NEW ISSUE — BOOK-ENTRY ONLY

Interest on the Offered Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters."

CalHFA℠

$133,760,000
CALIFORNIA HOUSING FINANCE AGENCY
Residential Mortgage Revenue Refunding Bonds
(MBS Indenture)

$100,210,000 2013 Series A (Federally Taxable)
Due: February 1, 2042
Interest Rate: 2.90%
CUSIP†: 130333CA3

$33,550,000 2013 Series B (Federally Taxable)
Due: February 1, 2042
Interest Rate: 2.90%
CUSIP†: 130333CB1

Price: 100% Dated: Date of delivery

This cover page contains selected information for quick reference only. It is not a summary of relevant information. Potential investors must read the Official Statement to obtain information essential to making an informed investment decision. Capitalized terms are defined inside.

The Offered Bonds will bear interest at the rates set forth above, payable on the first calendar day of each month, commencing June 1, 2013.

The Offered Bonds are issuable in denominations of $1 principal amount or any integral multiple thereof. DTC will hold the Offered Bonds in book-entry form. Purchasers will not receive certificates representing their interests in the Offered Bonds. Interest on and principal of the Offered Bonds are payable on behalf of the Agency by U.S. Bank National Association, as Trustee under the Indenture, to DTC. So long as DTC or its nominee remains the registered owner of the Offered Bonds, disbursement of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the Beneficial Owners of the Offered Bonds is the responsibility of DTC Participants and Indirect Participants. See "The Offered Bonds — DTC and Book-Entry."

The Offered Bonds are subject to redemption prior to maturity as described herein. See "The Offered Bonds."

Proceeds of the Offered Bonds will provide moneys to enable the Agency to redeem certain Outstanding Bonds of the Agency, proceeds of which financed GNMA guaranteed mortgage-backed securities, as described herein. See Part 2, Appendix B — "Mortgage-Backed Securities Purchased with Proceeds of Bonds."

The Offered Bonds are special limited obligations of the Agency, payable solely from the revenues, assets and properties pledged therefor under the Indenture. The Agency has no taxing power. The Offered Bonds shall not be deemed to constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency as provided in the Indenture. The Offered Bonds are not a debt of the United States of America or any agency thereof, GNMA or Fannie Mae, and are not guaranteed by the full faith and credit of the United States of America.

The Offered Bonds (except to the extent not reoffered) are offered when, as and if received by the underwriter set forth below (the "Underwriter"), subject to (i) prior sale, or withdrawal or modification of the offer without notice, (ii) approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, and (iii) certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP. The Offered Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about April 30, 2013.

BofA Merrill Lynch

April 19, 2013

† CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies. Inc. CUSIP data herein is set forth for convenience of reference only. Neither the Agency nor the Underwriter assumes any responsibility for the accuracy of such data.

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No dealer, broker, sales person or other person has been authorized by the Agency or the Underwriter to give any information or to make any representations, other than those 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 any of the foregoing. 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 Offered Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency and by other sources that are believed to be reliable. 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 information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

Part 1 and Part 2 of this Official Statement, including their respective appendices, are to be read together, and together Part 1 and Part 2, including their respective appendices, constitute this Official Statement.

TABLE OF CONTENTS

PART 1

	Page
INTRODUCTION	1-1
APPLICATION OF FUNDS	1-4
POST-REFUNDING ASSETS AND LIABILITIES	1-4
THE OFFERED BONDS	1-6
TAX MATTERS	1-22
LEGAL MATTERS	1-25
LITIGATION	1-25
LEGALITY FOR INVESTMENT	1-25
RATING	1-26
INDEPENDENT AUDITORS	1-26
CONTINUING DISCLOSURE	1-26
UNDERWRITING	1-27
MISCELLANEOUS	1-28
APPENDIX A—PROPOSED FORM OF LEGAL OPINION FOR THE OFFERED BONDS	1-A-1
APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT	1-B-1
APPENDIX C—2010 SERIES A BONDS AND 2011 SERIES A BONDS MATURING PRINCIPAL AMOUNTS	1-C-1

PART 2

	Page
INTRODUCTION	2-1
THE AGENCY	2-1
SECURITY FOR THE BONDS	2-5
THE PROGRAM	2-9
GNMA MORTGAGE-BACKED SECURITIES	2-14
FANNIE MAE MORTGAGE-BACKED SECURITIES	2-18
THE SERVICER	2-22
OTHER PROGRAMS OF THE AGENCY	2-23
SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE	2-24
APPENDIX A—FINANCIAL STATEMENTS OF THE AGENCY FOR THE YEARS ENDED JUNE 30, 2012 AND 2011	2-A-1
APPENDIX B—MORTGAGE-BACKED SECURITIES PURCHASED WITH PROCEEDS OF BONDS	2-B-1

IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFERED BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE OFFERED BONDS TO CERTAIN DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

OFFICIAL STATEMENT PART 1
CALIFORNIA HOUSING FINANCE AGENCY
Residential Mortgage Revenue Refunding Bonds, 2013 Series A and 2013 Series B

This Official Statement Part 1 ("Part 1") provides information as of its date (*except* where otherwise expressly stated) concerning the Agency's Offered Bonds. It contains only a part of the information to be provided by the Agency in connection with the issuance and sale of the Offered Bonds and the Release applicable to the Program Bonds. Additional information concerning the Agency, security for the Bonds, the Program and the Agency's other financing programs is contained in the Official Statement Part 2 ("Part 2") and is subject in all respects to the information contained herein.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
APPLICATION OF FUNDS	4
POST-REFUNDING ASSETS AND LIABILITIES	4
THE OFFERED BONDS	6
General Description	6
Redemption	6
Projected Percentages of Original Principal Amounts of Offered Bonds Remaining, Weighted Average Lives and Final Payment Dates	9
General Redemption Provisions Applicable to Offered Bonds	17
DTC and Book-Entry	19
TAX MATTERS	22
Original Issue Discount	23
Bond Premium	23
Disposition and Defeasance	23
Information Reporting and Backup Withholding	24
U.S. Holders	24
IRS Circular 230 Disclosure	24
Miscellaneous	25
LEGAL MATTERS	25
LITIGATION	25
LEGALITY FOR INVESTMENT	25
RATING	26
INDEPENDENT AUDITORS	26
CONTINUING DISCLOSURE	26
UNDERWRITING	27
MISCELLANEOUS	28
APPENDIX A—PROPOSED FORM OF LEGAL OPINION FOR THE OFFERED BONDS	A-1
APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT	B-1
APPENDIX C—2010 SERIES A BONDS AND 2011 SERIES A BONDS MATURING PRINCIPAL AMOUNTS	C-1

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OFFICIAL STATEMENT PART 1
of the
California Housing Finance Agency
relating to
$133,760,000
RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS
(MBS INDENTURE)
$100,210,000 2013 Series A (Federally Taxable)
$33,550,000 2013 Series B (Federally Taxable)

INTRODUCTION

This Official Statement consists of Part 1 and Part 2 and provides information concerning the California Housing Finance Agency (the "Agency"), its Residential Mortgage Revenue Bonds Program (the "Program") and the following series of its Residential Mortgage Revenue Refunding Bonds (collectively, the "Offered Bonds"), together with certain related features:

Bond Series Designation	Initial Principal Amount	Federal Tax Character of Interest	Interest Rate Character	Defined Term Used in this Official Statement
2013 Series A	$100,210,000	Taxable	Fixed	"2013 Series A Bonds"
2013 Series B	$33,550,000	Taxable	Fixed	"2013 Series B Bonds"

The Agency is issuing the Offered Bonds pursuant to Parts 1 through 4 of Division 31 of the California Health and Safety Code (the "Act"), a resolution of the Board of Directors of the Agency (the "Board"), an Indenture, dated as of December 1, 2009, as amended (the "General Indenture"), by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"), and the 2013 Series A and B Series Indenture, dated as of April 1, 2013 (the "Offered Bonds Series Indenture"), by and between the Agency and the Trustee. All bonds outstanding under the General Indenture (including additional bonds that may hereafter be issued) are referred to herein as the "Bonds." Each series of Bonds is issued pursuant to a Series Indenture. The General Indenture, collectively with all Series Indentures, is referred to herein as the "Indenture." The 2013 Series A Bonds and the 2013 Series B Bonds are the fourth and fifth series, respectively, of Bonds issued under the Indenture. The Bonds issued under the Indenture prior to the issuance of the Offered Bonds are collectively referred to herein as the "Prior Series of Bonds." Capitalized terms used in this Official Statement and not otherwise defined have the respective meanings ascribed thereto in the Indenture. See Part 2, "Summary of Certain Provisions of the General Indenture — Certain Defined Terms."

Bonds may be issued for any lawful authorized purpose, including but not limited to (i) the purchase of Mortgage-Backed Securities, (ii) the making of deposits into Funds established under the Indenture, or (iii) the refunding of bonds or other obligations issued by the Agency or another issuer.

Proceeds of the 2013 Series A Bonds, together with other amounts available under the Indenture, will be applied to redeem, on May 1, 2013, all of the Agency's Outstanding

Residential Mortgage Revenue Bonds, 2009 Series A-4 (the "2009 Series A-4 Bonds"). Proceeds of the 2009 Series A-4 Bonds and the Agency's Residential Mortgage Revenue Bonds, 2011 Series A (the "2011 Series A Bonds"; together with the 2013 Series A Bonds, the "2011/2013A Bonds") financed participation interests in Mortgage-Backed Securities (such participation interests, the "2011 Mortgage-Backed Securities"). Upon the redemption of the 2009 Series A-4 Bonds, amounts currently allocated to the 2009 Series A-4 Bonds under the Indenture, including certain amounts related to the 2011 Mortgage-Backed Securities, will be allocated to the 2013 Series A Bonds. See Part 2, Appendix B —"Mortgage-Backed Securities Purchased with Proceeds of Bonds" for certain information with respect to the 2011 Mortgage-Backed Securities.

Proceeds of the 2013 Series B Bonds, together with other amounts available under the Indenture, will be applied to redeem, on May 1, 2013, all of the Agency's Outstanding Residential Mortgage Revenue Bonds, 2009 Series A-3 (the "2009 Series A-3 Bonds"; together with the 2009 Series A-4 Bonds, the "Refunded Bonds"). Proceeds of the 2009 Series A-3 Bonds and the Agency's Residential Mortgage Revenue Bonds, 2010 Series A (the "2010 Series A Bonds"; together with the 2013 Series B Bonds, the "2010/2013B Bonds") financed participation interests in Mortgage-Backed Securities (such participation interests, the "2010 Mortgage-Backed Securities"; together with the 2011 Mortgage-Backed Securities, the "2010/2011 Mortgage-Backed Securities"). Upon the redemption of the 2009 Series A-3 Bonds, amounts currently allocated to the 2009 Series A-3 Bonds under the Indenture, including certain amounts related to the 2010 Mortgage-Backed Securities, will be allocated to the 2013 Series B Bonds. See Part 2, Appendix B —"Mortgage-Backed Securities Purchased with Proceeds of Bonds" for certain information with respect to the 2010 Mortgage-Backed Securities.

Each 2010/2011 Mortgage-Backed Security is a Government National Mortgage Association ("GNMA") guaranteed mortgage-backed security issued pursuant to a Second Amended and Restated California Housing Finance Agency MBS Program Servicing Agreement, dated as of February 10, 2010, as amended (the "Servicing Agreement"), among the Agency, the Trustee and Bank of America, N.A. (the "Servicer"), or is a participation interest in such a security. In the case of each 2010/2011 Mortgage-Backed Security that is a participation interest, the related GNMA guaranteed mortgage-backed security was purchased pursuant to a participation agreement in part with the proceeds of Bonds as described above and in part with funds not held under the Indenture. Pursuant to the applicable participation agreement, a portion of each principal payment (including a prepayment) of each such mortgage-backed security is received by the Trustee under the Indenture, and the remainder of each principal payment (including a prepayment) is allocated to the other source of the purchase price of such mortgage-backed security and is not received by the Trustee under the Indenture. The entire amount of each interest payment on each such mortgage-backed security is received by the Trustee under the Indenture. See Part 2, Appendix B — "Mortgage-Backed Securities Purchased with Proceeds of Bonds."

The mortgage loans backing the 2010 Mortgage-Backed Securities and the 2011 Mortgage-Backed Securities are referred to herein as the "2010 Underlying Mortgage Loans" and the "2011 Underlying Mortgage Loans," respectively, and collectively as the "2010/2011 Underlying Mortgage Loans." All of the 2010/2011 Underlying Mortgage Loans were originated as loans with substantially level monthly payments that are fully amortizing over 30 years, secured by mortgages on newly-constructed or existing single family homes in California. The earliest originations of 2010 Underlying Mortgage Loans and of 2011 Underlying Mortgage Loans occurred in October 2010 and the latest originations of 2010 Underlying Mortgage Loans and of 2011 Underlying Mortgage Loans occurred in December 2011. The 2010/2011 Underlying Mortgage Loans are serviced by the Servicer. See Part 2, "Security for the Bonds — Mortgage-Backed Securities," "GNMA Mortgage-Backed Securities," "The Servicer" and "The Program." The 2010/2011 Underlying Mortgage Loans and any other mortgage loans underlying Mortgage-Backed Securities that from time to time may be held under the Indenture are referred to herein collectively as "Underlying Mortgage Loans."

Prior to the date of this Official Statement, the Agency has issued three Prior Series of Bonds in an aggregate original principal amount of $1,112,440,000. As of February 28, 2013, there were Prior Series of Bonds Outstanding in the aggregate principal amount of $227,040,000. For a description of the Outstanding Prior Series of Bonds as of February 28, 2013, see Part 2, "Security for the Bonds — Outstanding Bonds." See also Part 2, "Other Programs of the Agency — Single Family Separately-Secured Indenture" and "— Multifamily Separately-Secured Indenture." The Agency has purchased Mortgage-Backed Securities with an aggregate original principal balance of $240,708,895.40 with the proceeds of the Prior Series of Bonds. The projected aggregate unpaid principal balance of these Mortgage-Backed Securities (which are the 2010/2011 Mortgage-Backed Securities) upon application of April 15, 2013 principal payments is $216,619,145.28. For certain information with respect to these Mortgage-Backed Securities, see Part 2, "Security for the Bonds — Mortgage-Backed Securities," "GNMA Mortgage-Backed Securities" and Appendix B — "Mortgage-Backed Securities Purchased with Proceeds of Bonds."

The Offered Bonds are special limited obligations of the Agency, payable solely from the revenues, assets and properties pledged therefor under the Indenture. The Agency has no taxing power. The Offered Bonds shall not be deemed to constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency as provided in the Indenture. The Offered Bonds are not a debt of the United States of America or any agency thereof, GNMA or Fannie Mae, and are not guaranteed by the full faith and credit of the United States of America.

The Agency has covenanted in the General Indenture to furnish to the Trustee, within 120 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, a statement of the Agency's revenues, expenses and changes in net assets during the previous period.

Descriptions of the Agency, the security for the Bonds, the Offered Bonds, GNMA, Fannie Mae and mortgage-backed securities guaranteed by GNMA and Fannie Mae, the Program and the Indenture are included in this Official Statement. All summaries or descriptions in this Official Statement of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries in this Official Statement of the Offered Bonds are qualified in their entirety by reference to the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements, copies of which are available for inspection at the offices of the Agency.

APPLICATION OF FUNDS

Moneys on deposit in the funds and accounts relating to the Offered Bonds (including certain amounts contributed by the Agency) are expected to be applied and deposited approximately as follows:

Redemption of Refunded Bonds	$137,200,000
Costs of Issuance Fund	
to pay Underwriters' fees	538,997
to pay other Costs of Issuance	180,000
Total	$137,918,997

POST-REFUNDING ASSETS AND LIABILITIES

On May 1, 2013, subsequent to the issuance of the Offered Bonds and the refunding and replacement of the Refunded Bonds, assets under the Indenture, and the Outstanding Bonds, accrued interest on Bonds and surplus fund balances, are projected to be approximately as follows[1]:

	2013 Series B 2010 Series A	2013 Series A 2011 Series A
Mortgage-Backed Securities [2]	$ 53,784,000	$ 162,835,000
Prepayments [3,4]	383,000	721,000
Repayments [3,4]	518,000	1,239,000
Additional Cash [4]	315,000	1,576,000
Total Assets	$ 55,000,000	$ 166,371,000
Prior Series of Bonds Outstanding	$ 21,135,000	$ 64,585,000
Offered Bonds	33,550,000	100,210,000
Total Bonds Outstanding	$ 54,685,000	$ 164,795,000
Accrued Interest on Prior Series of Bonds	141,000	439,000
Surplus Fund Balance	174,000	1,137,000
Total Liabilities and Surplus Fund Balance	$ 55,000,000	$ 166,371,000

[1] Amounts are rounded to the nearest thousand dollars. Surplus Fund Balance is calculated after rounding.

[2] These amounts were derived from the column headed "RPB" on the Ginnie Mae MBS Tax, Pool, RPB and Factor Data Search Page at http://structuredginniemaes.ginnienet.com/factorreporting/ and reflect projected remaining principal balances after April 15, 2013 payments.

[3] Reflects estimated allocations of April 15, 2013 principal payments between prepayments and scheduled repayments. Final allocations may differ.

[4] Excludes interest, if any, accrued on any Investment Obligation in which funds are held.

While the foregoing table accounts separately for assets and liabilities related to the 2011/2013A Bonds and the 2010/2013B Bonds, respectively, all Bonds are secured on a parity basis by all Pledged Property under the Indenture.

Following the refunding and replacement of the 2009 Series A-4 Bonds, Principal Prepayments of 2011 Mortgage-Backed Securities will be applied to redeem 2013 Series A Bonds as described in the first paragraph under "The Offered Bonds — Redemption — Mandatory Redemption of 2013 Series A Bonds," and the balance of such amounts is required to be applied to redeem 2011 Series A Bonds. The maturities and Sinking Fund Requirements of the 2009 Series A-4 Bonds and the 2011 Series A Bonds were established assuming scheduled principal repayments of 2011 Mortgage-Backed Securities would be approximately equal to the maturities and Sinking Fund Requirements of 2011 Series A Bonds until such Bonds were no longer Outstanding and thereafter would be approximately equal to the maturities and Sinking Fund Requirements of 2009 Series A-4 Bonds until such Bonds were no longer Outstanding (as a consequence, while 2011 Series A Bonds remain Outstanding it is not expected that significant amounts will be applied to redeem 2013 Series A Bonds as described in the second paragraph under "The Offered Bonds — Redemption — Mandatory Redemption of 2013 Series A Bonds"). See Appendix C to this Part 1 for a list of the currently-remaining maturities and Sinking Fund Requirements with respect to the 2011 Series A Bonds. Excess Revenues and other amounts allocable to the 2011/2013A Bonds (including amounts received with respect to 2011 Mortgage-Backed Securities) otherwise available under the Indenture may be applied in any fashion permitted under the Indenture, including but not limited to purchasing Mortgage-Backed Securities or redeeming Bonds then subject to optional redemption. The Cash Flow Statement filed in connection with the issuance of the Offered Bonds will provide that such amounts are to be applied to redeem 2011 Series A Bonds, but the Agency may file a Cash Flow Statement providing otherwise at any time. See Part 2, "Summary of Certain Provisions of the General Indenture — Revenue Fund; Application of Revenues," "— General Fund," "— Deficiencies in Debt Service Fund" and "— Cash Flow Statements."

Following the refunding and replacement of the 2009 Series A-3 Bonds, Principal Prepayments of 2010 Mortgage-Backed Securities will be applied to redeem 2013 Series B Bonds as described in the first paragraph under "The Offered Bonds — Redemption — Mandatory Redemption of 2013 Series B Bonds," and the balance of such amounts is required to be applied to redeem 2010 Series A Bonds. The maturities and Sinking Fund Requirements of the 2009 Series A-3 Bonds and the 2010 Series A Bonds were established assuming scheduled principal repayments of 2010 Mortgage-Backed Securities would be approximately equal to the maturities and Sinking Fund Requirements of 2010 Series A Bonds until such Bonds were no longer Outstanding and thereafter would be approximately equal to the maturities and Sinking Fund Requirements of 2009 Series A-3 Bonds until such Bonds were no longer Outstanding (as a consequence, while 2010 Series A Bonds remain Outstanding it is not expected that significant amounts will be applied to redeem 2013 Series B Bonds as described in the second paragraph under "The Offered Bonds — Redemption — Mandatory Redemption of 2013 Series B Bonds"). See Appendix C to this Part 1 for a list of the currently-remaining maturities and Sinking Fund Requirements with respect to the 2010 Series A Bonds. Excess Revenues and other amounts allocable to the 2010/2013B Bonds (including amounts received with respect to 2010 Mortgage-Backed Securities) otherwise available under the Indenture may be applied in any fashion permitted under the Indenture, including but not limited to purchasing Mortgage-Backed Securities or redeeming Bonds then subject to optional redemption. The Cash Flow Statement filed in connection with the issuance of the Offered Bonds will provide that such amounts are to be applied to redeem 2010 Series A Bonds, but the Agency may file a Cash Flow Statement providing otherwise at any time. See Part 2, "Summary of Certain Provisions of the General Indenture — Revenue Fund; Application of Revenues," "— General Fund," "— Deficiencies in Debt Service Fund" and "— Cash Flow Statements."

THE OFFERED BONDS

General Description

The Offered Bonds will be dated their date of delivery and interest thereon will be payable on the first calendar day of each month, commencing June 1, 2013. The Offered Bonds will mature on the dates and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their dated date to their maturity (or prior redemption) at the applicable rates, all as set forth on the cover page. The Offered Bonds will be issuable in the denominations set forth on the cover page.

The Offered Bonds are issued only as fully-registered bonds without coupons, in book-entry form only, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Offered Bonds. See "The Offered Bonds — DTC and Book-Entry." U.S. Bank National Association is the Trustee.

Redemption

The Offered Bonds are not subject to redemption other than as described under this heading "The Offered Bonds—Redemption." In particular, the Offered Bonds are not subject to mandatory redemption in fulfillment of Sinking Fund Requirements. In addition, except as described below under "Mandatory Redemption of 2013 Series A Bonds," "Mandatory Redemption of 2013 Series B Bonds" and "Optional Redemption," the Offered Bonds are not subject to redemption in amounts attributable to excess Revenues under the Indenture, including but not limited to Principal Prepayments of Mortgage-Backed Securities.

Mandatory Redemption of 2013 Series A Bonds

The 2013 Series A Bonds are subject to mandatory redemption on the first calendar day of each month, commencing June 1, 2013, in whole or in part, at a Redemption Price equal to the principal amount of each such Bond or portion thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date, in an amount equal to (*subject to* reduction as provided below) the product of (A) Principal Prepayments received with respect to 2011 Mortgage-Backed Securities that are not required by the Code to be applied to redeem 2011 Series A Bonds (or any successor bonds that refund and replace 2011 Series A Bonds designated as such by the Agency) and (B) the fraction whose numerator is the principal amount of Outstanding 2013 Series A Bonds and whose denominator is equal to the sum of (1) the principal amount of Outstanding 2013 Series A Bonds and (2) the principal amount of Outstanding 2011 Series A Bonds (or any successor bonds that refund and replace 2011 Series A Bonds designated as such by the Agency).

