bonds, including the 2019 A Bonds, are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates the valid pledge of and lien on the Pledged Receipts and Recoveries of Principal, as defined in the Resolution, and all the Funds and Accounts established by the Resolution and moneys and securities therein, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

6. Pursuant to the Resolutions, the Housing Development Fund has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to undertake the Housing Finance Program with the proceeds of the 2019 A Bonds, including the financing of mortgage loans subject to the requirements of the Resolution with respect thereto, and to do all such acts and things necessary to receive and collect the Pledged Receipts and, when applicable, Recoveries of Principal.

7. The State is not liable on the 2019 A Bonds and the 2019 A Bonds are not a debt of the State. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of and interest on the 2019 A Bonds.

8. The Housing Development Fund has validly pledged amounts in the Mortgage Finance Bond Insurance Fund to secure the payment of the 2019 A Bonds and other Mortgage Finance Bonds and the interest thereon, and amounts to cure deficiencies in the Mortgage Finance Bond Insurance Fund for the payment of Mortgage Finance Bonds may be validly appropriated in accordance with law. The Housing Development Fund is authorized to pledge amounts in the Mortgage Finance Bond Insurance Fund to payment of other obligations issued by the Housing Development Fund upon the terms and conditions contained in the Act and the Resolution.

9. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the 2019 A 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") and (ii) interest on the 2019 A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. 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 2019 A 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 2019 A Bonds from gross income under Section 103 of the Code.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the 2019 A Bonds, or the ownership or disposition thereof, except as stated in paragraph 9 above. 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, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2019 A Bonds. We undertake no responsibility for the accuracy, completeness, or fairness of any official statement or other offering materials relating to the 2019 A Bonds and express herein no opinion relating thereto.

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

In rendering this opinion, we are advising you that the rights and obligations under the 2019 A Bonds and the Resolutions and their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance, or other laws affecting creditors' rights or remedies and 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 2019 A Bonds and in our opinion the forms thereof and their execution are regular and proper.

Very truly yours,

APPENDIX E

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE GENERAL RESOLUTION

Definitions of Certain Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Introduction

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

Contract with Bondholders (Section 202)

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

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

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

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

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

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

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

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

Provisions for Refunding Issues (Section 207)

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

Regulations with Respect to Exchanges and Transfers (Section 308)

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

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

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

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

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

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

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

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

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

Establishment of Funds and Accounts (Section 502)

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

(1) Mortgage Loan Fund,

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

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

(2) Revenue Fund;

(3) Debt Service Fund,

(a) Interest Account,

(b) Principal Installment Account;

(4) Redemption Fund,

(a) General Redemption Account,

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

(5) Capital Reserve Fund; and

(6) Surplus Fund.

Mortgage Loan Fund (Section 503)

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

Revenue Fund (Section 504)

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

> FIRST: Into the Interest Account, the amount necessary to increase the amount in such Account so that it equals unpaid interest on the Outstanding Bonds due on such interest payment date.
>
> SECOND: Into the Principal Installment Account, to the full extent available in the Revenue Fund, the amount necessary to increase the amount in such Account so that it equals the amount of unpaid principal installments on the Outstanding Bonds due on or before the next November 1.
>
> THIRD: Into the Capital Reserve Fund, the amount, if any, necessary to cause the amount in such Fund to equal the Capital Reserve Fund Requirement.
>
> FOURTH: Into the Surplus Fund, the amount remaining.

Debt Service Fund (Section 505)

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

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

Redemption Fund (Section 506)

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

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

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

Capital Reserve Fund (Section 507)

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

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

Surplus Fund (Section 508)

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

Deposits and Investments (Sections 510, 511 and 512)

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

Payment of Bonds (Section 701)

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

Powers as to Bonds and Pledge (Section 704)

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

Tax Covenants (Section 705)

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

Accounts and Reports (Section 706)

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

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

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

Budgets (Section 707)

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

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

Housing Finance Program (Section 708)

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

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

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

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

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

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

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

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

Housing Development Fund to Maintain Existence (Section 716)

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

Maintenance of Debt Ratios (Section 717)

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

Powers of Amendment (Section 902)

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

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

Events of Default (Section 1002)

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

Remedies (Section 1003)

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

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

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

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

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

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

Compensation of Trustee (Section 1105)

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

Defeasance (Section 1201)

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

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

APPENDIX F
SUMMARY OF DTC'S POLICIES AND PROCEDURES

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2019 A Bonds (the "Bonds"). The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

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

APPENDIX G

Form of Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the "Agreement") dated as of March 7, 2019 by and between the West Virginia Housing Development Fund (the "Housing Development Fund") and United Bank, 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 $35,000,000 aggregate principal amount of Housing Finance Bonds, 2019 Series A (the "Bonds"). Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

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

Section 1.2. Annual Financial Information. (a) The Housing Development Fund shall provide Annual Financial Information with respect to each fiscal year of the Housing Development Fund, commencing with the fiscal year ending June 30, 2019, 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. <u>Benefit; Third-Party Beneficiaries; Enforcement</u>. (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 Fund Net Position-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 Fund Net Position-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;

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

(xv) incurrence of a financial obligation of the Housing Development Fund, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Housing Development Fund, any of which affect Bondholders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Housing Development Fund, any of which reflect financial difficulties.

For the purposes of the events identified in clauses (xv) and (xvi) above, the term "financial obligation" means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(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, as Trustee

By:____________________________