The 2013 Series A Bonds are subject to mandatory redemption, in whole or in part, on August 1, 2013 and on each February 1 and August 1 thereafter for so long as any 2011 Series A Bonds (or any successor bonds that refund and replace 2011 Series A Bonds designated as such by the Agency) remain Outstanding, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date, in an amount equal to (*subject to* reduction as provided below) the product of (A) scheduled principal repayments of 2011 Mortgage-Backed Securities received in excess of (a) principal due on 2011 Series A Bonds (or any successor bonds that refund and replace 2011 Series A Bonds designated as such by the Agency) and (b) amounts of such scheduled principal repayments that are required by the Code to be applied to redeem 2011 Series A Bonds (or any successor bonds that refund and replace 2011 Series A Bonds designated as such by the Agency) and (B) the fraction whose numerator is the principal amount of Outstanding 2013 Series A Bonds and whose denominator is equal to the sum of (1) the principal amount of Outstanding 2013 Series A Bonds and (2) the principal amount of Outstanding 2011 Series A Bonds (or any successor bonds that refund and replace 2011 Series A Bonds designated as such by the Agency).

The 2013 Series A Bonds are subject to mandatory redemption, in whole or in part, on the first calendar day of each month once 2011 Series A Bonds (or any successor bonds that refund and replace 2011 Series A Bonds designated as such by the Agency) are no longer Outstanding, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date, in an amount equal to (*subject to* reduction as provided below) scheduled principal repayments received of 2011 Mortgage-Backed Securities.

Provided that amounts described above that are otherwise available to redeem 2013 Series A Bonds are subject to reduction to the extent required under the Indenture to be (x) applied to the payment of principal of or interest on Bonds, (y) applied to the payment of Expenses, or (z) deposited to the Debt Reserve Fund or the Loan Loss Fund to cause the amount on deposit therein to equal the Debt Reserve Requirement or the Loan Loss Requirement, respectively (there is currently no Debt Reserve Requirement or Loan Loss Requirement under the Indenture, but the Agency may at any time establish a Debt Reserve Requirement or a Loan Loss Requirement in connection with the issuance of Additional Bonds).

Proceeds of the voluntary sale of Mortgage-Backed Securities are not permitted to be applied to the redemption of 2013 Series A Bonds as described under this heading "Mandatory Redemption of 2013 Series A Bonds." The Agency has covenanted that, unless no 2013 Series A Bonds remain Outstanding, it will not voluntarily sell 2011 Mortgage-Backed Securities prior to May 1, 2020.

Mandatory Redemption of 2013 Series B Bonds

The 2013 Series B Bonds are subject to mandatory redemption on the first calendar day of each month, commencing June 1, 2013, in whole or in part, at a Redemption Price equal to the principal amount of each such Bond or portion thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date, in an amount equal to (*subject to* reduction as provided below) the product of (A) Principal Prepayments received with respect to 2010 Mortgage-Backed Securities that are not required by the Code to be applied to redeem 2010 Series A Bonds (or any successor bonds that refund and replace 2010 Series A Bonds designated as such by the Agency) and (B) the fraction whose numerator is the principal amount of Outstanding 2013 Series B Bonds and whose denominator is equal to the sum of (1) the principal amount of Outstanding 2013 Series B Bonds and (2) the principal amount of Outstanding 2010 Series A Bonds (or any successor bonds that refund and replace 2010 Series A Bonds designated as such by the Agency).

The 2013 Series B Bonds are subject to mandatory redemption, in whole or in part, on August 1, 2013 and on each February 1 and August 1 thereafter for so long as any 2010 Series A Bonds (or any successor bonds that refund and replace 2010 Series A Bonds designated as such by the Agency) remain Outstanding, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date, in an amount equal to (*subject to* reduction as provided below) the product of (A) scheduled principal repayments of 2010 Mortgage-Backed Securities received in excess of (a) principal due on 2010 Series A Bonds (or any successor bonds that refund and replace 2010 Series A Bonds designated as such by the Agency) and (b) amounts of such scheduled principal repayments that are required by the Code to be applied to redeem 2010 Series A Bonds (or any successor bonds that refund and replace 2010 Series A Bonds designated as such by the Agency) and (B) the fraction whose numerator is the principal amount of Outstanding 2013 Series B Bonds and whose denominator is equal to the sum of (1) the principal amount of Outstanding 2013 Series B Bonds and (2) the principal amount of Outstanding 2010 Series A Bonds (or any successor bonds that refund and replace 2010 Series A Bonds designated as such by the Agency).

The 2013 Series B Bonds are subject to mandatory redemption, in whole or in part, on the first calendar day of each month once 2010 Series A Bonds (or any successor bonds that refund and replace 2010 Series A Bonds designated as such by the Agency) are no longer Outstanding, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date, in an amount equal to (*subject to* reduction as provided below) scheduled principal repayments received of 2010 Mortgage-Backed Securities.

Provided that amounts described above that are otherwise available to redeem 2013 Series B Bonds are subject to reduction to the extent required under the Indenture to be (x) applied to the payment of principal of or interest on Bonds, (y) applied to the payment of Expenses, or (z) deposited to the Debt Reserve Fund or the Loan Loss Fund to cause the amount on deposit therein to equal the Debt Reserve Requirement or the Loan Loss Requirement, respectively (there is currently no Debt Reserve Requirement or Loan Loss Requirement under the Indenture, but the Agency may at any time establish a Debt Reserve Requirement or a Loan Loss Requirement in connection with the issuance of Additional Bonds).

Proceeds of the voluntary sale of Mortgage-Backed Securities are not permitted to be applied to the redemption of 2013 Series B Bonds as described under this heading "Mandatory Redemption of 2013 Series B Bonds." The Agency has covenanted that, unless no 2013 Series B Bonds remain Outstanding, it will not voluntarily sell 2010 Mortgage-Backed Securities prior to November 1, 2019.

Optional Redemption

The 2013 Series A Bonds are subject to redemption at the option of the Agency on and after August 1, 2020, in whole or in part, at any time from any moneys (including the proceeds of the voluntary sale of Mortgage-Backed Securities) made available for such purpose, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date.

The 2013 Series B Bonds are subject to redemption at the option of the Agency on and after February 1, 2020, in whole or in part, at any time from any moneys (including the proceeds of the voluntary sale of Mortgage-Backed Securities) made available for such purpose, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus interest, if any, accrued to the redemption date.

Projected Percentages of Original Principal Amounts of Offered Bonds Remaining, Weighted Average Lives and Final Payment Dates

General

The tables under this subheading "General" set forth projections, based upon certain assumptions, of the principal balance of the Offered Bonds over time and of their weighted average lives and final payment dates.

The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid to the bondholder, weighted by the amount of such installment. The weighted average life of a bond is determined by (i) multiplying the amount of each principal payment by the number of years from the date of issuance of the bond to the related principal payment date, (ii) adding the results and (iii) dividing the sum by the total principal paid on the bond.

The weighted average lives of the 2013 Series A Bonds and the 2013 Series B Bonds, their remaining principal amounts at any point in time and their final payment dates will be influenced by, among other things, the rate at which principal prepayments are received on the 2011 Mortgage-Backed Securities and the 2010 Mortgage-Backed Securities, respectively.

Prepayments of mortgage loans are commonly projected in accordance with a prepayment model. The projected weighted average lives and remaining principal amounts of Offered Bonds set forth in the tables below have been calculated using two alternative prepayment models described below: the constant prepayment rate (the "CPR" model), and the Securities Industry Financial Markets Association ("SIFMA," formerly the Bond Market Association) prepayment model (the "SIFMA Prepayment Model").

The CPR model is based on prepayments assumed to occur at a constant percentage rate. CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period, after applying scheduled payments, that prepays during that period. The CPR model assumes that a given pool of loans will prepay in each month according to the following formula:

Monthly Prepayments = (Pool Balance after scheduled payments) x $(1-(1-\text{CPR})^{1/12})$

Accordingly, monthly prepayments, assuming a $1,000 balance after scheduled payments would be as follows for various levels of CPR:

	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
Monthly Prepayment	$0.00	$1.68	$3.40	$5.14	$6.92

The CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of 2011 Mortgage-Backed Securities or 2010 Mortgage-Backed Securities. The 2011 Mortgage-Backed Securities and 2010 Mortgage-Backed Securities will not prepay according to the CPR model, nor will all of the 2011 Mortgage-Backed Securities or all of the 2010 Mortgage-Backed Securities prepay at the same rate. An investor must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

The SIFMA Prepayment Model represents an assumed monthly rate of prepayment of the then-outstanding principal balance of a pool of newly originated mortgage loans. One hundred percent (100%) of the SIFMA Prepayment Model assumes a series of prepayment rates beginning with 0.2 percent per year of the then-unpaid principal balance of such mortgage loans in the first month of the life of a pool of mortgage loans and increased by 0.2 percent per year in each month thereafter until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100% of the SIFMA Prepayment Model assumes a constant prepayment rate of six percent per year. Percentages of the SIFMA Prepayment Model are calculated from such series of rates. For example, 200% of the SIFMA Prepayment Model assumes prepayment rates will be 0.4 percent per year in the first month, 0.8 percent per year in the second month, reaching 12% per year in month 30 and remaining constant at 12% per year thereafter.

The SIFMA Prepayment Model does not purport to describe historical prepayment experience or to predict the prepayment rate of 2011 Mortgage-Backed Securities or 2010 Mortgage-Backed Securities. The 2011 Mortgage-Backed Securities and 2010 Mortgage-Backed Securities will not prepay according to the SIFMA Prepayment Model, nor will all of the 2011 Mortgage-Backed Securities or all of the 2010 Mortgage-Backed Securities prepay at the same rate. An investor must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

Each table under this subheading "General" sets forth, for each of several specified mortgage loan prepayment speed assumptions, the percentages of the original principal balance of the Offered Bonds of a Series projected to remain Outstanding on an annual basis, a projected date of the final payment of principal of Offered Bonds of such Series, and a projected weighted average life of the Offered Bonds of such Series. Such projected remaining principal balances, projected final payment dates and projected weighted average lives are based on many assumptions, including certain assumptions regarding the exercise of certain discretionary rights of the Agency, which may not reflect actual results. These assumptions include:

(i) All of the proceeds of the Offered Bonds, together with other amounts available under the Indenture, will be applied to redeem all of the Outstanding Refunded Bonds on May 1, 2013.

(ii) No Additional Bonds will be issued under the Indenture.

(iii) The 2011 Mortgage-Backed Securities will prepay at the applicable CPR level or percentage of the SIFMA Prepayment Mode indicated in the tables below with respect to the 2013 Series A Bonds, and the 2010 Mortgage-Backed Securities will prepay at the applicable CPR level or percentage of the SIFMA Prepayment Mode indicated in the tables below with respect to the 2013 Series B Bonds.

(iv) No Offered Bonds will be redeemed as described in "The Offered Bonds — Redemption — Optional Redemption."

(v) No 2010 Series A Bonds or 2011 Series A Bonds will be redeemed pursuant to the optional redemption provisions of the Indenture.

(vi) The 2010/2011 Mortgage-Backed Securities will have the characteristics described herein, including in Part 2, Appendix B, and the Trustee will receive 100% of interest payments and the applicable participation percentage of principal payments indicated in Appendix B on each related GNMA-guaranteed security.

(vii) Payments on 2010/2011 Mortgage-Backed Securities will be received on the 15th day of each month.

(viii) On and after May 19, 2021, Principal Prepayments of 2011 Mortgage-Backed Securities equal to 39% of scheduled principal repayments and Principal Prepayments with respect to the 2011 Mortgage-Backed Securities, less maturing principal due on the 2011 Series A Bonds, will be applied to the redemption of the 2011 Series A Bonds.

(ix) On and after December 15, 2020, Principal Prepayments of 2010 Mortgage-Backed Securities equal to 38.5% of scheduled principal repayments and Principal Prepayments with respect to the 2010 Mortgage-Backed Securities, less maturing principal due on the 2010 Series A Bonds, will be applied to the redemption of the 2010 Series A Bonds.

(x) Principal Prepayments of 2011 Mortgage-Backed Securities in excess of the amounts restricted in assumption (viii) above will be applied monthly to redeem 2011 Series A Bonds and 2013 Series A Bonds pro rata based upon the then-Outstanding principal amounts of such Bonds and such redemptions of 2011 Series A Bonds will be applied pro rata among the maturities thereof.

(xi) Principal Prepayments of 2010 Mortgage-Backed Securities in excess of the amounts restricted in assumption (ix) above will be applied monthly to redeem 2010 Series A Bonds and 2013 Series B Bonds pro rata based upon the then-Outstanding principal amounts of such Bonds and such redemptions of 2010 Series A Bonds will be applied pro rata among the maturities thereof.

(xii) Scheduled principal repayments of 2011 Mortgage-Backed Securities will be applied, (a) while 2011 Series A Bonds remain Outstanding, on each August 1 and February 1 first to pay principal then due on 2011 Series A Bonds and then (to the extent of any excess) to redeem 2011 Series A Bonds and 2013 Series A Bonds pro rata based upon the then-Outstanding principal amounts of such Bonds and such redemptions of 2011 Series A Bonds will be applied pro rata among the maturities thereof, and, (b) thereafter, monthly to redeem 2013 Series A Bonds.

(xiii) Scheduled principal repayments of 2010 Mortgage-Backed Securities will be applied, (a) while 2010 Series A Bonds remain Outstanding, on each August 1 and February 1 first to pay principal then due on 2010 Series A Bonds and then (to the extent of any excess) to redeem 2010 Series A Bonds and 2013 Series B Bonds pro rata based upon the then-Outstanding principal amounts of such Bonds and such redemptions of 2010 Series A Bonds will be applied pro rata among the maturities thereof, and, (b) thereafter, monthly to redeem 2013 Series B Bonds.

(xiv) Annual Expenses under the Indenture will be comprised of a Trustee fee equal to 0.013% per annum of the principal amount of all Bonds Outstanding, which will be paid annually in advance commencing August 1, 2013, an Agency fee equal to 0.24% per annum of the principal balance of 2011 Mortgage-Backed Securities plus 0.25% of the principal balance of 2010 Mortgage-Backed Securities, which will be paid semi-annually in advance commencing August 1, 2013, and an additional Agency fee equal to 0.65% of the principal amount of 2013 Series A Bonds Outstanding and 0.20% of the principal amount of 2013 Series B Bonds Outstanding, which will be paid semiannually in arrears, commencing February 1, 2014.

(xv) The Agency will not establish any Debt Reserve Requirement or Loan Loss Requirement under the Indenture.

(xvi) Revenues attributable to the 2011 Series A Bonds and 2013 Series A Bonds in excess of amounts required to pay scheduled debt service on the 2011 Series A Bonds and 2013 Series A Bonds, less $300,000, will be used on each August 1 and February 1, commencing August 1, 2013, to redeem the 2011 Series A Bonds on a pro rata basis among outstanding maturities.

(xvii) Revenues attributable to the 2010 Series A Bonds and 2013 Series B Bonds in excess of amounts required to pay scheduled debt service on the 2010 Series A Bonds and 2013 Series B Bonds, less $100,000, will be used on each August 1 and February 1, commencing August 1, 2013, to redeem the 2010 Series A Bonds on a pro rata basis among outstanding maturities.

Projected Percentages of Original Principal Amount of the 2013 Series A Bonds Remaining at Various Percentages of CPR and Projected Weighted Average Lives ("WAL") and Final Payment Date

Date	0% CPR	3% CPR	6% CPR	8% CPR	10% CPR	12% CPR	15% CPR	18% CPR	20% CPR	25% CPR	30% CPR	35% CPR	40% CPR	45% CPR	50% CPR	60% CPR	70% CPR	80% CPR
April 30, 2013	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
February 2014	100%	98%	95%	94%	92%	91%	88%	86%	84%	80%	76%	72%	68%	64%	59%	50%	40%	29%
February 2015	100%	95%	89%	86%	83%	80%	75%	70%	67%	60%	53%	47%	40%	35%	29%	19%	11%	5%
February 2016	100%	92%	84%	79%	74%	70%	63%	57%	53%	45%	37%	30%	24%	18%	14%	7%	3%	0%
February 2017	100%	89%	79%	72%	67%	61%	54%	47%	42%	33%	25%	19%	14%	10%	6%	2%	0%	-
February 2018	99%	86%	74%	66%	60%	53%	45%	38%	34%	24%	17%	12%	8%	5%	3%	0%	-	-
February 2019	99%	83%	69%	61%	53%	47%	38%	31%	26%	18%	11%	7%	4%	2%	1%	-	-	-
February 2020	99%	80%	64%	55%	48%	41%	32%	25%	21%	13%	7%	4%	2%	0%	-	-	-	-
February 2021	99%	77%	60%	51%	42%	35%	27%	20%	16%	9%	5%	2%	0%	-	-	-	-	-
February 2022	98%	75%	57%	47%	38%	31%	23%	16%	13%	7%	3%	1%	-	-	-	-	-	-
February 2023	98%	72%	53%	43%	35%	28%	20%	14%	11%	5%	1%	-	-	-	-	-	-	-
February 2024	97%	69%	50%	40%	32%	25%	17%	11%	8%	3%	0%	-	-	-	-	-	-	-
February 2025	97%	67%	46%	37%	29%	22%	14%	8%	5%	1%	-	-	-	-	-	-	-	-
February 2026	96%	64%	43%	33%	25%	18%	10%	5%	3%	-	-	-	-	-	-	-	-	-
February 2027	95%	61%	40%	29%	21%	14%	8%	4%	2%	-	-	-	-	-	-	-	-	-
February 2028	93%	58%	35%	25%	17%	11%	5%	2%	1%	-	-	-	-	-	-	-	-	-
February 2029	87%	52%	30%	21%	14%	9%	4%	1%	-	-	-	-	-	-	-	-	-	-
February 2030	81%	47%	26%	17%	11%	6%	2%	-	-	-	-	-	-	-	-	-	-	-
February 2031	75%	42%	22%	14%	8%	4%	1%	-	-	-	-	-	-	-	-	-	-	-
February 2032	68%	36%	18%	11%	6%	3%	-	-	-	-	-	-	-	-	-	-	-	-
February 2033	62%	31%	15%	8%	4%	1%	-	-	-	-	-	-	-	-	-	-	-	-
February 2034	55%	27%	12%	6%	3%	0%	-	-	-	-	-	-	-	-	-	-	-	-
February 2035	47%	22%	9%	4%	1%	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2036	39%	17%	6%	2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2037	31%	12%	3%	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2038	23%	8%	1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2039	14%	3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2040	5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2041	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Projected Final Payment	August 2040	November 2039	July 2038	May 2037	January 2036	May 2034	January 2032	December 2029	September 2028	February 2026	March 2024	September 2022	June 2021	July 2020	September 2019	April 2018	April 2017	May 2016
Projected WAL (years)	20.9	14.9	11.1	9.3	7.9	6.8	5.6	4.6	4.2	3.3	2.7	2.2	1.9	1.6	1.4	1.1	0.8	0.6

Projected Percentages of Original Principal Amount of the 2013 Series A Bonds Remaining at Various Percentages of SIFMA Prepayment Model and Projected Weighted Average Lives ("WAL") and Final Payment Date

Date	0% SIFMA	50% SIFMA	100% SIFMA	150% SIFMA	250% SIFMA	500% SIFMA	800% SIFMA
April 30, 2013	100%	100%	100%	100%	100%	100%	100%
February 2014	100%	98%	96%	94%	89%	79%	65%
February 2015	100%	95%	90%	85%	76%	55%	33%
February 2016	100%	92%	84%	77%	64%	38%	17%
February 2017	100%	89%	79%	70%	54%	26%	8%
February 2018	99%	86%	74%	63%	46%	18%	4%
February 2019	99%	83%	69%	57%	38%	12%	1%
February 2020	99%	80%	65%	52%	32%	8%	-
February 2021	99%	77%	60%	47%	27%	5%	-
February 2022	98%	75%	57%	43%	23%	3%	-
February 2023	98%	72%	53%	39%	20%	1%	-
February 2024	97%	70%	50%	36%	17%	0%	-
February 2025	97%	67%	47%	33%	14%	-	-
February 2026	96%	64%	43%	29%	11%	-	-
February 2027	95%	61%	40%	25%	8%	-	-
February 2028	93%	58%	35%	21%	6%	-	-
February 2029	87%	52%	30%	17%	4%	-	-
February 2030	81%	47%	26%	14%	2%	-	-
February 2031	75%	42%	22%	11%	1%	-	-
February 2032	68%	37%	18%	8%	-	-	-
February 2033	62%	32%	15%	6%	-	-	-
February 2034	55%	27%	12%	4%	-	-	-
February 2035	47%	22%	9%	2%	-	-	-
February 2036	39%	17%	6%	1%	-	-	-
February 2037	31%	12%	3%	-	-	-	-
February 2038	23%	8%	1%	-	-	-	-
February 2039	14%	3%	-	-	-	-	-
February 2040	5%	-	-	-	-	-	-
February 2041	-	-	-	-	-	-	-
Projected Final Payment	August 2040	November 2039	July 2038	September 2036	January 2032	March 2024	January 2020
Projected WAL (years)	20.9	14.9	11.2	8.6	5.6	2.7	1.6

Projected Percentages of Original Principal Amount of the 2013 Series B Bonds Remaining at Various Percentages of CPR and Projected Weighted Average Lives ("WAL") and Final Payment Date

Date	0% CPR	3% CPR	6% CPR	8% CPR	10% CPR	12% CPR	15% CPR	18% CPR	20% CPR	25% CPR	30% CPR	35% CPR	40% CPR	45% CPR	50% CPR	60% CPR	70% CPR	80% CPR
April 30, 2013	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
February 2014	99%	97%	95%	93%	92%	90%	88%	86%	84%	80%	76%	72%	68%	63%	59%	50%	40%	30%
February 2015	99%	94%	89%	86%	82%	79%	75%	70%	67%	60%	53%	47%	40%	35%	29%	20%	12%	6%
February 2016	99%	91%	83%	79%	74%	70%	63%	57%	53%	45%	37%	30%	24%	19%	14%	8%	3%	1%
February 2017	99%	88%	78%	72%	66%	61%	54%	47%	42%	33%	26%	19%	14%	10%	7%	3%	1%	-
February 2018	99%	85%	73%	66%	60%	53%	45%	38%	34%	25%	17%	12%	8%	5%	3%	1%	-	-
February 2019	99%	82%	69%	60%	53%	47%	38%	31%	27%	18%	12%	7%	4%	2%	1%	-	-	-
February 2020	99%	80%	64%	55%	48%	41%	32%	25%	21%	13%	8%	4%	2%	1%	0%	-	-	-
February 2021	99%	77%	60%	51%	43%	36%	27%	20%	17%	10%	5%	3%	1%	0%	-	-	-	-
February 2022	99%	75%	57%	47%	39%	32%	24%	17%	14%	8%	4%	2%	0%	-	-	-	-	-
February 2023	99%	72%	53%	43%	36%	29%	21%	15%	11%	6%	2%	1%	-	-	-	-	-	-
February 2024	98%	70%	50%	40%	32%	26%	18%	12%	9%	4%	1%	-	-	-	-	-	-	-
February 2025	98%	67%	46%	37%	29%	23%	15%	9%	6%	2%	0%	-	-	-	-	-	-	-
February 2026	97%	65%	43%	33%	25%	19%	11%	7%	4%	1%	-	-	-	-	-	-	-	-
February 2027	96%	62%	40%	29%	21%	15%	9%	5%	3%	0%	-	-	-	-	-	-	-	-
February 2028	92%	57%	35%	25%	18%	12%	7%	3%	2%	-	-	-	-	-	-	-	-	-
February 2029	86%	52%	31%	21%	14%	10%	5%	2%	1%	-	-	-	-	-	-	-	-	-
February 2030	80%	47%	26%	18%	12%	7%	3%	1%	0%	-	-	-	-	-	-	-	-	-
February 2031	74%	42%	22%	15%	9%	6%	2%	0%	-	-	-	-	-	-	-	-	-	-
February 2032	67%	36%	19%	12%	7%	4%	1%	-	-	-	-	-	-	-	-	-	-	-
February 2033	60%	32%	15%	9%	5%	3%	0%	-	-	-	-	-	-	-	-	-	-	-
February 2034	53%	27%	12%	7%	4%	2%	-	-	-	-	-	-	-	-	-	-	-	-
February 2035	46%	22%	9%	5%	2%	1%	-	-	-	-	-	-	-	-	-	-	-	-
February 2036	38%	17%	7%	3%	1%	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2037	30%	13%	4%	2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2038	22%	8%	2%	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2039	13%	4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2040	4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February 2041	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Projected Final Payment	August 2040	February 2040	February 2039	April 2038	February 2037	November 2035	October 2033	October 2031	June 2030	October 2027	September 2025	December 2023	August 2022	July 2021	September 2020	February 2019	December 2017	December 2016
Projected WAL (years)	20.8	14.9	11.2	9.4	8.0	6.9	5.7	4.7	4.3	3.3	2.7	2.3	1.9	1.7	1.4	1.1	0.9	0.7

Projected Percentages of Original Principal Amount of the 2013 Series B Bonds Remaining at Various Percentages of SIFMA Prepayment Model and Projected Weighted Average Lives ("WAL") and Final Payment Date

Date	0% SIFMA	50% SIFMA	100% SIFMA	150% SIFMA	250% SIFMA	500% SIFMA	800% SIFMA
April 30, 2013	100%	100%	100%	100%	100%	100%	100%
February 2014	99%	97%	95%	93%	88%	77%	62%
February 2015	99%	94%	89%	84%	75%	54%	32%
February 2016	99%	91%	84%	76%	63%	37%	16%
February 2017	99%	88%	78%	69%	54%	26%	8%
February 2018	99%	85%	73%	63%	45%	18%	4%
February 2019	99%	82%	69%	57%	38%	12%	2%
February 2020	99%	80%	65%	52%	32%	8%	0%
February 2021	99%	77%	60%	47%	27%	5%	-
February 2022	99%	75%	57%	43%	24%	4%	-
February 2023	99%	72%	53%	39%	21%	2%	-
February 2024	98%	70%	50%	36%	18%	1%	-
February 2025	98%	67%	46%	33%	15%	0%	-
February 2026	97%	65%	43%	30%	11%	-	-
February 2027	96%	62%	40%	25%	9%	-	-
February 2028	92%	58%	35%	21%	7%	-	-
February 2029	86%	52%	31%	18%	5%	-	-
February 2030	80%	47%	26%	15%	3%	-	-
February 2031	74%	42%	23%	12%	2%	-	-
February 2032	67%	37%	19%	9%	1%	-	-
February 2033	60%	32%	16%	7%	0%	-	-
February 2034	53%	27%	12%	5%	-	-	-
February 2035	46%	22%	10%	4%	-	-	-
February 2036	38%	17%	7%	2%	-	-	-
February 2037	30%	13%	4%	1%	-	-	-
February 2038	22%	8%	2%	-	-	-	-
February 2039	13%	4%	-	-	-	-	-
February 2040	4%	-	-	-	-	-	-
February 2041	-	-	-	-	-	-	-
Projected Final Payment	August 2040	February 2040	February 2039	November 2037	November 2033	October 2025	February 2021
Projected WAL (years)	20.8	14.9	11.2	8.7	5.7	2.7	1.5

THE AGENCY MAKES NO REPRESENTATIONS AS TO THE PERCENTAGE OF THE PRINCIPAL BALANCE OF THE 2010 MORTGAGE-BACKED SECURITIES OR 2011 MORTGAGE-BACKED SECURITIES THAT WILL BE PAID AS OF ANY DATE, AS TO THE OVERALL RATE OF PREPAYMENT, OR AS TO THE PROJECTIONS OR METHODOLOGY SET FORTH UNDER THIS SUBHEADING. The Agency makes no representations or warranties as to the completeness or accuracy of the preceding tables. The projections set forth in such tables and the information set forth under "Certain Historical Prepayment Information" below have not been independently audited or verified by any third party, including the Underwriter.

THE AGENCY MAY APPLY PRINCIPAL PREPAYMENTS AND OTHER REVENUES, AND MAY REDEEM BONDS, IN ANY MANNER PERMITTED BY THE INDENTURE, INCLUDING PURCHASING ADDITIONAL MORTGAGE-BACKED SECURITIES. The Offered Bonds are subject to redemption only as described under "The Offered Bonds—Redemption."

Certain Approximate Historical Prepayment Information

During the one, three, six and twelve month periods ending with April 2013, the Agency received (or with respect to the month of April 2013, based upon announced amounts of April 15, 2013 principal payments, expects to receive) Principal Prepayments with respect to the 2010 Mortgage-Backed Securities and the 2011 Mortgage-Backed Securities at the approximate CPR levels and approximate percentages of the SIFMA Prepayment Model (rounded to the number of decimal places shown) set forth in the following table:

	2011 Mortgage-Backed Securities		**2010 Mortgage-Backed Securities**	
Period Ending April 30, 2013	**CPR**	**SIFMA**	**CPR**	**SIFMA**
Twelve (12) Months	6.3%	170%	6.1%	141%
Six (6) Months	10.4%	241%	10.5%	215%
Three (3) Months	13.0%	282%	11.8%	227%
One (1) Month	17.0%	354%	15.1%	279%

General Redemption Provisions Applicable to Offered Bonds

Notice of Mandatory Redemption

By the second-to-last Business Day of each month the Trustee will cause to be posted to the Municipal Securities Rulemaking Board Electronic Municipal Market Access (EMMA) website a notice stating, with respect to the Offered Bonds of each Series: (i) the principal amount of Offered Bonds of such Series to be redeemed on the first calendar day of the following month (if any); (ii) the number (rounded to the nearest ninth decimal place) that is equal to such principal amount to be redeemed divided by the original principal amount of the Offered Bonds of such Series; (iii) the principal amount of Offered Bonds of such Series that will remain Outstanding immediately following such redemption; and (iv) the number (rounded to the nearest ninth decimal place) that is equal to such remaining principal amount divided by the original principal amount of the Offered Bonds of such Series. So long as the Offered Bonds are held by DTC (or its nominee), the Trustee also will provide such information to DTC by the second-to-last Business Day of each month.

If on the date of publication of such notice, Offered Bonds of such Series have been called (as described under "Notice of Optional Redemption" below) for redemption as described under "Optional Redemption" above but not yet redeemed, such notice also will state the date and amount of, and any conditions precedent to, such redemption, and will specify whether the principal amounts and numbers described in (i) - (iv) above do or do not include the amount of such redemption.

Notice of Optional Redemption

So long as the Offered Bonds are held by DTC (or its nominee), notice of any redemption of Offered Bonds as described under "Optional Redemption" above will be delivered by the Trustee to DTC at least 20 days prior to the date fixed for redemption, or by such later time as may be permitted by DTC procedures or otherwise acceptable to DTC. *DTC is responsible for notifying Direct Participants, and Direct Participants and Indirect Participants are responsible for notifying Beneficial Owners. Neither the Trustee nor the Agency is responsible for sending notices to Beneficial Owners or for the consequences of any action or inaction by the Agency as a result of the response or failure to respond by DTC or its nominee as Bondowner.* ("Direct Participants," "Indirect Participants," and "Beneficial Owners" are defined under the heading "DTC and Book-Entry.")

In the event that the Offered Bonds are no longer held by DTC (or its nominee), notice of any redemption of Offered Bonds as described under "Optional Redemption" above will be mailed at least 3 days but no more than 90 days prior to the date set for redemption to the registered Owners of Offered Bonds to be redeemed at their addresses as they appear in the registration books kept by the Bond Registrar.

In the case of any redemption as described under "Optional Redemption" above that is conditioned on the occurrence of certain events, the notice of redemption will set forth, among other things, the conditions precedent to the redemption. Once a redemption notice is sent in accordance with the provisions of the Indenture, any such notice shall be effective with respect to an Offered Bond to be redeemed whether or not received by the Bondowner thereof.

Pro Rata Redemption

The Offered Bonds Series Indenture provides that, so long as the Offered Bonds are held by DTC (or its nominee), any redemption of less than all of the Offered Bonds of a Series shall be made on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with the procedures of DTC.

The Agency can provide no assurance that DTC, Direct Participants or Indirect Participants will allocate redemptions among Beneficial Owners on such basis. In addition, if the Trustee fails to provide DTC the information required to process a redemption on such basis or DTC procedures no longer provide for redemption on such basis, beneficial interests in Offered Bonds of a Series to be redeemed may be selected, in accordance with DTC procedures, by lot.

In the event that the Offered Bonds are no longer held by DTC (or its nominee), any redemption of less than all of the Offered Bonds of a Series shall be allocated among the Offered Bonds of such Series on a pro rata basis according to their outstanding principal amounts.

General Provisions as to Purchase or Redemption of Bonds

Pursuant to the General Indenture, the Trustee may at any time purchase Offered Bonds from moneys on deposit in the Special Redemption Account and the Optional Redemption Account, upon direction of the Agency, as described in Part 2, "Summary of Certain Provisions of the General Indenture—Redemption Fund."

DTC and Book-Entry

General. The Offered Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Offered Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Offered Bonds are immobilized in the custody of DTC, references to holders or owners of the Offered Bonds (except under "Tax Matters") mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and neither the Agency nor the Underwriter takes responsibility for the accuracy or completeness thereof. See also "General Redemption Provisions Applicable to Offered Bonds—Pro Rata Redemption."

DTC will act as securities depository for the Offered Bonds. The Offered Bonds are issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee ("Cede"), or such other name as may be requested by an authorized representative of DTC. One fully-registered Offered Bond certificate is issued for each Series thereof and will be deposited with DTC.

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of a Series of the Offered Bonds is 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 (nor any other DTC nominee) will consent or vote with respect to the Offered Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede's consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Offered Bonds will be made to Cede, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Agency, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE OFFERED BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

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

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

In the event that the book-entry system with respect to the Offered Bonds is discontinued as described above, the following requirements of the Indenture will apply. The Indenture provides for issuance of bond certificates directly to registered owners of the Offered Bonds other than DTC or its nominee at the expense of such registered owners. Interest on such Offered Bonds will be payable by check mailed to the persons whose names appear on the registration books of the Agency maintained by the Trustee. Principal of each Offered Bond will be payable to the registered owner thereof upon surrender of such Offered Bond at the office of the Trustee in San Francisco, California or, at the option of the registered owner, at the office of

U.S. Bank National Association in St. Paul, Minnesota. Notwithstanding the foregoing, upon written request of a registered owner of $5,000,000 or more in aggregate principal amount of the Offered Bonds, interest on, and upon surrender, principal of such Bonds will be payable by wire transfer from the Trustee to the registered owner thereof. Any Offered Bond may be exchanged or transferred with an assignment duly executed by the registered owner or his or her attorney or legal representative in such form as shall be satisfactory to the Trustee, at the corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of the Offered Bonds to be exchanged or transferred. No transfer or exchange of Bonds shall be required to be made during the 15 days immediately preceding an interest payment date on the Bonds, or, in the case of any proposed redemption of Bonds, immediately preceding the date of notice of such redemption, or after such Bonds or any portion thereof shall have been selected for redemption. Upon such exchange or transfer, a new Offered Bond or Bonds, as applicable, of the same or any other authorized denomination or denominations for the same aggregate principal amount, will be issued to the owner or transferee, as the case may be, in exchange therefor.

TAX MATTERS

Interest on the Offered Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any Federal tax consequences, or any other state tax consequences, with respect to the Offered Bonds. Bond Counsel renders its opinion under existing statutes 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, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason.

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

Holders of Offered Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Offered Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount ("OID") is greater than a statutorily defined de minimis amount, a holder of an Offered Bond must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Offered Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price". For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the Offered Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest", provided by such Offered Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "de minimis amount" is an amount equal to 0.25 percent of the Offered Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on an Offered Bond using the constant-yield method, subject to certain modifications.

Bond Premium

In general, if an Offered Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Offered Bond other than "qualified stated interest" (a "Taxable Premium Bond"), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable 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 highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder's basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of an Offered Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Offered Bond.

The Agency may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Offered Bonds to be deemed to be no longer outstanding under the Indenture (a "defeasance"). (See Part 2, "Summary of Certain Provisions of the General Indenture — Defeasance"). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Offered Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

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

U.S. Holders

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

IRS Circular 230 Disclosure

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

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 Offered Bonds under state law and could affect the market price or marketability of the Offered Bonds.

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

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and delivery of the Offered Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency. The proposed form of legal opinion of Bond Counsel to be delivered upon the delivery of the Offered undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement or other offering material relating to the Offered Bonds and expresses therein no opinion with respect thereto. Certain legal matters with respect to the Offered Bonds will be passed upon for the Underwriter by its counsel, Kutak Rock LLP.

LITIGATION

There is no pending (with service of process on the Agency completed) litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance or delivery of the Offered Bonds or contesting the validity of the Offered Bonds, the Indenture or other proceedings of the Agency taken with respect to the authorization, issuance or sale of the Offered Bonds, or the pledge or application of any money under the Indenture, or the existence or powers of the Agency to implement the Program.

While at any given time, including the present, there are or may be civil actions pending against the Agency, which could, if determined adversely to the Agency, affect the Agency's expenditures and in some cases its revenues, the Agency is of the opinion that no pending actions are likely to have a material adverse effect on the Agency's ability to pay principal of, premium, if any, and interest on the Offered Bonds when due.

LEGALITY FOR INVESTMENT

Under the Act, the Offered Bonds are legal investments for all public officers and public bodies of the State of California or its political subdivisions, all municipalities and municipal subdivisions, all insurance companies or banks, savings and loan associations, building and loan associations, trust companies, savings banks, savings associations and investment companies, and administrators, guardians, conservators, executors, trustees and other fiduciaries, and may be used as security for public deposits.

RATING

Moody's has assigned the Offered Bonds a rating of "Aaa" (with "negative" outlook). On August 2, 2011 Moody's confirmed the "Aaa" bond rating of the government of the United States with a negative outlook. Moody's also announced on that date that as a result of its bond rating of the United States government, the rating outlook of certain housing bonds supported or guaranteed by the United States government (which includes bonds secured by mortgage backed securities guaranteed by GNMA, such as the Bonds issued under the Indenture) had also been revised to negative. The Agency has furnished to Moody's certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. The Underwriter's obligation to purchase the Offered Bonds is conditioned on Moody's giving the aforementioned rating to the Offered Bonds. Such rating assigned to the Offered Bonds reflects only the views of Moody's and an explanation of the significance of such rating may be obtained from Moody's. There is no assurance that the rating assigned to the Offered Bonds will continue for any given period of time or that it will not be revised or withdrawn entirely, if in the judgment of Moody's, circumstances so warrant. A downward revision or withdrawal of the rating may have an adverse effect on the market price of the Offered Bonds.

INDEPENDENT AUDITORS

The combined financial statements of the California Housing Finance Fund (which is administered by the California Housing Finance Agency), as of June 30, 2012 and for the years ended June 30, 2012 and June 30, 2011, included in this Official Statement have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their report appearing herein.

See Part 2, "Other Programs of the Agency" for certain information with respect to such financial statements. Assets pledged under the respective programs referenced in the financial statements, other than Pledged Property (as described in Part 2, "Summary of Certain Provisions of the General Indenture — Certain Defined Terms"), are not pledged to and should not be considered as a source of payment for the Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of the Holders and Beneficial Owners (each as defined in Appendix B to this Part 1) of the Offered Bonds to provide certain financial information and operating data relating to the General Indenture by not later than 180 days following the end of each of the Agency's Fiscal Years (the "Annual Report"), and to provide notices ("Event Notices") of the occurrence of certain enumerated events. The Annual Report will be filed by the Agency with the Municipal Securities Rulemaking Board (the "MSRB"). The Event Notices will be filed by the Trustee on behalf of the Agency with the MSRB. The specific nature of the information to be contained in the Annual Report and the Event Notices is summarized in Appendix B to this Part 1 — "Summary of Certain Provisions of the Continuing Disclosure Agreement."

During the past five years, the Agency has not failed to comply, in any material respect, with any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Offered Bonds at the respective initial offering prices set forth on the front cover page (including any applicable original issue premium or discount), plus accrued interest, if any. The Underwriter will be paid a fee of $538,996.73 with respect to the Offered Bonds. The obligations of the Underwriter are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all the Offered Bonds if any are purchased. The initial offering price of the Offered Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Offered Bonds to certain dealers (including dealers depositing the Offered Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the initial offering price set forth on the front cover page hereof.

The following four paragraphs have been provided by the Underwriter.

The Servicer, Bank of America, N.A., is an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, the Underwriter of the Offered Bonds.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Agency, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Agency.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MISCELLANEOUS

The agreements of the Agency with the owners of the Offered Bonds are fully set forth in the Indenture, and this Official Statement is not to be construed as a contract with the purchasers of the Offered Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

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

CALIFORNIA HOUSING FINANCE AGENCY

By: /s/ Timothy Hsu
Director of Financing

Dated: April 19, 2013

APPENDIX A

PROPOSED FORM OF LEGAL OPINION FOR THE OFFERED BONDS

Upon the delivery of the Offered Bonds, Bond Counsel proposes to issue an approving opinion in substantially the following form:

California Housing Finance Agency
Sacramento, California

We have acted as Bond Counsel to the California Housing Finance Agency (the "Agency"), and in such capacity we have examined a record of proceedings in connection with the issuance by the Agency of its Residential Mortgage Revenue Refunding Bonds, 2013 Series A, in the aggregate principal amount of $100,210,000 (the "2013 Series A Bonds") and its Residential Mortgage Revenue Refunding Bonds, 2013 Series B, in the aggregate principal amount of $33,550,000 (the "2013 Series B Bonds"; together with the 2013 Series A Bonds, the "Bonds").

The Bonds are issued under and pursuant to (i) Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), (ii) the Residential Mortgage Revenue Bonds Indenture, dated as of December 1, 2009, as amended and restated (the "General Indenture"), by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"), and (iii) the related Residential Mortgage Revenue Bonds Series Indenture, dated as of April 1, 2013 (the "Series Indenture"; together with the General Indenture, the "Indenture"), by and between the Agency and the Trustee. The Bonds are dated, mature on the dates in the principal amounts, bear interest, if any, and are payable as provided in the Series Indenture. The Bonds are subject to redemption prior to maturity in whole or in part, as provided in the Indenture. Interest on the Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

We are of the opinion that:

(1) The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.

(2) The Bonds have been duly authorized and constitute valid and binding special obligations of the Agency, payable solely from the Revenues and other assets pledged therefor under the Indenture which shall have been lawfully appropriated therefor.

(3) The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the rights, title, and interest of the Agency in, to, and under the Mortgage-Backed Securities, all of the Revenues, all proceeds of the sale of Bonds, and all Funds and Accounts (other than the Rebate Fund) and the moneys and

securities therein, in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

(4) The Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency, to the extent provided in the Indenture. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on the Bonds.

(5) Under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

We express no opinion regarding any Federal tax consequences or any other state tax consequences with respect to the Bonds. We render our opinion under existing statutes as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We undertake no responsibility for the accuracy, completeness, or fairness of any official statement or other offering materials relating to the Bonds and express herein no opinion relating thereto.

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 Agency.

In rendering this opinion, we are advising you that the rights and obligations under the Bonds and the Indenture and their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance, or other laws affecting creditors' rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), to the exercise of judicial discretion in appropriate cases, and to limitations on legal remedies. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver, or severability provisions contained in the documents described herein.

Very truly yours,

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT

Certain provisions of the Master Continuing Disclosure Agreement between the Agency and the Trustee (the "Disclosure Agreement") not previously discussed in this Official Statement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Disclosure Agreement.

The Disclosure Agreement is being executed and delivered by the Agency and the Trustee for the benefit of the Holders and Beneficial Owners of the Offered Bonds (the "Subject Bonds").

Certain Definitions

Defined terms used in the Disclosure Agreement and not otherwise defined therein have the meanings set forth in the Indenture.

"Annual Report" means any Annual Report provided by the Agency pursuant to, and as described in, the Disclosure Agreement.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Subject Bonds, including persons holding such Bonds through nominees or depositories.

"Disclosure Representative" means the Director of Financing of the Agency or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee from time to time.

"Dissemination Agent" means the Agency, acting in its capacity as Dissemination Agent under the Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Trustee a written acceptance of such designation.

"Holders" means either the registered owners of the Subject Bonds or, if the Subject Bonds are registered in the name of a recognized depository, any applicable participant in its depository system.

"Listed Event" means any of the events listed below under the heading "Reporting of Significant Event."

"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 function of the MSRB contemplated by the Disclosure Agreement.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Reports

The Dissemination Agent will, not later than 180 days after the end of the Agency's Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of the Disclosure Agreement. The audited financial statements referred to below may be submitted separately from the balance of the Annual Report, and later than the date required for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event.

The Dissemination Agent will file a report with the Trustee certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided.

Not later than 15 Business Days prior to the date specified above for providing the Annual Report, the Dissemination Agent will provide the Annual Report to the Trustee, in the manner described in the Disclosure Agreement. If by the date specified above for providing the Annual Report to the MSRB, the Trustee has not received a copy of the Annual Report, the Trustee is required to contact the Dissemination Agent to determine if the Agency is in compliance with the Disclosure Agreement. If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by such date, the Trustee must send a notice to the MSRB indicating that the Annual Report has not been filed and when the Dissemination Agent anticipates it will file the Annual Report.

Content of Annual Reports

The Agency's Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Agency's Residential Mortgage Revenue Bonds Indenture (which, at the option of the Agency, may be included within audited financial statements of the Agency) for the Fiscal Year ended on the previous June 30, prepared in accordance with generally accepted accounting principles applicable to governmental entities; provided that if audited financial statements are not available by the time the Annual Report is required to be filed pursuant to the Disclosure Agreement, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) a description of the Bonds issued by the Agency and outstanding as of the date of such report;

(c) amounts in the Debt Reserve Fund, amounts in the Loan Loss Fund and amounts in the Supplementary Reserve Fund;

(d) a schedule of Bond redemptions and the sources of funds for such redemptions; and

(e) the status of the Agency's Mortgage-Backed Securities portfolio, including the interest rates on the Mortgage-Backed Securities, the principal amount of

Mortgage-Backed Securities purchased and the principal amount of the current Mortgage-Backed Securities portfolio.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, either (1) available to the public on the MSRB internet web site or (2) filed with the Securities and Exchange Commission.

No mortgagor would be an obligated person (as defined in the Rule) for whom financial information or operating data would be presented in the final official statement relating to the Subject Bonds had such mortgagor been known at the time of the offering of the Subject Bonds.

Reporting of Significant Events

The Agency will give, or cause to be given, notice to the MSRB of the occurrence of any of the following events with respect to the Subject Bonds, in a timely manner not in excess of ten (10) Business Days after the occurrence of such event:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of such Bonds, or other material events affecting the tax status of such Bonds;

(7) modifications to rights of Bondholders, if material;

(8) Bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution or sale of property securing repayment of such Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Agency;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Agency in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Agency.

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

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

The Trustee will, within one Business Day of obtaining actual knowledge of the occurrence of (i) an event that is a Notice Event only if material or (ii) any other event that is a Notice Event, contact the Agency's Disclosure Representative and inform such person of the event and, in the case of an event referred to in clause (i), request that the Agency promptly notify the Trustee in writing whether or not to report the event to the MSRB, or, in the case of an event referred to in clause (ii), report the event to the MSRB.

Whenever the Agency obtains knowledge of the occurrence of an event referred to in clause (i) above, the Agency will determine if such event is material under applicable federal securities laws. If the Agency determines that knowledge of the occurrence of such event is material, the Agency will promptly notify the Trustee in writing and instruct the Trustee to report the event in accordance with the Disclosure Agreement. If in response to a request from the Trustee the Agency determines that the event is not material, the Agency will so notify the Trustee in writing and instruct the Trustee not to report the occurrence.

Notwithstanding the foregoing, notice of a Bond call or a defeasance need not be given any earlier than when the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

Transmission of Information and Notices.

Unless otherwise required by law, 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.

Amendment of Disclosure Agreement

The Agency and the Trustee may amend the Disclosure Agreement, and any provision of the Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the date the Annual Report is to be filed, the contents of the Annual Report or the reporting of Listed Events, such amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Subject Bonds;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Subject Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Subject Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Subject Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, the Agency will describe such amendment in the next Annual Report, and include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Agency. If the amendment relates to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made will present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default

In the event of a failure of the Agency or the Trustee to comply with any provision of the Disclosure Agreement, the Trustee may (and, at the request of the Holders of at least 25% aggregate principal amount of Outstanding Subject Bonds, shall), or any Holder or Beneficial Owner of Subject Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency or Trustee, as the case may be, to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Disclosure Agreement in the event of any failure of the Agency or the Trustee to comply with the Disclosure Agreement shall be an action to compel performance.

Termination of Reporting Obligation

The Agency's obligations under the Disclosure Agreement terminate upon legal defeasance under the Indenture, prior redemption or payment in full of all of the Subject Bonds.

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APPENDIX C

2010 SERIES A BONDS AND 2011 SERIES A BONDS MATURING PRINCIPAL AMOUNTS

Scheduled maturities and Sinking Fund Requirements of 2010 Series A Bonds and 2011 Series A Bonds expected to remain Outstanding subsequent to redemptions scheduled for May 1, 2013 are projected to be as follows.

Date	2010 Series A Principal Amount	2011 Series A Principal Amount
8/1/2013	$585,000	$1,500,000
2/1/2014	595,000	1,530,000
8/1/2014	600,000	1,550,000
2/1/2015	605,000	1,580,000
8/1/2015	615,000	1,620,000
2/1/2016	615,000	1,655,000
8/1/2016	620,000	1,690,000
2/1/2017	625,000	1,720,000
8/1/2017	635,000	1,755,000
2/1/2018	645,000	1,790,000
8/1/2018	650,000	1,820,000
2/1/2019	655,000	1,865,000
8/1/2019	665,000	1,895,000
2/1/2020	700,000†	1,940,000
8/1/2020	675,000	1,985,000
2/1/2021	705,000	2,030,000
8/1/2021	710,000	2,070,000
2/1/2022	765,000†	2,220,000†
8/1/2022	785,000†	2,270,000†
2/1/2023	790,000†	2,320,000†
8/1/2023	810,000†	2,375,000†
2/1/2024	825,000†	2,425,000†
8/1/2024	840,000†	2,490,000†
2/1/2025	865,000†	2,555,000†
8/1/2025	880,000†	2,615,000†
2/1/2026	905,000†	2,670,000†
8/1/2026	925,000†	2,725,000†
2/1/2027	920,000†	2,790,000†
8/1/2027	925,000	2,855,000†
2/1/2028	0	2,920,000†
8/1/2028	0	1,360,000
Total	$21,135,000	$64,585,000

† Sinking Fund Requirement; all other dollar amounts in this table constitute principal remaining to be paid at maturity.

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CALIFORNIA HOUSING FINANCE AGENCY

OFFICIAL STATEMENT PART 2
Relating to
Residential Mortgage Revenue Bonds

This Part 2 of this Official Statement provides certain information concerning the Agency, the Program and the Bonds in connection with the issuance of certain Series of Bonds by the Agency. It contains only a part of the information to be provided by the Agency in connection with such Series of Bonds. The terms of the Series of Bonds being issued, including the designation, principal amount, authorized denominations, price, maturity, interest rate and time of payment of interest, redemption provisions, and any other terms or information relating thereto are set forth in Part 1 of this Official Statement with respect to such Series. Additional information concerning the Agency is contained in Part 1 of this Official Statement. The information contained herein may be supplemented or otherwise modified by Part 1 of this Official Statement and is subject in all respects to the information contained therein.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE AGENCY	1
Powers	1
Management	2
Organization and Staff	3
SECURITY FOR THE BONDS	5
Special Obligation; Pledge of the Indenture	5
Outstanding Bonds	6
Certain Investments	6
Mortgage-Backed Securities	7
Debt Reserve Fund; Loan Loss Fund; Supplementary Reserve Fund	7
Additional Bonds	8
Cash Flow Statements	8
THE PROGRAM	9
General	9
Lender Applications	10
Origination of Underlying Mortgage Loans	11
GNMA MORTGAGE-BACKED SECURITIES	14
GNMA Mortgage-Backed Securities Programs	14
GNMA Securities	15
GNMA Borrowing Authority	16
Servicing of the Underlying Mortgage Loans Securing GNMA Securities	16
Removal of Underlying Mortgage Loans from Mortgage Pools; Application of Partial Insurance Claims	17
Guaranty Agreement	17
Payment of Principal of and Interest on the GNMA Securities	18
FANNIE MAE MORTGAGE-BACKED SECURITIES	18
Fannie Mae	18
Fannie Mae Mortgage-Backed Security Program	19
Fannie Mae Securities	19
Payments on Mortgage Loans; Distributions on Fannie Mae Securities	20
Federal Housing Finance Agency Actions	20
THE SERVICER	22
OTHER PROGRAMS OF THE AGENCY	23
SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE	24
Certain Defined Terms	25
Payment Due or Acts to be Performed on Weekends and Holidays	31
General Indenture to Constitute Contract	31
Special Obligation; Pledge of the Indenture	31
Issuance of Bonds	31
Refunding Bonds	32
Issuance of Additional Obligations	34
Bonds No Longer Outstanding	34
Funds and Accounts	34
Bond Proceeds Fund—Series Bond Proceeds Accounts	34
Acquisition Fund—Series Acquisition Accounts	35
Costs of Issuance Fund—Series Costs of Issuance Accounts	35
Revenue Fund; Application of Revenues	35
Debt Service Fund—Interest Account	37
Debt Service Fund—Principal Account	37
Redemption Fund	38
Expense Fund	39
Debt Reserve Fund	39
Loan Loss Fund	39
General Fund	39
Principal Prepayment Fund—Series Principal Prepayment Accounts	40
Supplementary Reserve Fund—Series Accounts	41
Deficiencies in Debt Service Fund	41
Security for Deposits; Investment of Moneys	42
Cash Flow Statements	42
Tax Covenants	43
Books and Records	44
Annual Audit and Report	44
Program Covenants	44
Events of Default	44
Acceleration of Maturity	45
Enforcement of Remedies	46
Pro Rata Application of Funds	46
Restrictions Upon Actions by Individual Bondowner	49
Trustee Entitled to Indemnity	49
Compensation and Indemnification of Trustee	49
Resignation and Removal of Trustee	50
Appointment of Successor Trustee	50
Supplemental Indentures	51
Defeasance	53
Governing Law	53
APPENDIX A—FINANCIAL STATEMENTS OF THE AGENCY FOR THE YEARS ENDED JUNE 30, 2012 AND 2011	A-1
APPENDIX B—MORTGAGE-BACKED SECURITIES PURCHASED WITH PROCEEDS OF BONDS	B-1

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OFFICIAL STATEMENT PART 2
of the
CALIFORNIA HOUSING FINANCE AGENCY
relating to
Residential Mortgage Revenue Bonds

INTRODUCTION

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

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

THE AGENCY

Powers

The Agency was created in 1975 by the Act as a public instrumentality and a political subdivision of the State of California (the "State") within the Business, Transportation and Housing Agency, for the primary purpose of meeting the housing needs of persons and families of low or moderate income. As part of the Governor's reorganization plan, the Agency will transfer from the Department of Business, Transportation and Housing (which will no longer exist) into the Department of Housing and Community Development, which in turn will be under the umbrella of the newly created Business, Consumer Services and Housing Agency, effective July 1, 2013. It is not anticipated that the proposed changes will affect the Agency's statutory independence. The Agency is authorized to issue its bonds, notes and other obligations for a variety of purposes, including (1) making development loans, construction loans, mortgage loans and property improvement loans to qualified borrowers to finance housing developments and other residential structures; (2) purchasing such loans through qualified mortgage lenders; and (3) making loans to qualified mortgage lenders under terms and conditions requiring the proceeds thereof to be used for certain loans.

The Agency may also provide consulting and technical services in connection with the financing of housing developments and may act as a State representative in receiving and allocating federal housing subsidies.

The Act currently provides the Agency with the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of $13,150,000,000, excluding refunding issues and certain taxable securities. As of March 1, 2013, approximately $5,137,699,204.21 aggregate principal amount of such bonds and notes were outstanding.

Management

The Agency is administered by the Board, which consists of 11 voting members when all positions are filled. The State Treasurer, the Secretary of the Business, Transportation and Housing Agency, and the Director of the Department of Housing and Community Development, or their designees, are voting ex officio members. Six members are appointed by the Governor and confirmed by the Senate. One member is appointed by the Speaker of the Assembly. One member is appointed by the Senate Rules Committee. All such appointments are for six-year terms. In addition, the Act provides that the Director of the Department of Finance, the Director of the Governor's Office of Planning and Research, and the Executive Director of the Agency shall serve as non-voting ex officio members of the Board. The Chairperson of the Board is selected by the Governor from among his appointees. Members of the Board are:

Name	**Term Expires**	**Principal Occupation**
Voting Board Members †		
Peter N. Carey†	September 26, 2013	President/Chief Executive Officer, Self-Help Enterprises
Michael A. Gunning	September 26, 2015	Vice President, Personal Insurance Federation of California
Jonathan C. Hunter	November 18, 2013	Managing Director, Region II Corporation for Supportive Housing
Jack Shine	September 26, 2013	Chairman, American Beauty Development Co.
Ruben A. Smith	September 26, 2013	Partner, AlvaradoSmith
Janet Falk	September 26, 2015	Retired: formerly Vice President of Real Estate Development for Mercy Housing
Tia Boatman Patterson	March 6, 2015	General Counsel, Sacramento Housing & Redevelopment Agency
Matthew Jacobs	September 26, 2015	Co-Managing Partner, Bulldog Partners, LLC
Bill Lockyer	*	State Treasurer

† Peter N. Carey is currently serving as Acting Board Chair.

Name	**Term Expires**	**Principal Occupation**
Brian P. Kelly	*	Acting Secretary, Business, Transportation & Housing Agency
Randall Deems	*	Chief Deputy Director, Interim Director, Department of Housing and Community Development
Non-Voting Board Members		
Claudia Cappio	*	Executive Director, California Housing Finance Agency
Ana Matosantos	*	Director, Department of Finance
Ken Alex	*	Director, Governor's Office of Planning and Research

Organization and Staff

The Agency is organized into the following divisions under the Executive Director: Single Family, Multifamily Programs, Financing, Fiscal Services, Office of General Counsel, Legislative, Marketing, Administration, Information Technology, and Asset Management.

The Single Family Division is responsible for directing and administering all of the Agency's single family lending programs, servicing of single family loans, directing and administering the single family loan portfolio, including quality assurance, REO administration, REO sales, loss mitigation, and servicer administration/short sales, and directing and administering mortgage insurance operations.

The Multifamily Programs Division is responsible for underwriting all multifamily direct loans, preparing documentation for loan closings and monitoring the construction of developments financed by direct loans from the Agency. The staff of the Multifamily Programs Division includes loan underwriters, architects and construction inspectors.

The Financing Division is responsible for all of the Agency's financing activities, including the supervision of note and bond sales, issuances and redemptions, cash flow analyses of the Agency's obligations and the investment of the Agency's funds.

* *ex officio.*

The Fiscal Services Division is overseen by the Agency's Comptroller and is responsible for accounting activities, fiscal operations, in-house servicing of loans, and preparation of Agency financial statements.

The Office of General Counsel is responsible for all legal matters that affect the Agency, including review of all contracts and legislation and supervision of loan closings for multifamily developments. The Office of General Counsel also provides legal advice to the Agency's Board of Directors. The office is headed by a General Counsel and an Assistant General Counsel.

The Legislative Division is responsible for monitoring, tracking, and lobbying legislation impacting the housing arena, both on the State and Federal level.

The Marketing Division is responsible for developing and implementing the Agency's marketing programs and for managing all public information activities such as preparation of the annual report and press releases.

The Administration Division is responsible for directing and administering the Agency's personnel, training, and business services, and preparing the annual budget of the Agency.

The Information Technology Division has responsibility for developing, implementing and maintaining the IT infrastructure and application systems supporting the Agency.

The Asset Management Division is responsible for monitoring the financial and physical status of the Agency's multifamily loan portfolio of 518 projects, as well as occupancy compliance for Section 8 and low income units.

The Agency's senior staff are listed below.

Claudia Cappio, *Executive Director* since April 2011. B.A., Ohio Wesleyan University. Previously: Principal at Sparticles LLC, a planning and development consulting firm (December 2008 – March 2011); City of Oakland – Director of Planning, Building, Major Projects and the Oakland Base Reuse Authority (2000-2007); City of Emeryville Planning and Building Director (1995-2000); City of Albany Planning Director (1985-1995); Town of Corte Madera Planner (1980 – March 1985.)

Margaret Alvarez, *Director of Asset Management* since March 1996. B.A., California State University, Chico. Previously: Asset Management Specialist, Federal Home Loan Mortgage Corporation (1994-1996); Senior Asset Manager, FWC Realty Services Corporation (1987-1993); Property Manager, American Development Corporation (1986-1987); Property Manager, Far West Management Corporation (1980-1986).

Kenneth H. Giebel, *Director of Marketing* since September 2002. B.S. and M.B.A., University of Santa Clara. Previously: Senior Marketing Manager at the California Lottery (1996-2002); various marketing positions for private sector corporations and advertising agencies.

Timothy Hsu, *Director of Financing* since July 2012. B.A. Wesleyan University. Previously: Financing Risk Manager (2005-2012); Vice President at a major Wall Street investment bank (2003-2004); Financing Officer (2002); Senior Consultant at a leading quantitative consultancy (1995-2001). He earned the Chartered Financial Analyst designation in 2007, and he earned the Financial Risk Manager designation in 2008.

Victor James, *General Counsel* since July 2012. J.D., University of California - San Francisco, Hastings College of Law 1982, B.A., UC Berkeley. Previously: Acting General Counsel, February 2012 - July 2012; Assistant Chief Counsel of the Agency (July 2007 - Feb. 2012); Staff Counsel III with the Agency (July 2002 - July 2007); Deputy Prosecutor with Hawaii County Prosecutor's Office (July 2001 – 2002); Solo Practitioner in Hawaii in area of Real Estate transactions, employment law and estate planning (1998-2001); Partner, practicing in area of Labor and Employment Law, Littler & Mendelson, Sacramento (1988-1998); State of CA, Sacramento, practicing Labor Law (1985-1988); Dept. of Navy, Office of General Counsel, Alameda, CA, practicing Labor & Employment Law (1982-1985).

Diane Richardson, *Director of State Legislation* since January 1999 and *President of the CalHFA Mortgage Assistance Corporation* since 2010, Previously: Deputy Legislative Secretary for Governor Wilson (1998); Director of Legislation for the California Environmental Protection Agency (1997); Deputy Director for Legislation and other positions, Office of Planning and Research (1983-1996); Legislative Aide, California State Assembly (1981-1983).

Liane W. Morgan, *Chief Information Officer* since July 2012. B.S., California State University, Sacramento. Previously: Acting Chief Information Officer (2010-2012); IT Project Manager (2005-2012) for the Agency; Various programming positions at the Agency (1987-2005), Systems Engineer, EDS (1984-1987).

Anthony Sertich, *Financing Risk Manager* since February 2013. B.A., University of California, Berkeley. Previously: Financing Officer (2008-2013); Financing Specialist (2006-2008); Financing Associate (2004-2006); Actuarial Analyst, Watson Wyatt Worldwide (1998-2003).

The position of Chief Deputy Director is currently vacant. This position must ultimately be filled by appointment by the Governor.

The positions of Director of Multifamily Programs, Director of Administration, Director of Single Family Lending and Comptroller are currently vacant.

The Agency's principal office is located at 500 Capitol Mall, Suite 1400, Sacramento, California 95814, (916) 322-3991.

SECURITY FOR THE BONDS

Special Obligation; Pledge of the Indenture

The Bonds are special obligations of the Agency payable solely from and secured by the Pledged Property. The Agency has no taxing power. The Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision of the State, other than the Agency, or a pledge of the faith and credit of the State, but shall be payable solely from the Pledged Property. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision of the State to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Bonds are not a debt of the United States of America or any agency thereof, GNMA or Fannie Mae, and are not guaranteed by the full faith and credit of the United States of America.

See the definition of Pledged Property under "Summary of Certain Provisions of the General Indenture — Certain Defined Terms."

Amounts in the Funds and Accounts may be applied only as provided in the General Indenture. Amounts in the General Fund may, *however,* at the request of the Agency, be withdrawn free and clear of the pledge of the General Indenture if permitted pursuant to a Cash Flow Statement filed with the Trustee. See "Summary of Certain Provisions of the General Indenture — Cash Flow Statements."

Outstanding Bonds

The following table shows the principal amounts of Bonds which were Outstanding as of February 28, 2013.

Bond Series or Subseries Designation	Federal Tax Character of Interest	Issuance Date	Amount Issued	Amount Outstanding	Final Maturity	Coupon Rates
2009 Series A-3	Non-AMT	Jan. 12, 2010*	$ 36,000,000	$ 34,810,000	2041	3.10%
2009 Series A-4	Non-AMT	Jan. 12, 2010**	108,000,000	104,350,000	2041	3.55%
2010 Series A	Non-AMT	Dec. 15, 2010	24,000,000	21,645,000	2027	0.95-4.625%
2011 Series A	Non-AMT	May 19, 2011	72,000,000	66,235,000	2028	0.375-4.75%
Total..................			$240,000,000	$227,040,000		

* Date of original issuance. Proceeds of these Bonds became available to purchase Mortgage-Backed Securities on December 15, 2010 and the interest rate on these Bonds was converted to the indicated fixed rate on February 15, 2011.

** Date of original issuance. Proceeds of these Bonds became available to purchase Mortgage-Backed Securities on May 19, 2011 and the interest rate on these Bonds was converted to the indicated fixed rate on July 19, 2011.

Certain Investments

As of February 28, 2013, all amounts held in the Funds and Accounts under the Indenture were invested in U.S. Bank National Association Open Commercial Paper pursuant to which U.S. Bank National Association pays interest on invested amounts at a fixed rate and invested amounts may be withdrawn at any time without penalty.

See "Summary of Certain Provisions of the General Indenture—Security for Deposits; Investment of Moneys" and the definition of Investment Obligations under "Summary of Certain Provisions of the General Indenture—Certain Defined Terms."

Mortgage-Backed Securities

Under the General Indenture, there are no general requirements for the characteristics of Mortgage-Backed Securities or Underlying Mortgage Loans other than as set forth in the definitions of such terms under "Summary of Certain Provisions of the General Indenture — Certain Defined Terms." The General Indenture provides that certain requirements and certain matters with respect to Mortgage-Backed Securities and Underlying Mortgage Loans (the "Series Program Determinations") be determined (or provisions for determining the Series Program Determinations at certain specified times in the future be set forth) with respect to each Series of Bonds that will finance Mortgage-Backed Securities in the Series Indenture authorizing the issuance of such Series (or, if each Rating Agency has confirmed that doing so will not adversely affect the then-existing rating of the Bonds by such Rating Agency, pursuant to an Agency Request).

The Series Program Determinations set forth in the Series Indentures applicable to the Prior Series of Bonds include the following requirements that must be met with respect to the Mortgage-Backed Securities and Underlying Mortgage Loans financed with proceeds of such Bonds: (i) each Mortgage-Backed Security shall be guaranteed by GNMA or Fannie Mae, (ii) each Underlying Mortgage Loan shall be secured by a first lien mortgage; (iii) each Underlying Mortgage Loan shall have approximately equal monthly payments and shall have a fixed rate of interest; (iv) the maximum term to maturity of each Underlying Mortgage Loan shall be 30 years; (v) each residence to which each Underlying Mortgage Loan relates shall be a principal residence; (vi) each Underlying Mortgage Loan that will underlie a Mortgage-Backed Security guaranteed by GNMA shall be insured by the Federal Housing Administration ("FHA") and each Underlying Mortgage Loan that will underlie a Mortgage-Backed Security guaranteed by Fannie Mae shall be insured to the extent required by Fannie Mae; and (vii) each Underlying Mortgage Loan must relate to a single-family, one-unit residence, including a unit in a condominium.

As of the date hereof, the only Mortgage-Backed Securities purchased with proceeds of Bonds are the 2010/2011 Mortgage-Backed Securities, each of which is a Government National Mortgage Association ("GNMA") guaranteed mortgage-backed security or a participation interest in such a security as described under "Introduction" in Part 1.

Certain information with respect to such Mortgage-Backed Securities is set forth in Appendix B to this Part 2 — "Mortgage-Backed Securities Purchased with Proceeds of Bonds."

Debt Reserve Fund; Loan Loss Fund; Supplementary Reserve Fund

The General Indenture requires that no Series of Bonds may be issued unless the amount on deposit in the Debt Reserve Fund is at least equal to the Debt Reserve Requirement. The Debt Reserve Requirement means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for all Series of Bonds Outstanding in the Series Indentures authorizing the issuance of such Bonds, or a lesser amount if each Rating Agency has confirmed that such lesser amount will not adversely affect the then-existing rating of the Bonds by such Rating Agency. The Offered Bonds Series Indenture establishes such amount as zero with respect to the Offered Bonds. Currently, there are no amounts on deposit in the Debt

Reserve Fund as no amounts were deposited in the Debt Reserve Fund in connection with the issuance of the Prior Series of Bonds, and no amounts will be deposited in the Debt Reserve Fund in connection with the issuance of the Offered Bonds. See "Summary of Certain Provisions of the General Indenture — Debt Reserve Fund."

The General Indenture requires that no Series of Bonds may be issued unless the amount on deposit in the Loan Loss Fund is at least equal to the Loan Loss Requirement. The Loan Loss Requirement means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for all Series of Bonds Outstanding in the Series Indentures authorizing the issuance of such Bonds, or a lesser amount if each Rating Agency has confirmed that such lesser amount will not adversely affect the then-existing rating of the Bonds by such Rating Agency. The Offered Bonds Series Indenture establishes such amount as zero with respect to the Offered Bonds. Currently, there are no amounts on deposit in the Loan Loss Fund as no amounts were deposited in the Loan Loss Fund in connection with the issuance of the Prior Series of Bonds, and no amounts will be deposited in the Loan Loss Fund in connection with the issuance of the Offered Bonds. See "Summary of Certain Provisions of the General Indenture — Loan Loss Fund."

The Agency has not previously transferred any amounts to the Supplementary Reserve Fund, and the Offered Bonds Series Indenture does not require any such transfers. See "Summary of Certain Provisions of the General Indenture — Supplementary Reserve Fund — Series Accounts."

Additional Bonds

The General Indenture provides that the Agency may issue additional Bonds, including refunding Bonds ("Additional Bonds"). See "Summary of Certain Provisions of the General Indenture — Issuance of Bonds." The General Indenture also provides that the Agency, so long as any Bonds shall be Outstanding, shall not issue any other obligations secured by any pledge of or other lien or charge on the Pledged Property, nor shall the Agency create or cause to be created any such lien or charge on the Pledged Property. However, under the General Indenture the Agency shall not be prevented from issuing any obligations that are payable from or secured by a lien on and pledge of the Pledged Property so long as such lien and pledge shall be in all respects subordinate to the lien and pledge created by the General Resolution.

Additional Bonds may have interest payment dates that differ from such dates for the Offered Bonds.

Cash Flow Statements

The General Indenture provides that, while any Bonds are Outstanding, the Agency shall file with the Trustee a Cash Flow Statement (i) whenever any Series of Bonds is issued, if the most recently filed Cash Flow Statement was filed more than twelve months prior to the date of issuance; (ii) at least once during each Fiscal Year; (iii) upon purchase or redemption of Bonds in a manner materially inconsistent with the last Cash Flow Statement filed by the Agency with the Trustee; and (iv) prior to applying amounts in the General Fund for payment to the Agency free and clear of the lien of the Indenture.

See "Summary of Certain Provisions of the General Indenture — Cash Flow Statements."

THE PROGRAM

General

The purpose of the Agency's Program is to assist low- and moderate-income homebuyers to purchase newly constructed and existing, moderately priced, single family homes by providing mortgage loans at below-market interest rates. The primary objectives of the Program are: (1) to enable low and moderate income persons and families to purchase homes on affordable terms; (2) to make available home mortgage financing in mortgage deficient areas; and (3) to stimulate the housing construction industry by making attractive permanent mortgage financing available through qualified lenders (the "Lenders").

The Agency suspended its program of financing single-family mortgage loans with mortgage revenue bonds in December 2008 due to the disruption in the municipal bond market and deteriorating California real estate market and resumed taking reservations for loans so financed in September 2010. On November 1, 2011, the Agency stopped taking reservations for loans so financed, other than FHA-insured loans in Targeted Areas (defined below). On June 7, 2012, the Agency stopped taking reservations for such Targeted Area loans. Certain information as of February 28, 2013 with respect to Mortgage-Backed Securities purchased with proceeds of Bonds is set forth in Appendix B to this Part 2 — "Mortgage-Backed Securities Purchased with Proceeds of Bonds."

The Agency may offer loans from its available funds or administer the offering of loans or grants under various State-sponsored programs, subject to borrower eligibility, including the California Homebuyer's Downpayment Assistance Program. Such loans and any related liens would be subordinate to the first lien mortgage.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ("PRWORA") restricts the distribution of federal, state, and local public benefits to U.S. citizens, nationals and qualified aliens. PRWORA defines "state public benefits" to include loans provided by an agency of state government, and thereby includes mortgage loans provided by the Agency. In accordance with the provisions of PRWORA and Executive Order W-135-96, issued on August 27, 1996, the Agency has adopted regulations to implement the provisions of PRWORA as applicable to mortgage loans. These regulations apply to all mortgage loans received by the Agency for conditional approval on or after August 1, 1998 and to certain mortgage loan assumptions submitted to the Agency for approval on or after that date.

The Internal Revenue Code of 1986, as amended (the "Code") and other applicable law impose substantial requirements with respect to qualified mortgage bonds issued to finance single-family, owner-occupied housing or issued to refund bonds that were issued for such purpose. These requirements must be satisfied with respect to qualified mortgage bonds in order for interest on such bonds to be excluded from gross income for federal income tax purposes. The Agency has structured the Program to comply with such requirements and has established procedures under which the Agency expects such requirements to be met. The information contained in the folowing paragraphs under this heading "The Program—General" describes such requirements. Such requirements do not apply to the Offered Bonds.

Income Limits. The federal income limits for borrowers in one or two person households are set at 100% of county or State median income and for borrowers in three or more person households are set at 115% of county or State median income, except for borrowers purchasing homes within census tracts and other geographical locations designated by the Agency as Targeted Areas in accordance with Section 143(j) of the Code ("Targeted Areas"), for whom the limits are 120% and 140%, respectively, of the applicable median income, and except for borrowers purchasing homes in "high housing cost areas" for whom certain income limit adjustments may be established in accordance with the Code. The Agency currently establishes income limits for borrowers at 100% of the federal income limits. The Agency may, in the future, establish different income limits as State law and federal tax law permit or require.

Eligible Homes and Sales Prices. Eligible homes may be either newly constructed or existing single-family residences located anywhere in the State. Single-family residences include detached housing in standard subdivisions and planned unit developments built using conventional construction techniques. Manufactured housing is not currently permitted. Attached housing includes individual units located primarily in low-rise condominiums and attached planned unit developments with homeowners associations to support maintenance of the common areas.

The Agency currently establishes Sales Price limits using a formula based on FHA loan limits for each area in compliance with Internal Revenue Service guidelines and procedures. The limits for each such category of residences for each county are calculated at 90% (110% in Targeted Areas) of the higher of either (i) the Average Area Purchase Prices determined by the survey, or (ii) the "Safe Harbor" limits published pursuant to the Code, in each case with respect to residences in such category. Separate limits are published for newly constructed and resale residences for both Targeted and Non-targeted areas for each county. Sales Prices within such limits so established always will be equal to or less than those imposed by the Code.

Recapture Provisions; Statutory Restrictions. The Code provides for the recapture under certain circumstances of all or a portion of the "subsidy" provided by qualified mortgage bonds upon disposition by a borrower of a financed property. The recapture provisions remain in place for 9 years after loan origination. The amount of recapture (which is based upon the amount financed with tax-exempt bonds) increases from year 1 through year 5 of the mortgage loan on a straight-line basis from 1.25% in year 1 to a maximum of 6.25% of the original mortgage balance and decreases from year 6 through year 9 of the mortgage loan from the maximum rate back to 1.25%. Recapture may not exceed 50% of the gain resulting from the sale of the financed property. Recapture is to be reduced (but not below zero) for borrowers to the extent that a borrower's income (at the time of disposition) is below certain income limits.

Lender Applications

Under the Program, the Agency currently operates a single loan reservation process, which offers funds on a continuous basis, at stated interest rates, accepting reservations on a first-come, first-served basis.

Each Lender will be permitted to submit requests for Underlying Mortgage Loan reservations individually on a first-come, first-served basis with a 90-day delivery requirement (120 days for new construction loans) from the date of reservation. Lenders directly access the single loan reservation system, via the internet, to initiate and/or cancel single loan reservations through the Lender Access System ("LAS"). Upon initiating a reservation or at any time during the reservation period, a Lender may lock an interest rate for the loan for the lesser of 90 days or the remainder of the reservation period. The Lender must submit a fully underwritten loan package for conditional approval by the Agency. Approval of this loan package creates an obligation on the part of the Agency to cause the Servicer to purchase the Underlying Mortgage Loan and on the part of the Lender to close, fund, and deliver the Underlying Mortgage Loan upon the terms and the procedures prescribed during the Agency's Underlying Mortgage Loan approval process and by the Mortgage Purchase Agreement (defined below), which incorporates by reference the Agency's Lender Program Manual. The Agency will rescind individual Underlying Mortgage Loan reservations if certain delivery progress requirements are not met.

Upon closing and funding of the loan, the Lender will deliver the Underlying Mortgage Loan for purchase by the Servicer. Delivery of the loan for purchase is to be made in sufficient time to permit the Servicer to review and purchase the Underlying Mortgage Loan within the 90-day (or 120-day) reservation period and before the expiration of the rate lock. The Servicer will accept delivery of the loan for purchase up to 30 days after the end of the rate lock period for a charge of one percent (1.00%) of the principal amount of the loan, in which case the reservation period is also extended. Failure by the Lender to deliver prescribed loan documents in sufficient time to permit purchase by the end of the reservation period, or any such extension, will result in cancellation of the reservation. Loans closed for a period of more than 90 days are ineligible for purchase under the Program.

All funds allocated through the single loan reservation process are managed in conformance with the production goals for the Program as set forth in the Agency's Business Plan by making periodic adjustments to the interest rate schedule or modifications to the borrower, property or loan eligibility parameters as necessary.

Origination of Underlying Mortgage Loans

Each Agency-approved Lender is required to execute an agreement (a "Mortgage Purchase Agreement") pursuant to which the Lender agrees to use its best efforts to originate Underlying Mortgage Loans meeting the requirements of the Program to be purchased by, and with servicing released to, the Servicer under an agreement between the applicable Lender and the Servicer. The Servicer will also purchase Underlying Mortgage Loans from Agency-approved Lenders, where the loans have been originated or packaged by loan brokers or correspondents under arrangements with the Agency-approved Lenders.

The Agency's Lender Program Manual provides that Lenders originating Underlying Mortgage Loans may charge borrowers or sellers an origination fee of up to one and one-half percent (1.5%) of the principal amount of the Underlying Mortgage Loan, plus a fixed amount for processing the Underlying Mortgage Loan application, as established by the Agency from time to time.

The Mortgage Purchase Agreement permits the builder, seller or purchaser of the home to temporarily "buy down" the borrower's monthly mortgage payments. However, the Agency currently does not allow buy-downs.

The Lender is obligated to use its best efforts to originate Underlying Mortgage Loans in accordance with the terms of the Mortgage Purchase Agreement, the Act, the posted underwriting guidelines on the Agency's website, the Lender Program Manual, applicable Program Bulletins and Loan Program Handbooks, the requirements of, as applicable, FHA or the respective mortgage insurer (if any) and Fannie Mae, and, unless the Agency approves an exception, Section 143 of the Code ("Section 143"). In accordance with such requirements, unless the Agency approves an exception, each Underlying Mortgage Loan originated by a Lender must be made to a borrower (i) who intends to occupy the residence financed by such Underlying Mortgage Loan as such borrower's principal place of residence (and not in a trade or business or as an investment property or recreational home) within 60 days after the date of such Underlying Mortgage Loan, (ii) who has not had a present ownership interest in a principal residence at any time during the three years preceding the date of the Underlying Mortgage Loan (except for Underlying Mortgage Loans made for residences located in Targeted Areas or, under certain circumstances, to veterans or for the refinancing of an existing mortgage loan), and (iii) whose maximum household income does not exceed the income limits of the Program and Section 143. In addition, the purchase price (or, in certain circumstances, market value) of a home may not exceed the sale price limits established by the Agency which are within the applicable limits set by the Code and by FHA or Fannie Mae, as applicable. Underlying Mortgage Loans for which the Agency has approved an exception to the requirements of Section 143 will be allocated entirely to bonds the interest on which is not excludable from gross income for federal income tax purposes.

The Lender will solicit and receive from potential borrowers applications for Underlying Mortgage Loans. Homebuyer education (completed online, in person or by telephone) is required for each borrower. The Agency will accept a homebuyer education counseling certificate of completion issued through Fannie Mae or Freddie Mac counseling administration agencies, mortgage insurance companies, or HUD-approved homebuyer counselors.

After the loan application has been submitted to the Lender by a potential borrower, the Lender will request a reservation from the Agency, subject to the availability of funds on a first-come, first-served basis through the CalHFA LAS. Each potential borrower has an affirmative obligation under the Program to furnish the Lender with such documentary evidence as shall establish to the Lender's satisfaction that an Underlying Mortgage Loan to such potential borrower will comply with all requirements of the Program. In addition to obtaining the required documentary evidence from the potential borrowers, the Lender is also required to verify the accuracy of such information by undertaking a review of such documentation and other supporting materials to determine their completeness and internal consistency by establishing such procedures as may be necessary to verify adequate information contained in such application.

Documentary evidence that the Lender is required to obtain from potential borrowers includes, but is not limited to, an affidavit setting forth the information required to establish such borrower's eligibility for an Underlying Mortgage Loan under the Program, and, to the extent available, such other documentation and supporting materials which verify the information contained in the application such as the borrower's federal income tax returns for the prior three (3) years, current wage statements, purchase contracts and any other appropriate corroborative materials. Each affidavit will also describe the consequences to the borrower of any material misstatements made therein, which, under the Program, may include a default and acceleration of the Underlying Mortgage Loan, and, potentially, civil or criminal penalties such as a fine or jail sentence. In the event that the described documentation is unavailable or inappropriate in any particular case, the Lender will require such potential borrower to furnish such other independent corroborative evidence as is necessary, in the Lender's opinion, to assure the Lender that an Underlying Mortgage Loan to such potential borrower will comply with all Program requirements. If the Lender determines, in its discretion, that the evidence produced by the potential borrower is in any respect inadequate, inconclusive, inconsistent or incomplete or that it fails in any other respect to adequately establish a potential borrower's eligibility for an Underlying Mortgage Loan, the Lender will not originate an Underlying Mortgage Loan to such potential borrower.

The Lender must forward to the Agency a completed Underlying Mortgage Loan application package of items not previously submitted for the Agency's review, and the Agency must issue a conditional approval prior to the Lender's closing and submitting the Underlying Mortgage Loan to the Servicer for purchase. The Agency will determine whether the proposed Underlying Mortgage Loan meets the requirements of the Program by evaluating, among other things, the amount of the proposed Underlying Mortgage Loan, the purchase price of the single family residence being purchased, whether such residence is located in a Targeted Area or rural area and the income of the potential borrower. The Agency will review all of the documents delivered to determine compliance with the Program requirements, for internal consistency and to determine whether the borrower is eligible under the Act and (with certain exceptions) Section 143, the acquisition cost or value is within limitations established under Section 143 and the real estate which will be the subject of the Mortgage Loan produces no income other than incidentally. To the extent that these requirements are not complied with, the Lender will be asked to provide sufficient additional explanation or documentation to enable the Agency to determine the status of the application. When the Agency determines that the proposed Underlying Mortgage Loan meets the requirements of the Program, it will notify the Lender of its conditional approval. After the Lender has secured a conditional approval for an Underlying Mortgage Loan from the Agency, the Lender may close and fund the Underlying Mortgage Loan and deliver the Underlying Mortgage Loan for purchase by the Servicer.

In each case where the Lender receives or discovers information which indicates uncertainty as to Section 143 compliance, the Lender is required either to reject the application or to proceed to obtain additional information and to corroborate data sufficient to indicate compliance. All information is to be verified for consistency with other information gathered or received.

Prior to the origination of an Underlying Mortgage Loan that will underlie a Mortgage-Backed Security guaranteed by GNMA, a Lender must arrange for approval of FHA insurance. Each such Underlying Mortgage Loan must be insured by FHA upon delivery for purchase by the Servicer. Prior to the origination of an Underlying Mortgage Loan that will underlie a Mortgage-Backed Security guaranteed by Fannie Mae, a Lender must arrange for approval of mortgage insurance to the extent required by Fannie Mae. Each such Underlying Mortgage Loan must be insured to the extent so required upon delivery for purchase by the Servicer.

Underlying Mortgage Loans will be serviced by the Servicer in accordance with the Servicing Agreement and the applicable servicing procedures described in "GNMA Mortgage-Backed Securities" and "Fannie Mae Mortgage-Backed Securities" below.

GNMA MORTGAGE-BACKED SECURITIES

The following summary of GNMA custom-pool, fully-modified single-family mortgage-backed securities (the "GNMA Securities") and the other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage-Backed Securities Guide: GNMA Handbook 5500.3 (the "GNMA Guide") published by GNMA and to said documents for full and complete statements of their provisions. The procedures described below and the GNMA Guide are those presently in effect and are subject to change at any time by GNMA.

GNMA Mortgage-Backed Securities Programs

GNMA is a wholly-owned corporate instrumentality of the United States of America (the "U.S.") within the Department of Housing and Urban Development with its principal office in Washington, D.C.

There are two GNMA mortgage-backed securities programs, the GNMA I Program and the GNMA II Program. Each GNMA Security is issued under either the GNMA I Program or the GNMA II Program. The principal differences between the two programs pertain to the minimum Mortgage Pool size established by GNMA, the permitted interest rate structure of the mortgages backing the GNMA Securities, and the means of payment of principal of and interest on the GNMA Securities to the holders thereof. Those differences would not affect the availability of Revenues for the payment of principal of and interest on the Bonds.

Each GNMA Security is backed by a pool (a "Mortgage Pool") consisting of Underlying Mortgage Loans in a minimum aggregate amount of $1,000,000 (or such lesser amount as may be approved by GNMA). Under the GNMA I Program, the Servicer is required to pay to the Trustee, as the holder of the GNMA Securities issued by the Servicer, the regular monthly installments of principal and interest on the Underlying Mortgage Loans which back such GNMA Securities (less the Servicer's servicing fee, which includes the GNMA guaranty fee). Under the GNMA II Program, the Servicer is required to pay such amounts to J.P. Morgan Chase Bank, as Central Paying and Transfer Agent for the GNMA II Program (the "CPTA"), and the CPTA will be required to pay to the Trustee, as the holder of the GNMA Security, the regular monthly installments of principal and interest on the Underlying Mortgage Loans backing such GNMA Security. Under either GNMA Program, whether or not the Servicer receives such installments, the Servicer is required to make such payment, and to transfer any mortgage prepayments received by such Servicer in the previous month. GNMA guarantees the timely payment of the principal of and interest on the GNMA Securities.

Underlying Mortgage Loans underlying a particular security issued pursuant to the GNMA I Program (a "GNMA I Security") must have the same annual interest rate. The annual pass-through rate on each GNMA I Security is 0.5% less than the annual interest rate on the Underlying Mortgage Loans included in the Mortgage Pool backing such GNMA I Security. Underlying Mortgage Loans underlying a particular security issued pursuant to the GNMA II Program (a "GNMA II Security") may have annual interest rates that vary from each other by up to 1 %. Currently, the annual pass-through rate on the GNMA II Securities issued pursuant to the Agency's Program will be 0.5% less than the annual interest rate on the Underlying Mortgage Loans. Each Mortgage Loan underlying a GNMA Security, at the time GNMA issues its guarantee commitment, must be originated no more than 12 months prior to such commitment date.

In order to issue the GNMA Securities, the Servicer must first apply to and receive from GNMA a commitment to guarantee mortgage-backed securities (a "GNMA Commitment") which authorizes the Servicer to issue GNMA Securities up to a stated amount during a one-year period following the date of the GNMA Commitment. The Servicer is required to pay the application fee to GNMA for such commitments. The amount of GNMA Commitments that GNMA can approve in any federal fiscal year is limited by statute and administrative procedures. No assurance can be given that in the future the Servicer will be authorized by GNMA's administrative procedures to obtain GNMA Commitments with respect to some or all of the Underlying Mortgage Loans, or that GNMA has or will have any authority remaining to approve GNMA Commitments during the federal fiscal year in which the Servicer submits a request for GNMA Commitments.

The issuance of each GNMA Security by the Servicer is subject to the following conditions, among others: (i) the purchase by the Servicer from Mortgage Lenders of Underlying Mortgage Loans in a minimum aggregate principal amount at least equal to the minimum size permitted by GNMA for each GNMA Security (such origination being subject, among other conditions, to the availability of FHA mortgage insurance or, if permitted under the Agency's Program in the future, the VA or RD guarantees referred to below), (ii) the submission by the Servicer to GNMA of certain documents required by GNMA in form and substance satisfactory to GNMA, (iii) the Servicer's continued compliance, on the date of issuance of Security, with all of GNMA's eligibility requirements, specifically including, but not limited to, certain net worth requirements, (iv) the Servicer's continued approval by GNMA to issue GNMA Securities, and (v) the Servicer's continued ability to issue, execute and deliver the GNMA Security, as such ability may be affected by the Servicer's bankruptcy, insolvency or reorganization. In addition, the issuance of a GNMA Security by the Servicer is subject to the condition that GNMA must have entered into a guaranty agreement with the Servicer. The conditions to GNMA entering into such an agreement may change from time to time, and there can be no assurance that the Servicer will be able to satisfy all such requirements in effect at the time a GNMA Security is to be issued. Moreover, there can be no assurance that all of the above conditions will be satisfied at the time a GNMA Security is to be purchased by the Trustee.

GNMA Securities

GNMA is authorized by Section 306(g) of Title II of the National Housing Act to guarantee the timely payment of the principal of and interest on securities which are based on and backed by, among other things, a mortgage insured by FHA under the National Housing Act, guaranteed by Rural Development (formerly a service of the Farmer's Home Administration) ("RD") of the United States Department of Agriculture under Section 502 of Title V of the Housing Act of 1949, as amended, or guaranteed by the United States Department of Veterans Affairs ("VA") pursuant to the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38 of the United States Code. Said Section 306(g) further provides that ". . . the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion dated December 9, 1969, of an assistant Attorney General of the United States that such guaranties under said Section 306(g) of mortgage-backed securities of the type delivered and to be delivered to the Trustee by the Servicer are authorized to be made by GNMA and ". . . would constitute general obligations of the United States backed by its full faith and credit."

GNMA Borrowing Authority

In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(d) of Title II of the National Housing Act, may issue its general obligations to the United States Department of the Treasury (the "Treasury") in an amount outstanding at anyone time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Securities. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of Housing and Urban Development that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty.

GNMA warrants to the Trustee, as the holder of the GNMA Securities, that, in the event it is called upon at any time to make good its guaranty of the payment of principal and interest on any GNMA Security, it will, if necessary, in accordance with the aforesaid Section 306(d), apply to the Treasury for a loan or loans in amounts sufficient to make such payment.

Servicing of the Underlying Mortgage Loans Securing GNMA Securities

Under the Servicing Agreement, the Servicer is responsible for servicing and otherwise administering the Underlying Mortgage Loans in accordance with generally accepted practices of the mortgage lending industry, the GNMA Servicer's Guide, and the servicing requirements of FHA, VA or RD, as applicable.

The monthly remuneration of the Servicer, for servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of the GNMA Securities outstanding. In compliance with GNMA regulations and policies, the total of these servicing and guaranty fees equals 0.50% per annum, for both the GNMA I Securities and the GNMA II Securities under the GNMA Program, calculated on the principal balance of each GNMA Security outstanding on the last day of the month preceding such calculation. Currently, each GNMA Security carries an interest rate that is fixed at 0.50% per annum below the interest rate on the Underlying Mortgage Loans because the servicing and guaranty fee is deducted from payments on the Underlying Mortgage Loans before such payments are forwarded to the Trustee.

It is expected that interest and principal payments on the Underlying Mortgage Loans received by the Servicer will be the source of money for payments on the GNMA Securities. If such payments are less than the amount then due, the Servicer is obligated to advance its own funds to ensure timely payment of all scheduled payments of principal and interest due on the GNMA Securities. GNMA guarantees such timely payment in the event of the failure of the Servicer to pass through an amount equal to such scheduled payments (whether or not made by the mortgagors).

The Servicer is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA, as guarantor, will be able to continue such payments as scheduled. However, if such payments are not received as scheduled, the Trustee will have recourse directly to GNMA.

Removal of Underlying Mortgage Loans from Mortgage Pools; Application of Partial Insurance Claims

The GNMA Guide permits the Servicer to purchase an Underlying Mortgage Loan from a Mortgage Pool if the borrower makes no payment for three consecutive months. Pursuant to the loss mitigation procedures of FHA, VA or RD, as applicable, the Servicer may be required to modify Underlying Mortgage Loans that are in default or facing imminent default. If required by such procedures to modify an Underlying Mortgage Loan, the Servicer, pursuant to the GNMA Guide, must first purchase the Underlying Mortgage Loan from the Mortgage Pool for an amount equal to 100% of the loan's remaining principal balance, resulting in an earlier than scheduled payment of principal of the related GNMA Security in equal amount.

Additionally, pursuant to certain loss mitigation procedures, including those of FHA, the Servicer may be required to arrange partial insurance claims with respect to such Underlying Mortgage Loans to be applied to reduction of the remaining principal balance of the loan. Any such application will be a Principal Prepayment of the Underlying Mortgage Loans required to be paid to the Trustee under the related GNMA Security as described under "Payment of Principal of and Interest on the GNMA Securities" below.

Guaranty Agreement

The GNMA guaranty agreement entered into by GNMA and the Servicer upon issuance of the GNMA Security (the "GNMA Guaranty Agreement") provides that, in the event of a default by the Servicer, including (i) a request to GNMA to make a payment of principal or interest on a GNMA Security when a mortgagor is in default under his mortgage note, (ii) insolvency of the Servicer, or (iii) default by the Servicer under any other guaranty agreement with GNMA, GNMA shall have the right, by letter to the Servicer, to effect and complete the extinguishment of the Servicer's interest in the Underlying Mortgage Loans, and the Underlying Mortgage Loans shall thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the GNMA Security. In such event the GNMA Guaranty Agreement will provide that on and after the time GNMA directs such a letter of extinguishment to the Servicer, GNMA shall be the successor in all respects to the Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and shall be subject to all responsibilities, duties, and liabilities (except the Servicer's indemnification of GNMA), theretofore placed on the Servicer by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time, GNMA may enter into an agreement with any other eligible issuer of GNMA securities under which the latter undertakes and agrees to assume any part or all such responsibilities, duties or liabilities of GNMA in its capacity as guarantor of the GNMA Security.

Payment of Principal of and Interest on the GNMA Securities

Regular monthly installment payments on each GNMA Security are required to begin in the first month following the date of issuance of such GNMA Security. In the case of a GNMA I Security, such payment is to be made to the Trustee on the fifteenth day of each month and, in the case of a GNMA II Security, such payment is required to be mailed by the CPTA to the Trustee on the twentieth day of each month. Each payment will be equal to the aggregate amounts of the scheduled monthly principal and interest payments on each Underlying Mortgage Loan in the Mortgage Pool backing the GNMA Security, less the current monthly servicing and guaranty fees of one-twelfth of 0.50% (in the case of a GNMA I Security or a GNMA II Security under the Agency's Program) of the outstanding principal balance. In addition, each payment is required to include any principal prepayments on Underlying Mortgage Loans underlying the GNMA Security that were received during the preceding calendar month.

FANNIE MAE MORTGAGE-BACKED SECURITIES

The following summary, including the information under the heading "Federal Housing Finance Agency Actions" below, includes summaries of certain selected statements made by Fannie Mae in its Single-Family MBS Prospectus and elsewhere. The following does not purport to be comprehensive and is qualified in its entirety by reference to Fannie Mae's Single-Family MBS Prospectus, the Fannie Mae Single Family Selling and Servicing Guides and the other documents referred to herein.

Fannie Mae

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, as amended. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and was transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968.

On September 6, 2008, pursuant to the Federal Housing Finance Regulatory Reform Act of 2008 (the "Regulatory Reform Act"), Fannie Mae was placed into conservatorship and the Federal Housing Finance Agency (the "FHFA") was appointed conservator. See "Federal Housing Finance Agency Actions" below for certain information regarding the Regulatory Reform Act, FHFA's conservatorship of Fannie Mae and related actions of the United States Department of Treasury ("Treasury").

The Fannie Mae Securities described below and payments of principal and interest on such Fannie Mae Securities are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.

Fannie Mae Mortgage-Backed Security Program

Fannie Mae has implemented a mortgage-backed securities program (the "Fannie Mae MBS Program") pursuant to which Fannie Mae issues securities ("Fannie Mae Securities") backed by pools of mortgage loans.

The terms of the Fannie Mae MBS Program are governed by the Fannie Mae Single Family Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by the applicable Pool Purchase Contract between Fannie Mae and the respective Fannie Mae MBS Program seller-servicer and, in the case of single-family mortgage loans, a 2009 Single-Family Master Trust Agreement dated as of January 1, 2009 (the "Trust Agreement"), and a supplement thereto to be issued by Fannie Mae in connection with each pool.

It is expected that, prior to Fannie Mae Securities first being purchased with proceeds of Bonds under the Agency's Program, the Servicer will have entered into a Pool Purchase Contract with Fannie Mae. The Pool Purchase Contract will provide for the purchase by Fannie Mae of mortgage loans from the Servicer in exchange for Fannie Mae Securities issued to the Servicer backed by such mortgage loans.

The Pool Purchase Contract will obligate the Servicer to service such mortgage loans underlying Fannie Mae Securities in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

Fannie Mae Securities

Each Fannie Mae Security will represent the entire interest in a specified pool of mortgage loans purchased by Fannie Mae from the Servicer and identified in records maintained by Fannie Mae. Each Fannie Mae Security carries a pass-through interest rate that is fixed below the interest rate on the mortgage loans in an amount equal to the per annum percentage of the total of the servicing fee and Fannie Mae's guaranty fee.

Fannie Mae will guarantee to each Fannie Mae Security trust that Fannie Mae will supplement amounts received by the Fannie Mae Security trust as required to permit the timely distribution to registered holders of the Fannie Mae Security of the amounts described under "Payments on Mortgage Loans; Distributions on Fannie Mae Securities" below.

The obligations of Fannie Mae under such guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to the faith and credit of the United States. If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the registered holder of the Fannie Mae Securities, would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to the Trustee, as the holder of the Fannie Mae Securities, and payments on Outstanding Bonds would be affected by delinquent payments and defaults on such mortgage loans.

Payments on Mortgage Loans; Distributions on Fannie Mae Securities

Payments on a Fannie Mae Security will be made on the 25th day of each month (beginning with the month following the month such Fannie Mae Security is issued), or, if such 25th day is not a business day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Security, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the mortgage loans in the related pool underlying such Fannie Mae Security during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (ii) the stated principal balance of any mortgage loan that was prepaid in full during the month preceding the month of such distribution (including as prepaid for this purpose at Fannie Mae's election any mortgage loan repurchased by Fannie Mae because of Fannie Mae's election to repurchase the mortgage loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest; or because of Fannie Mae's election to repurchase such mortgage loan under certain other circumstances), (iii) the amount of any partial prepayment of a mortgage loan received in the month preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Security as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

Federal Housing Finance Agency Actions

In accordance with the Regulatory Reform Act, the FHFA was named as the conservator of Fannie Mae on September 6, 2008. The FHFA immediately succeeded to (1) all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and its assets, and (2) title to all books, records and assets of Fannie Mae held by any other legal custodian or third party. Under the Regulatory Reform Act, the FHFA is authorized to repudiate contracts entered into by Fannie Mae prior to the FHFA's appointment as conservator if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae. This right must be exercised within a reasonable period of time after FHFA's appointment as conservator.

On September 7, 2008, Treasury entered into a "Senior Preferred Stock Purchase Agreement" with Fannie Mae. This agreement was amended and restated on September 26, 2008, and subsequently amended on May 6, 2009, December 24, 2009 and August 17, 2012. Such agreement is indefinite in duration and initially had a maximum capacity of $200 billion. The December 24, 2009 amendment modified the maximum amount of Treasury's funding commitment, providing that the maximum amount will increase as necessary to accommodate any net worth deficits (the amount by which Fannie Mae's total liabilities exceed its total assets) for calendar quarters in 2010 through 2012. For any net worth deficits after December 31, 2012, Treasury's maximum remaining funding commitment at any determination date will be the "available amount," which equals $124.8 billion ($200 billion less Fannie Mae's cumulative draws through March 31, 2010, which related to calendar years 2008 and 2009) less the smaller of either (a) Fannie Mae's positive net worth as of December 31, 2012, or (b) Fannie Mae's cumulative draws from Treasury for the calendar quarters in 2010 through 2012. If the FHFA determines that Fannie Mae's liabilities have exceeded its assets under generally accepted accounting principles, the Treasury is required by the agreement to contribute cash capital to Fannie Mae in an amount equal to the difference between liabilities and assets.

So long as Fannie Mae remains in its current conservatorship and is not placed into receivership, (i) FHFA has no authority to repudiate any contracts entered into after Fannie Mae was placed into conservatorship, including the Fannie Mae's guaranties related to Fannie Mae Securities it issued during its conservatorships, and (ii) the rights of holders of Fannie Mae Securities issued during such conservatorship are not restricted.

As conservator, FHFA has the right to transfer or sell any asset or liability of Fannie Mae without any approval, assignment or consent. If FHFA, as conservator, were to transfer Fannie Mae's guaranty obligation to another party, holders of Fannie Mae Securities would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party.

Under the Regulatory Reform Act, FHFA must place Fannie Mae into receivership if the FHFA's Director makes a determination that the Fannie Mae's assets are, and for a period of 60 days have been, less than Fannie Mae's obligations, or Fannie Mae is unable to pay its debts and have been unable to do so for a like period. The FHFA Director may also place Fannie Mae into receivership in his or her discretion for certain other reasons. A receivership would terminate the FHFA's current conservatorship. If FHFA were to become the receiver of Fannie Mae, it could exercise certain powers that could adversely affect holders of Fannie Mae Securities, as explained below.

As receiver, FHFA could repudiate any contract entered into by Fannie Mae prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of Fannie Mae's affairs. The Regulatory Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver. If FHFA, as receiver, were to repudiate the guaranty obligations of Fannie Mae, the receivership estate would be liable for actual direct compensatory damages as of the date of receivership under the Regulatory Reform Act. Any such liability could be satisfied only to the extent Fannie Mae's assets were available for that purpose. Moreover, if Fannie Mae's guaranty obligations were repudiated, payments of principal and/or interest to holders of Fannie Mae Securities would be reduced as a result of borrowers' late payments or failure to pay or a servicer's failure to remit borrower payments to the trust. In that case, trust administration fees would be paid from mortgage loan payments prior to distributions to holders of Fannie Mae Securities. Any actual direct compensatory damages owed due to the repudiation of the Fannie Mae guaranty obligations may not be sufficient to offset any shortfalls experienced by holders of Fannie Mae Securities.

In its capacity as receiver, FHFA would have the right to transfer or sell any asset or liability of Fannie Mae without any approval, assignment or consent. If FHFA, as receiver, were to transfer Fannie Mae's guaranty obligation to another party, holders of Fannie Mae Securities would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party.

During a receivership, certain rights of Fannie Mae Securities may not be enforceable against FHFA, or enforcement of such rights may be delayed. The Regulatory Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Fannie Mae is a party, or obtain possession of or exercise control over any property of Fannie Mae, or affect any contractual rights of Fannie Mae, without the approval of FHFA as receiver, for a period of 90 days following the appointment of FHFA as receiver. If Fannie Mae is placed into receivership and does not or cannot fulfill its guaranty to holders of Fannie Mae Securities, such holders could become unsecured creditors of Fannie Mae with respect to claims made under Fannie Mae's guaranty.

If Fannie Mae emerges from conservatorship and, at a later date, FHFA again were to place Fannie Mae into conservatorship, (i) FHFA would have all of the authority of a new conservator, including the authority to repudiate the guaranty associated with Fannie Mae Securities issued by Fannie Mae during the current conservatorship, and (ii) certain rights of holders of Fannie Mae Securities issued during the current conservatorship would again be restricted or eliminated. FHFA currently has all of the authority of a conservator as to Fannie Mae Securities issued before September 6, 2008, the date Fannie Mae was placed into conservatorship.

Although Treasury owns Fannie Mae senior preferred stock and has made a commitment under the Senior Preferred Stock Purchase Agreement to provide Fannie Mae with funds under specified conditions to maintain a positive net worth, the U.S. government does not guarantee Fannie Mae's securities or other obligations.

Fannie Mae currently is required to file periodic financial disclosures with the U.S. Securities and Exchange Commission (the "SEC"), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a web site (http://www.sec.gov) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Agency makes no representation regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae with the SEC, or any information provided at such web site. The SEC's web site is not part of this Official Statement.

THE SERVICER

The information under this caption was provided solely by Bank of America, N.A. ("BANA"). The Agency assumes no responsibility for the accuracy of statements made in this section (except the immediately following paragraph).

BANA serves as servicer to service Underlying Mortgage Loans originated by each Lender with proceeds of the Bonds pursuant to the Servicing Agreement.

As of February 28, 2013, BANA provided servicing for approximately $1.278 trillion aggregate principal amount of mortgage loans. BANA is (i) a GNMA approved servicer of mortgage loans, (ii) a Fannie Mae approved servicer of Fannie Mae Certificates and (iii) a Freddie Mac approved servicer of Freddie Mac Certificates.

BANA has not participated in the structuring of the Program or the Offered Bonds or the preparation of this Official Statement, except to the extent of providing the information contained under the heading "The Servicer." BANA accepts no responsibility for the accuracy or completeness of this Official Statement or for the Offered Bonds or the creditworthiness of the Offered Bonds.

OTHER PROGRAMS OF THE AGENCY

In addition to the Program, the Agency is currently operating the financing programs under the indentures described below. For certain additional information regarding the indentures of the Agency, including the Indenture, see the financial statements attached as Appendix A to this Part 2.

Home Mortgage Revenue Bonds Indenture. The Agency has issued bonds pursuant to its Home Mortgage Revenue Bonds indenture to provide funds for the Agency to purchase eligible mortgage loans, and mortgage-backed securities backed by such mortgage loans, secured by first mortgage liens on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lenders. Mortgage loans purchased under this indenture (other than certain of such mortgage loans underlying mortgage-backed securities) will be insured either by FHA, the California Housing Loan Insurance Fund, the VA or a private mortgage guaranty insurance policy covering a loss of up to 50% of the outstanding principal amount of the mortgage loans.

Single Family Separately-Secured Indenture. Two Supplemental Indentures, each dated as of January 1, 2012 (collectively, the "2012 Supplemental Indenture"), amended, respectively, the General Indenture and the Series Indenture authorizing the issuance of the Agency's Residential Mortgage Revenue Bonds, 2009 Series A-1 (the "2009 Series A-1 Bonds"). The 2012 Supplemental Indenture created a separately-secured single family bond indenture (the "Single Family Separately-Secured Indenture") pursuant to the General Indenture and provided that certain 2009 Series A-1 Bonds designated by the Agency ("Article XIV Separately-Secured Bonds") would thereafter be treated for all purposes as if issued under the Single Family Separately-Secured Indenture and not under the General Indenture. The assets and revenues of the Single Family Separately-Secured Indenture are not pledged or held under the General Indenture, and Article XIV Separately-Secured Bonds are not secured by the General Indenture. Effective June 7, 2012, $466,115,000 aggregate principal amount of 2009 Series A-1 Bonds were redesignated by the Agency as 2009 Series A-5 Article XIV Separately-Secured Bonds. Proceeds of such bonds were then used to refund certain of the Agency's Home Mortgage Revenue Bonds. Although these bonds are identified as Residential Mortgage Revenue Bonds, 2009 Series A-5 in Note 7 to the financial statements attached as Appendix A to this Part 2, they are treated for all purposes as Article XIV Separately-Secured Bonds. In the supplemental statements beginning on page 50 of Appendix A, the information under the column heading "Residential Mortgage Revenue Bonds" reflects combined assets, liabilities, revenues, expenses and cash flows of the Indenture and the Single Family Separately-Secured Indenture, and the information under the column heading "Residential Mortgage Revenue Bonds Overcollateralization" reflects such items with respect to a fund under the Single Family Separately-Secured Indenture.

Multifamily Housing Revenue Bond III Indenture. The Agency has issued bonds pursuant to its Multifamily Housing Revenue Bond III indenture to provide for the construction and/or permanent financing of uninsured loans, loans insured by FHA or loans that underlie a mortgage-backed security for multifamily housing developments through the issuance of Multifamily Housing Revenue Bonds III. The Multifamily Housing Revenue Bonds III are general obligations of the Agency. The Agency has not issued bonds under the Multifamily Housing Revenue Bonds III indenture since 2008 and currently does not expect to issue bonds thereunder.

Affordable Multifamily Housing Revenue Bonds Indenture. Proceeds of bonds issued pursuant to the Affordable Multifamily Housing Revenue Bonds indenture provide for the construction and/or permanent financing of loans insured by FHA or that underlie a mortgage-backed security for multifamily housing developments. The Affordable Multifamily Housing Revenue Bonds are limited obligations of the Agency.

Multifamily Separately-Secured Indenture. The 2012 Supplemental Indenture also created a separately-secured multifamily bond indenture (the "Multifamily Separately-Secured Indenture") pursuant to the General Indenture and provided that certain 2009 Series A-1 Bonds designated by the Agency ("Article XIII Separately-Secured Bonds") would thereafter be treated for all purposes as if issued under the Multifamily Separately-Secured Indenture and not under the General Indenture. The assets and revenues of the Multifamily Separately-Secured Indenture are not pledged or held under the General Indenture and Article XIII Separately-Secured Bonds are not secured by the General Indenture. Effective December 11, 2012, $69,950,000 aggregate principal amount of the 2009 Series A-1 Bonds were redesignated by the Agency as 2009 Series A-6 Article XIII Separately-Secured Bonds. Proceeds of such bonds were then used to provide permanent financing for multifamily housing developments. The June 30, 2012 outstanding principal amount of bonds identified as Residential Mortgage Revenue Bonds, 2009 Series A-1 in Note 7 to the financial statements attached as Appendix A to this Part 2 includes these bonds, and in the supplemental statements beginning on page 50 of Appendix A, the assets, liabilities, revenues, expenses and cash flows under the column heading "Residential Mortgage Revenue Bonds" includes such items with respect to these bonds. However, as of December 11, 2012, these bonds are treated for all purposes as Article XIII Separately-Secured Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE

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

Certain Defined Terms

The following are definitions in summary form of some of the terms contained in the General Indenture and used therein:

"Agency Request" means a written request or direction of the Agency signed by an Authorized Officer.

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

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

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

"Bond Counsel's Opinion" means an opinion signed by any attorney or firm of attorneys of nationally recognized standing in the field of state and local debt issuance.

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

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

"Costs of Issuance" means all items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale, issuance and remarketing of the Bonds, as certified by an Authorized Officer.

"Debt Reserve Requirement" means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for all Series of Bonds Outstanding in the Series Indentures authorizing the issuance of such Bonds, or a lesser amount if each Rating Agency has confirmed that such lesser amount will not adversely affect the then-existing rating of the Bonds by such Rating Agency. The Trustee may rely upon a certificate from an Authorized Officer of the Agency which states the Debt Reserve Requirement as of the date of said certificate.

"Deferred Interest Bond" means any Bond designated as such by the Series Indenture authorizing the issuance of such Bond.

"Expenses" means any moneys required by the Agency to pay the expenses of the Trustee and any expenses which the Agency may lawfully pay, except as limited with respect to any Series of Bonds by the applicable Series Indenture. Expenses deposited in any Fiscal Year to the credit of the Expense Fund shall not exceed the aggregate of all such amounts set forth for all Series of Bonds in the respective Series Indentures.

"Fiscal Year" means the year beginning on the first day of July and ending on the last day of June in the next succeeding year.

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

"Insurance Proceeds" means payments received with respect to the Underlying Mortgage Loans or Mortgage-Backed Securities under any insurance policy or guarantee or under any fidelity bond, to the extent not applied to the repair or restoration of any mortgaged premises.

"Investment Obligations" means, to the extent authorized by law for investment of moneys of the Agency at the time of such investment, (i)(A) Government Obligations or (B) obligations rated in either of the two highest rating categories of each Rating Agency of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of Government Obligations; (ii)(A) bonds, debentures or other obligations issued by Federal Home Loan Banks, Tennessee Valley Authority, Federal Farm Credit System Obligations, World Bank, International Bank for Reconstruction and Development and Inter-American Development Bank; or (B) bonds, debentures or other obligations issued by Fannie Mae and Federal Home Loan Mortgage Corporation (*excluding* mortgage securities which are valued greater than par on the portion of unpaid principal or mortgage securities which represent payments of principal only or interest only with respect to the underlying mortgage loans); (iii) obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America, in each case rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency; (iv) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, "deposits" shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured by any of the obligations described in (i) above having a market value (exclusive of accrued interest) not less than the uninsured amount of such deposit or (b)(1) unsecured or (2) secured to the extent, if any, required by the Agency and, in both (1) and (2), made with an institution whose unsecured debt securities are rated in either of the two highest rating categories and the highest short-term rating category (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency; (v) repurchase agreements backed by or related to obligations described in (i) or (ii) above with any institution whose unsecured debt securities are rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency; (vi) investment agreements, secured or unsecured as required by the Agency, with any institution whose debt securities are rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency; (vii) direct and general obligations of or obligations unconditionally guaranteed by the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged, and certificates of participation in obligations of the State which obligation may be subject to annual appropriations, which obligations are rated in either of the two highest rating categories by each Rating Agency; (viii) direct and general obligations of or obligations unconditionally guaranteed by any state, municipality or political subdivision or agency thereof, which obligations are rated in either of the two highest rating categories by each Rating Agency; (ix) bonds, debentures, or other obligations issued by any insurance company, corporation, government or governmental entity (foreign or domestic), *provided* that such bonds, debentures or other obligations are (a) payable in any coin or currency of the United States of America which at the time of payment will be legal tender for the payment of public and private debts, and (b) rated in either of the two highest rating categories by each Rating Agency; (x) commercial paper (having original maturities of not more than 365 days) rated in the highest rating category by each Rating Agency; (xi) money market funds which invest in Government Obligations and which funds have been rated in the highest rating category by each Rating Agency; (xii) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act or any successor fund thereto if each Rating Agency has confirmed that investment therein, in and of itself, will not adversely affect the then-existing rating of the Bonds by such Rating Agency; or (xiii) any investments authorized in a Series Indenture authorizing Bonds, as long as the related Bonds are rated by each Rating Agency. *Provided*, that it is expressly understood that the definition of Investment Obligations shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the General Indenture by a Supplemental Indenture or an Authorized Officer's Determination, thus permitting investments with different characteristics from those permitted which the Board of Directors or the Executive Director of the Agency deems from time to time to be in the interests of the Agency to include as Investment Obligations if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by each Rating Agency. For purposes of this definition, "institution" means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation thereof.

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

"Loan Loss Requirement" means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for the Series of Bonds Outstanding in the Series Indentures authorizing the issuance of such Bonds, or a lesser amount if each of the Rating Agencies has confirmed that such lesser amount will not adversely affect the then-existing rating of the Bonds by such Rating Agency. The Trustee may rely upon a certificate from an Authorized Officer of the Agency which states the Loan Loss Requirement as of the date of said certificate.

"Mortgage-Backed Securities" means (i) obligations representing undivided beneficial ownership interests (and any other interest therein allowed by the Act) in mortgage loans, which obligations are issued by or guaranteed by the Government National Mortgage Association, Fannie Mae, Federal Home Loan Mortgage Corporation or, to the extent set forth in a Series Indenture, a Supplemental Indenture, or an Authorized Officer's Determination, (a) any other agency or instrumentality of or chartered by the United States to which the powers of any of them have been transferred or which have similar powers to purchase mortgage loans and (b) any financial institution provided each of the Rating Agencies has confirmed that acquisition of such mortgage-backed securities will not adversely affect its then-existing rating of the Bonds and (ii) any evidence of an ownership interest in such obligations. Unless otherwise provided in a Series Indenture, a Supplemental Indenture, or an Authorized Officer's Determination, "Mortgage-Backed Securities" does not include any mortgage-backed securities that are not financed from moneys on deposit in the Acquisition Fund.

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

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

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

(c) any Bond deemed paid in accordance with the redemption provisions of the General Indenture;

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

(e) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the General Indenture, unless proof satisfactory to the Trustee is presented that any Bond for which a Bond in lieu thereof or in substitution therefor shall have been authenticated and delivered is held by a bona fide purchaser, as that term is defined in the Uniform Commercial Code-Investment Securities of the State (Sections 8101-8116 of the California Commercial Code), as amended (or any similar successor provision), in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu thereof or in substitution therefor shall be deemed Outstanding.

"Pledged Property" means the proceeds of the sale of the Bonds, Revenues and all other moneys in all Funds (except the Rebate Fund) and Accounts established under the General Indenture, including the investments, if any, thereof, and the earnings, if any, thereon until applied in accordance with the terms of the General Indenture; and all right, title and interest of the Agency in and to the Mortgaged-Backed Securities, and related notes, *but excluding* Mortgage-Backed Securities accrued interest not purchased by the Agency; *except* that the pledge of assets or property in a Series Indenture may be limited in purpose and time, as set forth in said Series Indenture.

"principal" means (a) as such term references the principal amount of a Deferred Interest Bond or Deferred Interest Bonds, the Appreciated Amount thereof, and (b) as such term references the principal amount of any other Bond or Bonds, the principal amount at maturity of such Bond or Bonds.

"Principal Prepayment" means any amounts received in connection with a Mortgage-Backed Security that reflect any payment by a mortgagor or other recovery of principal of an Underlying Mortgage Loan which is not applied to a scheduled installment of principal or interest on an Underlying Mortgage Loan and the portion of any Insurance Proceeds, Liquidation Proceeds or other payments representing such principal amounts, including from the sale of an Underlying Mortgage Loan, and the proceeds of the sale of Mortgage-Backed Securities.

"Rating Agency" means each nationally recognized securities rating agency that is maintaining the rating on the Bonds at the request of the Agency.

"Revenues" means all moneys received by or on behalf of the Agency or Trustee representing (i) principal and interest payments on the Mortgage-Backed Securities including all Principal Prepayments representing the same and all prepayment premiums or penalties received by or on behalf of the Agency in respect to the Mortgage-Backed Securities, (ii) interest earnings, amortization of discount, and gain, all as received as cash on the investment of amounts in any Account or Fund, (iii) amounts transferred to the Revenue Fund in accordance with the General Indenture, (iv) amounts transferred to the Special Redemption Account from the Debt Reserve Fund or the Loan Loss Fund, and (v) amounts deposited in the Revenue Fund pursuant to the General Indenture.

"Serial Bonds" means the Bonds which are not Term Bonds.

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

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

"Supplemental Mortgage Coverage" means the coverage, if any, of loss from Underlying Mortgage Loan defaults provided in a Series Indenture which supplements any primary mortgage insurance.

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

"Underlying Mortgage Loan" means a mortgage loan underlying any Mortgage-Backed Securities.

Payment Due or Acts to be Performed on Weekends and Holidays

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

General Indenture to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds issued under the General Indenture by those who shall own the same from time to time, the General Indenture shall be deemed to be and shall constitute a contract among the Agency and the owners of the Bonds. The pledges made in the General Indenture and the covenants and agreements set forth in the General Indenture to be performed by the Agency shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the General Indenture or by a Series Indenture.

Special Obligation; Pledge of the Indenture

The Bonds are special obligations of the Agency payable solely from and secured by the Pledged Property. The Agency has no taxing power. The Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision of the State, other than the Agency, or a pledge of the faith and credit of the State, but shall be payable solely from the Pledged Property. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision of the State to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Issuance of Bonds

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

(a) a copy, duly certified by an Authorized Officer, of the General Indenture and the Series Indenture for such Series of Bonds;

(b) a Bond Counsel's Opinion stating in the opinion of such counsel that the General Indenture and the applicable Series Indenture have been duly authorized, executed and delivered by, and are valid and binding obligations of, the Agency;

(c) a Cash Flow Statement, if required by the General Indenture, conforming to the requirements of the General Indenture;

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

(e) evidence that the issuance of said Bonds will not adversely affect the then-existing ratings of any of the Bonds by any Rating Agency.

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

(i) an amount shall be transferred to and deposited to the credit of the Debt Reserve Fund such that the amount on deposit in such Fund will at least equal the Debt Reserve Requirement;

(ii) an amount shall be transferred to and deposited to the credit of the Loan Loss Fund such that the amount on deposit in such Fund will at least equal the Loan Loss Requirement;

(iii) the total amount of such proceeds designated by the Agency as accrued interest and capitalized interest shall be transferred to and deposited to the credit of the Revenue Fund;

(iv) an amount equal to the Costs of Issuance for such Bonds shall be transferred to and deposited to the credit of the Series Account in the Costs of Issuance Fund established for such Series;

(v) an amount to the extent set forth in the applicable Series Indenture shall be transferred to and deposited in the Expense Fund;

(vi) an amount to be transferred to and deposited into any Fund or Account not referred to in clauses (i)-(v) above or (vii) below as provided in the applicable Series Indenture; and

(vii) the balance of such moneys shall be transferred to and deposited to the credit of the Acquisition Account in the Acquisition Fund established for such Series.

Refunding Bonds

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

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

(a) a copy, duly certified by an Authorized Officer, of the General Indenture and the Series Indenture for such Series of refunding Bonds;

(b) a Bond Counsel's Opinion stating in the opinion of such counsel that the General Indenture and the applicable Series Indenture have been duly authorized, executed, and delivered by, and are valid and binding obligations of, the Agency;

(c) a Cash Flow Statement, if required by the General Indenture, conforming to the requirements of the General Indenture;

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

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

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

(g) evidence that the issuance of said Bonds will not adversely affect the then-existing rating of any of the Bonds by any Rating Agency.

Issuance of Additional Obligations

The Agency may issue any obligations which are payable from or secured by a lien on and pledge of the Pledged Property, so long as such lien and pledge shall be in all respects subordinate to the lien and pledge created by the General Indenture.

Bonds No Longer Outstanding

Bonds shall no longer be treated as Outstanding (a) if they have been duly called for redemption or irrevocable instructions to call such Bonds for redemption shall have been given by the Agency to the Trustee and (b) with respect to which the Trustee holds money or Government Obligations sufficient to pay the Principal and Redemption Price of and interest on such on their respective interest payment, stated maturity or prescribed redemption dates.

Funds and Accounts

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

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

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

Bond Proceeds Fund—Series Bond Proceeds Accounts

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

Acquisition Fund—Series Acquisition Accounts

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

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

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

Costs of Issuance Fund—Series Costs of Issuance Accounts

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

Revenue Fund; Application of Revenues

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

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

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

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

The Trustee shall transfer Revenues in the Revenue Fund in the amounts specified in an Agency Request, on the dates therein specified, to the credit of the Funds and Accounts in, and in the priority of, clauses (1) - (9) below:

(1) To any Account in the Rebate Fund, the amount(s), if any, specified by the Agency;

(2) Principal payments, including Principal Prepayments, of Mortgage-Backed Securities in an amount equal to the amounts required by the Code to be applied to pay principal of Bonds shall be transferred to the Principal Account or the Special Redemption Account, as directed by the Agency;

(3) To the Interest Account, in the amount necessary to pay interest due on the next succeeding debt service payment date on the Bonds;

(4) To the Principal Account, in the amount necessary, after taking into account the amount transferred pursuant to clause (2) and the amount applied to the purchase of Bonds at the times, in the manner and for the purposes set forth in the General Indenture, to pay principal due on the next succeeding debt service payment date on the Bonds;

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

(6) To the credit of the Expense Fund, an amount of Expenses specified in the Agency Request which shall not exceed the remainder of (i) the product of (A) the maximum amount of Expenses which may be deposited in the Expense Fund during the then-current Fiscal Year and (B) the fraction whose numerator is the number of days from the beginning of such Fiscal Year to the next succeeding debt service payment date on the Bonds and whose denominator is 365 or 366, whichever represents the number of days in such Fiscal Year, less (ii) the aggregate amount of Expenses previously deposited into the Expense Fund during such Fiscal Year. In no event in any Fiscal Year can the amount deposited on any date, when aggregated with amounts already deposited during such Fiscal Year, cause the aggregate amount deposited in any Fiscal Year to exceed the maximum amount of Expenses which may be deposited in the Expense Fund in a Fiscal Year;

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

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

(9) To the General Fund, the balance.

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

Debt Service Fund—Interest Account

The Trustee shall, on each interest payment date, withdraw from the Interest Account and remit by such method of transfer acceptable to the Agency, to each owner of Bonds the amounts required for paying the interest on Bonds as such interest becomes due and payable.

Debt Service Fund—Principal Account

The Trustee shall, on each principal payment date, set aside in the Principal Account the amounts required for paying the principal of all Bonds as such principal becomes due and payable.

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

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

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

Redemption Fund

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

(a) The Trustee, upon the direction of the Agency, shall endeavor to purchase Bonds or portions of Bonds then Outstanding, whether or not such Bonds or portions of such Bonds shall then be subject to redemption, at a price not to exceed the Redemption Price (plus accrued interest, if any, to the date of redemption) which would be payable on the next redemption date. Such maximum purchase price may be exceeded in accordance with the test described in the proviso in the second paragraph under "Debt Service Fund—Principal Account" above. The Trustee shall pay the interest accrued on such Bonds to the date of settlement therefor from the Revenue Fund or the Interest Account of the Debt Service Fund and the balance of the purchase price from the Special Redemption Account or Optional Redemption Account, as applicable, but no such purchase shall be contracted for by the Trustee after the giving of notice by the Trustee that such Bonds have been called for redemption except from moneys other than moneys set aside in the Special Redemption Account or Optional Redemption Account, as applicable, for the redemption of such Bonds unless such purchase is from the party that has received such notice.

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

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

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

Expense Fund

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

(a) the payment of the fees and expenses of the Trustee and fees of the providers of credit enhancement on Bonds, Funds and Mortgage-Backed Securities; and

(b) for transfer to the Interest or Principal Accounts, pursuant to the Indenture; and

(c) upon requisition by Agency Request, the payment or reimbursement of any Expenses; and

(d) upon Agency Request, for transfer to the Revenue Fund and thereafter to be treated as Revenues.

Debt Reserve Fund

Moneys held for the credit of the Debt Reserve Fund shall be transferred or drawn upon for transfer, as applicable, by the Trustee to the Interest or Principal Account, in that order, as described under "Deficiencies in Debt Service Fund" below.

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

Loan Loss Fund

Moneys held for the credit of the Loan Loss Fund shall be transferred or drawn upon for transfer, as applicable, by the Trustee to the Interest or Principal Account, in that order, as described under "Deficiencies in Debt Service Fund" below.

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

General Fund

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

(i) to the credit of the Interest Account, an amount sufficient to cause the amount on deposit in said Account to equal any interest previously due and unpaid on Bonds;

(ii) to the credit of the Principal Account, an amount sufficient to make the amount then on deposit in said Account equal to any regularly scheduled principal of the Bonds previously due and unpaid;

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

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

(v) to the credit of the Expense Fund;

(vi) to the credit of the Optional Redemption Account for the redemption or purchase of Bonds;

(vii) to the credit of the Special Redemption Account for redemption or purchase of Bonds;

(viii) to any specified Series Acquisition Account in the Acquisition Fund;

(ix) to the credit of any Series Account in the Costs of Issuance Fund; or

(x) unless provided otherwise in a Series Indenture, to the Agency, for any other purpose authorized or required under the Act free and clear of the pledge and lien of the General Indenture; *provided, however,* that no such payment shall be made under this clause unless permitted pursuant to a Cash Flow Statement filed with the Trustee pursuant to the General Indenture.

Principal Prepayment Fund—Series Principal Prepayment Accounts

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

Supplementary Reserve Fund—Series Accounts

Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Indenture, the Trustee shall establish a Series Account within the Supplementary Reserve Fund applicable to such Series of Bonds. Such Series Account shall be held by the Trustee and applied as set forth in said Series Indenture. Such Series Account shall be funded by transfers from the Supplementary Bond Security Account created by Section 51368 of the Act, or from other legally available moneys of the Agency, in the amounts, at the times and in the manner set forth in said Series Indenture. Income earned on the investment of amounts in such Series Account shall be paid, transferred, retained or otherwise treated as set forth in said Series Indenture. Notwithstanding the foregoing or anything in the General Indenture to the contrary, amounts on deposit in any Series Account of the Supplementary Reserve Fund may be withdrawn and paid to the Agency free and clear of the lien and pledge of the General Indenture if each Rating Agency has confirmed that such withdrawal, in and of itself, will not adversely affect the then-existing rating of the Bonds by such Rating Agency.

Deficiencies in Debt Service Fund

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

(a) Revenue Fund;

(b) General Fund;

(c) Optional Redemption Account;

(d) Principal Prepayment Fund;

(e) Special Redemption Account;

(f) Loan Loss Fund;

(g) Expense Fund;

(h) Acquisition Fund (but only if the Agency has received a Bond Counsel's Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for Federal income tax purposes);

(i) Bond Proceeds Fund (but only if the Agency has received a Bond Counsel's Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for Federal income tax purposes);

(j) Costs of Issuance Fund;

(k) Debt Reserve Fund;

(l) Principal Account;

(m) Acquisition Fund (if the Bond Counsel's Opinion referred to in (h) above has not been received); and

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

Security for Deposits; Investment of Moneys

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

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

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

Cash Flow Statements

The General Indenture provides that, while any Bonds are Outstanding, the Agency shall file with the Trustee a Cash Flow Statement (i) whenever any Series of Bonds is issued, if the most recently filed Cash Flow Statement was filed more than twelve months prior to the date of issuance (provided that no Cash Flow Statement shall be required to be filed in connection with the issuance of the first Series of Bonds issued under the General Indenture); (ii) at least once during each Fiscal Year; (iii) upon purchase or redemption of Bonds in a manner materially inconsistent with the last Cash Flow Statement filed by the Agency with the Trustee; and (iv) prior to applying amounts in the General Fund for payment to the Agency free and clear of the lien of the Indenture.

The General Indenture provides that a Cash Flow Statement shall consist of a certificate of an Authorized Officer of the Agency giving effect to the action proposed to be taken and demonstrating in the current and each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that, as of each date on which principal or interest will be due on Bonds in each such Fiscal Year, (x) Pledged Property then expected to be on deposit in the Funds and Accounts maintained under the General Indenture will be at least equal to all amounts required by the General Indenture to be on deposit in such Funds and Accounts for the timely payment of Bonds and for the funding of, or crediting to, the Debt Reserve Fund and Loan Loss Fund to their respective Requirements, *except* that, to the extent specified in a Series Indenture or Supplemental Indenture, a Fund or Account or assets or property shall not be taken into account when preparing such Cash Flow Statement; and (y) the aggregate of the Pledged Property on deposit in all Funds and Accounts under the General Indenture, other than the Cost of Issuance Fund, Expense Fund and Interest Account, plus the aggregate principal balances of all Mortgage-Backed Securities, shall at least equal the sum of the aggregate principal amount of the Bonds Outstanding plus accrued interest.

The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based. The General Indenture requires that a Cash Flow Statement assume that all amounts held under the General Indenture with respect to which an investment arrangement is *not* in effect that guarantees a certain rate or rates are invested at a rate that does not exceed the applicable assumed interest rates determined by the then-current requirements of the Rating Agencies for bonds which bear the same rating as the then-current rating on the Bonds. In addition, the General Indenture provides that, in preparing a Cash Flow Statement, the Agency shall utilize with respect to Bonds the cash flow assumptions and tests required by the Rating Agencies in order to obtain or maintain a rating on the Bonds.

The General Indenture provides that except with respect to the annual Cash Flow Statement and actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to the date of the most recently available data as determined by the Agency.

If any Cash Flow Statement shall show a deficiency in any Fiscal Year in the amount of funds expected to be available for the purposes described in the General Indenture during such Fiscal Year, the Agency shall not be in default under the General Indenture but shall take all reasonable actions to eliminate such deficiency.

Tax Covenants

The Agency shall at all times comply with the applicable tax covenants contained in any applicable Series Indenture. If applicable and unless otherwise provided in the applicable Series Indenture, the Agency shall pay moneys in any Account in the Rebate Fund to the United States of America as required by the Code.

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

Books and Records

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

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

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

Annual Audit and Report

Within 120 days of the end of each June 30 (the period from the immediately preceding July 1 to and including June 30, the "reporting period"), the Agency shall furnish to the Trustee (i) a statement of its revenues, expenses and of the changes in net assets during the previous reporting period, certified to by an Accountant, (ii) a report of its activities during the previous reporting period, and (iii) a certificate from an Authorized Officer stating that there is no current Event of Default and that no Event of Default occurred during the preceding reporting period (or if there has been an Event of Default, providing the details thereof and describing the steps the Agency took, or is taking, to cure such Event of Default).

Program Covenants

The Agency warrants and covenants (a) that no Underlying Mortgage Loan shall be financed by the Agency under the Program unless the Underlying Mortgage Loan complies in all respects with the Act in effect on the date of financing and (b) to comply with any additional program covenants contained in any Series Indenture.

Events of Default

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

(i) payment of the principal or Redemption Price of any of the Bonds (other than subordinated Bonds) shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(ii) payment of any installment of interest on any Bonds shall not be made when the same shall become due and payable; or

(iii) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Agency in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Agency or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for the period of 60 consecutive days; or

(iv) the commencement by the Agency of a voluntary case under the Federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Agency or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the taking of action by the Agency in furtherance of any of the foregoing; or

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

Acceleration of Maturity

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

Enforcement of Remedies

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

In the enforcement of any remedy under the General Indenture, the Trustee shall be entitled to sue for, enforce payment of and recover judgment for any and all amounts then or after any default becoming, and at any time remaining, due from the Agency for principal of the Bonds, premium, if any, on the Bonds, interest on the Bonds or otherwise and unpaid, with, to the extent permitted by the applicable law, interest on overdue payments of principal of the Bonds and of interest on the Bonds at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses.

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

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

Pro Rata Application of Funds

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

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

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

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

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

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

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

SIXTH: to the payment of the interest on and the principal of the subordinated Bonds, to the purchase and retirement of subordinated Bonds and to the redemption of subordinated Bonds.

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

FIRST: to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Bonds which are not subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Bond which is not a subordinated Bond over any other Bond which is not a subordinated Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to the respective rates of interest specified in the Bonds which are not subordinated Bonds; and

SECOND: to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any subordinated Bond over any other subordinated Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to the respective rates of interest specified in the subordinated Bonds.

(iii) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then, subject to (ii) above in the event that the principal of all the Bonds shall later become or be declared due and payable, the money remaining in and thereafter accruing to the Debt Service Fund and the Debt Reserve Fund, together with any other money held by the Trustee under the General Indenture, shall be applied in accordance with the provisions of (i) above.

Restrictions Upon Actions by Individual Bondowner

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

Trustee Entitled to Indemnity

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

Compensation and Indemnification of Trustee

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

Resignation and Removal of Trustee

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

The Trustee may be removed upon 30 days' written notice (i) at any time by an instrument in writing executed by the owners of not less than a majority in principal amount of the Bonds then Outstanding or (ii) by the Agency in its sole and absolute discretion at any time except during the continuance of an Event of Default by filing with the Trustee notice of removal in the form of an Agency Request. The Trustee may also be removed at any time for reasonable cause by any court of competent jurisdiction upon the application of the Agency pursuant to resolution or of the owners of not less than 10% in principal amount of Bonds then Outstanding.

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

Appointment of Successor Trustee

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

Notwithstanding the foregoing, no successor Trustee shall be appointed without the prior written consent of The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (each a "GSE" and, together, the "GSEs").

Supplemental Indentures

The Agency, without obtaining the consent of the owners of the Bonds, from time to time and at any time, may execute such indentures supplemental to the provisions of the General Indenture:

(a) to make provisions to cure any ambiguity or correct, cure or supplement any defect or omission in the General Indenture or in regard to questions arising under the General Indenture which the Agency may deem desirable or necessary and not inconsistent with the General Indenture; or

(b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondowners or the Trustee; or

(c) to include as pledged revenues or money under, and subject to the provisions of, the General Indenture any additional revenues or money legally available therefor; or

(d) to cure any ambiguity, to correct or supplement any provision of the General Indenture which may be inconsistent with any other provision thereof, or to make any other provisions with respect to matters or questions arising under the General Indenture which shall not be inconsistent with the provisions thereof, provided such action shall not adversely affect the interest of the Bondowners; or

(e) to add to the covenants and agreements of the Agency in the General Indenture other covenants and agreements thereafter to be observed by the Agency or to surrender any right or power in the General Indenture reserved to or conferred upon the Agency; or

(f) to add provisions relating to coupon Bonds or Bonds issued with full book-entry delivery; or

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

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

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

(j) to add to the definition of Investment Obligations pursuant to the last proviso of the definition thereof; or

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

(l) to modify, amend or supplement the General Indenture in order to maintain the tax-exempt status of any Bonds; or

(m) to make any other change that does not materially adversely affect the interest of the Bondowners (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondowners).

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

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

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

(iii) in case the terms of any Sinking Fund Requirements are changed, the Owners of greater than fifty per centum (50%) in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Requirements and then Outstanding,

shall have the right, from time to time, to consent to and approve the execution by the Agency and the Trustee of such indenture or indentures supplemental to the General Indenture as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to, repealing or rescinding, in any particular, any of the terms or provisions contained in the General Indenture; *provided, however,* no Supplemental Indenture shall permit, or be construed as permitting, any of the following without the consent of all of the adversely affected Bondowners: (a) a change in the terms of redemption or of the maturity of the principal of or the interest on any Bonds, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest on any Bond, or (c) the creation of a lien upon or pledge of Revenues, or any part thereof, other than the lien and pledge created or permitted by the General Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as may be permitted by the applicable Series Indenture(s), or (e) a reduction in the aggregate principal amount or classes of the Bonds required for consent to such Supplemental Indenture. A Series shall be deemed to be affected by a modification or amendment of the General Indenture if the same adversely affects or diminishes the rights of the Owner of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series and maturity would be affected by any modification or amendment of the General Indenture and any such determination shall be binding and conclusive on the Agency and all Owners of Bonds.

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

Notice of any proposed Supplemental Indenture to be effective with consent of Bondowners will be mailed to all Bondowners, but any failure to mail such notice shall not affect the validity of such Supplemental Indenture when consented to as described above.

Notwithstanding the foregoing, the Agency may not amend, supplement, or modify the Indenture in any material respects without the prior written consent of the GSEs. The determination of the GSEs as to materiality shall be controlling.

Defeasance

If, when the Bonds secured by the General Indenture shall have become due and payable in accordance with their terms or otherwise as provided in the General Indenture, and all Bonds not described in the prior clause shall have been duly called for redemption or irrevocable instructions to call such Bonds for redemption shall have been given by the Agency to the Trustee, and the whole amount of the principal of, Redemption Price, and the interest on all of such Bonds shall be paid or the Trustee shall hold money or Government Obligations or shall hold money and Government Obligations sufficient to pay the principal of, Redemption Price, and interest on all Outstanding Bonds or which when due will provide sufficient moneys to pay the principal of, Redemption Price, and the interest on such Bonds, and provisions shall also be made for paying all other sums payable under the General Indenture by the Agency, then and in that case, the right, title and interest of the Trustee under the General Indenture shall thereupon cease, terminate and become void, and the Trustee in such case, on demand of the Agency, shall release the General Indenture and shall release the security and shall execute such documents to evidence such release as may be reasonably required by the Agency, and shall turn over to the Agency or to such officer, board or body as may then be entitled to receive the same, all the remaining property held by the Trustee under the General Indenture.

Governing Law

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

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APPENDIX A

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

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

Board of Directors
California Housing Finance Agency
Sacramento, California

We have audited the accompanying statement of net assets of the California Housing Finance Fund (the Fund), which is administered by the California Housing Finance Agency (the Agency), a component unit of the State of California as of and for the year ended June 30, 2012, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the California Housing Finance Fund as of June 30, 2011 were audited by other auditors whose report dated October 14, 2011, expressed an unqualified opinion on these financial statements.

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

As discussed in Note 1, the financial statements present only financial information about the Fund and are not intended to present fairly the net assets, revenues, expenses, and cash flows of the Agency as a whole in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 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. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Baltimore, Maryland
October 12, 2012

CALIFORNIA HOUSING FINANCE FUND
Management Discussion and Analysis
of Financial Position and Results of Operations
As of and for the fiscal years ended June 2012 and 2011

Introduction – The California Housing Finance Agency

The California Housing Finance Agency ("Agency") was created in 1975 by an act of the California Legislature and commenced operations in 1976. The Agency is a component unit of the State of California ("State") and is included in the State's Comprehensive Annual Financial Report. The Agency is authorized to administer the activities of the California Housing Finance Fund ("Fund"), the California Housing Loan Insurance Fund ("Mortgage Insurance Fund") and two state general obligation bond funds. The annual audited financial statements of the Mortgage Insurance Fund are available on the Agency's website - www.calhfa.ca.gov.

The CalHFA Mortgage Assistance Corporation ("CalHFA MAC") is a nonprofit public benefit corporation organized under the laws and rules of the state of California and within the meaning of Section 501(c)(3) of the Internal Revenue Code. CalHFA MAC is organized as an entity separate from CalHFA and its purposes, amongst other things are 1) to "develop and administer programs permitted under the Emergency Economic Stabilization Relief Act of 2008 (EESA) and to act as an institution eligible to receive funds under EESA's Troubled Asset Relief Program", and 2) to "lessen the burdens of government by assisting CalHFA prevent or mitigate impact of foreclosures on low and moderate income persons within the State of California". Although CalHFA grants CalHFA MAC a license to use "CalHFA" in its name, both acknowledge they are separate entities. Both are created under different provisions of law; the sources of funding for each are different; the funds are maintained separately; each maintains its own set of books and records separately; operational decisions of CalHFA MAC are not under the direction or control of Agency's Executive Director or the Agency's Governing Board. CalHFA MAC is solely responsible for its contractual and other obligations incident to running the Keep Your Home California ("KYHC") program. The annual audited financial statements of CalHFA MAC are available on the Keep Your Home California website - www.keepyourhomecalifornia.org.

The following Management Discussion and Analysis applies only to the activities of the California Housing Finance Fund and should be read in conjunction with the Fund's financial statements and the notes to the financial statements. Operations of the Fund include the issuance of Agency bonds and notes to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency is entirely self-funded and does not draw upon the general taxing authority of the State.

The financial statements present the totals of the Fund. The supplemental combining information of the Fund is organized by the following major categories: Homeownership Programs, Multifamily Rental Housing Programs, and Other Programs and Accounts. This information and information for specific programs and accounts is reported after the Notes to the financial statements.

The Homeownership Programs provide low cost mortgage capital to a network of approved lenders from whom the Fund purchases previously funded and closed loans secured by single family homes purchased by individual borrowers. The Multifamily Rental Housing Programs are typically used to directly fund loans to developers and housing sponsors for the construction or acquisition of multifamily rental housing developments. Interest rates on the Fund loans are generally below market rate; however, the programs are operated to be self-supporting. The Agency issues its own bonds and uses other available monies to provide the funding for these loan programs. Interest paid to bondholders is generally exempt from both state and federal tax; however, the Agency also issues federally-taxable bonds.

The Other Programs and Accounts category includes the Agency's Housing Assistance Trust ("HAT"), funded periodically from a portion of the Fund's operating income before transfers. The HAT provides a source of funding for low or very low income multifamily developments and other special purpose loans. Loans for these purposes generally would not produce sufficient revenues to support payments to bondholders. These loans typically accrue simple interest with repayment of principal and interest deferred for the term of the loan or until certain events occur, such as a sale of the property. Also included in this category are certain State-funded programs, which the Agency has been asked to administer for the State on a contract basis. Operating expenses of the Agency's loan and bond programs are paid from an Operating Account that is replenished from the Fund's operating income before transfers. Other accounts maintained by the Agency provide security for the issuance of bonds, emergency contingencies, loan servicing operations and loan warehousing activities.

Summary of Financial Results 2012-2011

- Operating loss before transfers was $105.4 million for fiscal year 2012 compared to an operating loss of $116.9 million for fiscal year 2011. The Agency has been primarily focused on loss mitigation while continuing to provide loan availability and down-payment assistance for qualified first time homebuyers.

- Other revenues were $18.6 million for fiscal year 2012 compared to $99.8 million in fiscal year 2011. The decrease was primarily due to the changes in the gain on early debt extinguishment and decrease in fair value of the investment swaps. The Agency recorded a $35.5 million gain on sale of early debt extinguishment in fiscal year 2011 compared to $0 in fiscal year 2012 and the fair value of investment swaps declined by $41.4 million in fiscal year 2012.

- The Fund's mortgage loan delinquencies have declined over the past year. The Fund's single family loan portfolio consists of 44.7% Federally guaranteed and 55.3% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio was 13.6% or 2,901 delinquent loans as of June 30, 2012. By comparison, the delinquency ratio for the Agency's single family portfolio was 14.7% or 3,546 loans as of June 30, 2011. Overall, the total number of delinquent loans declined by 18.2% or 645 loans.

- The Fund had $188.2 million in new loans receivable during fiscal year 2012. Total program loans receivable decreased by close to $862.3 million at fiscal year end. Decreases in program loans receivable for the homeownership loan portfolio were primarily due to the loan prepayments. Loan prepayments include all unscheduled principal payments applied to the unpaid principal balance of a loan such as principal received in loan payoff transactions, short sale and foreclosure transactions, and mortgage insurance claims, etc.

- Under the Home Mortgage Revenue Bonds ("HMRB") indenture, there was a total of $105.8 million of loans written-off during fiscal year 2012 due to the sale of foreclosed properties (net of insurance payment received) and on short sales (net of insurance payment received), $89.9 million and $15.9 million, respectively. The remaining HMRB foreclosed properties were written down by $27.2 million to reflect anticipated losses, net of anticipated insurance payment, upon sale of the foreclosed properties.

- The net total allowance for loan loss reserve under the HMRB indenture decreased by $5.3 million changing from $122.3 million in fiscal year 2011 to $117.0 million in fiscal year 2012.

- The Agency continued to actively manage and reduce the Fund's interest expense and exposures within the debt portfolio and redeemed $1.24 billion of bonds during fiscal year 2012.

- In June 2012, the Agency closed a bond issuance and converted $466.1 million of temporary rate bonds to permanent fixed rate bonds under the Federal Government's HFA Initiative Program – New Issue Bond Program ("NIBP") for the purpose of refunding variable rate bonds issued under the HMRB indenture. The refunding is scheduled to occur in July 2012.

- During fiscal year 2012, $75.1 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

- As part of the Governor's Reorganization Plan (GRP) for California government in 2012, both the Agency and Department of Housing and Community Development are scheduled to move into the newly formulated Business, Consumer Services and Housing Agency ("BCSHA") while the Business, Transportation and Housing Agency ("BT&H") is dissolved. An excerpt from the GRP No. 2 states that: " (12) Existing law establishes the California Housing Finance Agency within the Business, Transportation and Housing Agency, and authorizes the California Housing Agency to carry out various powers and duties relating to meeting the housing needs of persons and families of low or moderate income. This plan would instead provide that the California Housing Finance Agency is within the Department of Housing and Community Development and make various conforming changes."

- In April/May 2012, the Little Hoover Commission, an independent state oversight agency, reviewed the GRP and approved a reorganization that keeps both entities intact. The Agency would retain its board structure and independence to manage financial risks and its bond debt. The Project Initiation Document ("PID") is due to the Governor's Office in late 2012 and it is expected that the major areas of the collaboration/consolidation model are in place by July 1, 2013.

- The Agency's Standard and Poor's issuer credit and HMRB ratings, along with the Agency's ratings from Moody's, remained unchanged during fiscal year 2012.

Condensed Financial Information:

Condensed Schedule of Assets, Liabilities, and Net Assets

The following table presents condensed Schedule of Assets, Liabilities, and Net Assets for the Fund as of June 30, 2012 and 2011 and the change from the prior year (dollars in millions):

	2012	2011	Change
Assets			
Cash and investments	$2,789	$3,336	(547)
Program loans receivable-net	5,459	6,321	(862)
Other	500	562	(62)
Total Assets	$8,748	$10,219	(1,471)
Liabilities			
Bonds payable	$6,503	$7,843	(1,340)
Unamortized premium/Deferred gain	6	8	(2)
Notes payable	88	91	(3)
Other	701	797	(96)
Total Liabilities	$7,298	$8,739	(1,441)
Net Assets			
Invested in capital assets	$1	$1	-
Restricted net assets	1,449	1,479	(30)
Total Net Assets	$1,450	$1,480	(30)
Total Liabilities and Net Assets	$8,748	$10,219	(1,471)

Assets

Of the Fund's assets, 94.3% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding $1.1 million in furniture and equipment.

Total assets decreased by $1.47 billion during fiscal year 2012. The Fund's cash and investments were $2.79 billion as of June 30, 2012, a decrease of $546.6 million from June 30, 2011. The cash and investments balance decrease is primarily due to the increased in bond redemption activity in Homeownership and Multifamily Programs.

Of the Fund's assets, 31.9% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 9.5% is in investment agreements. The amount of funds invested in investment agreements during the 2012 fiscal year decreased by $25.4 million. Additionally, $1.31 billion of the Fund's investments are held in the State's Surplus Money Investment Fund ("SMIF") and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2012 decreased by $199.5 million.

The composition of cash and investments as of June 30, 2012 and 2011 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

	2012	2011	Change
Investment agreements	$212	$237	(25)
SMIF	1,312	1,512	(200)
Securities	705	456	249
Cash	560	1,131	(571)
Total Cash and Investments	$2,789	$3,336	(547)

Program loans receivable decreased by $862.3 million during fiscal year 2012 compared to fiscal year 2011. This decrease is primarily due to an increase in loan prepayments along with an increase in loan write-offs in fiscal year 2012. Loan prepayments decreased to $637.8 million during fiscal year 2012 compared to $776.9 million received in fiscal year 2011. Real estate owned ("REO") properties decreased $106.3 million to $86.2 million during fiscal year 2012 compared to $192.5 million in fiscal year 2011.

As of June 30, 2012 and June 30, 2011, the fair values of interest rate swaps were in the negative position of $324.4 million and $252.4 million, respectively.

Other Assets decreased by $61.8 million during fiscal year 2012 when compared to fiscal year 2011. The decrease is primarily due to the recording of the deferred outflow of resources related to interest rate swaps, and a decrease in REO properties offset by the increase in cash collateral held by the swap counterparties.

Liabilities

The Fund's liabilities were $7.30 billion as of June 30, 2012, a decrease of $1.44 billion from June 30, 2011. Of the Fund's liabilities, 89.2% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2012 decreased by $1.34 billion from the prior year mainly due to the scheduled principal payments and $1.24 billion in bond redemptions. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund for the year ended June 30, 2012 and 2011.

All of the bonds issued by the Agency are reported within the Fund and also includes the reporting of conduit bond obligations as liabilities in the accompanying financial statements along with the related assets. The bonds are limited obligations of the Agency, payable solely from the revenues and other funds and money pledged and assigned under the applicable indenture, series indenture, or master pledge and assignment (see Note 7).

The Agency issues both tax-exempt and federally taxable bonds. During the 2012 fiscal year, federally taxable bonds outstanding decreased by $1.002.8 million and as of June 30, 2012 represent 21.1% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $337.3 million and as of June 30, 2012 represent 78.9% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2012, the Agency did not issue any taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2012 and 2011 and the changes from the prior year (dollars in millions):

Bonds Payable

	2012	2011	Change
Tax-Exempt Bonds			
*Variable Rate	$2,496	$3,226	(730)
Fixed Rate	2,638	2,245	393
Total Tax-Exempt Bonds	$5,134	$5,471	(337)
Federally Taxable Bonds			
*Variable Rate	$1,025	$2,014	(989)
Fixed Rate	344	358	(14)
Total Federally Taxable Bonds	$1,369	$2,372	(1,003)
Total Bonds Outstanding	$6,503	$7,843	(1,340)

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Financial Statements).

All other liabilities decreased by $95.9 million during fiscal year 2012. The decrease was a combination of reclassification of gap loan loss reserve and mortgage insurance loan loss reserve to allowance for loan loss against the loan receivables, swap liability increase, and decrease in Pooled Money Investment Account (PMIA) loan payable. As of June 30, 2012, there was no outstanding balance for PMIA.

Net Assets

All of the Fund's net assets are restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total net assets of the Fund decreased by $30.3 million primarily as a result of transfers to the Fund in the amount of $75.1 million pursuant to the Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and was offset by operating losses of the Fund in the amount of $105.4 million.

Revenues, Expenses, and Changes in Net Assets

The following table presents condensed schedules of revenues, expenses, and changes in net assets for the Fund for the fiscal years ended June 30, 2012 and June 30, 2011 and the changes from the prior year (dollars in millions):

Condensed Schedules of Revenues, Expenses, and Changes in Net Assets

	2012	2011	Change
Operating Revenues:			
Interest income program loans – net	$289	$346	(57)
Interest income investments – net	34	32	2
Increase (Decrease) in fair value of investments	42	(5)	47
Other loan and commitment fees	30	31	(1)
Other revenues	19	100	(81)
Total Operating Revenues	$414	$504	(90)
Operating Expenses:			
Interest	$191	$249	(58)
Mortgage servicing fees	12	14	(2)
Salaries & general expenses	41	43	(2)
Other expenses	275	315	(40)
Total Operating Expenses	$519	$621	(102)
Operating Loss before transfers	(105)	(117)	12

Operating Revenues

Total operating revenues of the Fund were $413.9 million during fiscal year 2012 compared to $504.2 million during fiscal year 2011, a decrease of $90.3 million or 17.9%.

Interest income on program loans was $289.4 million during fiscal year 2012 compared to $346.4 million during fiscal year 2011, a decrease of $57 million. The decrease in interest income on program loans is primarily the result of a decrease in interest income on program loans and a net increase in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $862.2 million or 13.6% at June 30, 2012 compared to June 30, 2011.

Interest income from investments increased 8.6% to $34.3 million in fiscal year 2012 from $31.6 million in fiscal year 2011. The increase is primarily due to the increase in interest income from mortgage backed securities. Investment Agreements decreased $25.4 million from $237.3 million at June 30, 2011 to $211.9 million as of June 30, 2012, while SMIF decreased $200 million from $1.51 billion to $1.31 billion.

The increase in the total fair value of investments was $41.6 million in fiscal year 2012, a net increase of $46.5 million from fiscal year 2011, which had a decrease of $4.9 million in the fair value of investments. There was no gain on sale of securities in fiscal year ending June 30, 2012.

Other loan and commitment fees decreased $1.3 million to $30 million in fiscal year 2012 compared to $31.3 million for fiscal year 2011. The decrease was primarily due to the lower amount of loan servicing fees and the application fees received by the Fund.

Other revenues decreased by $81.2 million to $18.6 million during fiscal year 2012 compared to $99.8 million in fiscal year 2011. The decrease was primarily due to the decrease in the gain on debt extinguishment and the decrease in fair value of investment swap revenue.

Operating Expenses

Total operating expenses of the Fund were $519.3 million during fiscal year 2012 compared to $621.1 million during fiscal year 2011, a decrease of $101.8 million or 16.4%. The decrease is primarily due to the decrease in bond interest expenses and swap expenses.

Bonds payable at June 30, 2012 decreased by $1.34 billion from June 30, 2011 and bond interest and swap expense, which represents 36.8% of the Fund's total operating expenses, decreased by $58.0 million or 23.3% compared to fiscal year 2011. The decrease in bond interest and swap expense is attributed to the increased bond redemption activity and the Agency's participation in the Temporary Credit and Liquidity Program ("TCLP") which provides replacement credit and facilities for existing variable rate debt for State and local Housing Finance Agencies.

Salaries and general expenses slightly decreased from $42.7 million during fiscal year 2011 to $41.3 million during fiscal year 2012 (as shown in the condensed statements of revenues, expenses and changes in net assets).

Operating Loss before Transfers

Operating loss before transfers for fiscal year 2012 was $105.4 million compared to an operating loss of $116.9 million for fiscal year 2011. The $11.5 million decrease in operating loss before transfers is reflective of the activities mentioned above.

Summary of Financial Results 2011-2010

- Operating loss before transfers was $116.9 million for fiscal year 2011 compared to an operating loss of $188.5 million for fiscal year 2010. The Agency has been primarily focused on loss mitigation while continuing to provide loan availability and down-payment assistance for qualified first time homebuyers through the securitization of federally insured and guaranteed loans using Ginnie Mae "GNMA" securities and the Federal New Issue Bond Program "NIBP".

- The Fund's mortgage loan delinquencies have declined over the past year. The Fund's single family loan portfolio consists of 44% Federally guaranteed and 56% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio was 14.7% or 3,546 delinquent loans as of June 30, 2011. By comparison, the delinquency ratio for the Agency's single family portfolio was 17.1% or 4,706 loans as of June 30, 2010. Overall, the total number of delinquent loans declined by 24.6% or 1,160 loans.

- In fiscal year 2011, the total allowance for loan loss reserve was decreased by a net of $22.9 million to $94.3 million. Under the Home Mortgage Revenue Bonds ("HMRB") indenture, there was a total of $41 million of loans written-off during fiscal year 2011 due to the sale of foreclosed properties (net of insurance payment received) and on short sales (net of insurance payment received), $35.7 million and $5.3 million, respectively. The remaining HMRB foreclosed properties were written down by $36.7 million to reflect anticipated losses, net of anticipated insurance payment, upon sale of the foreclosed properties. Last fiscal year, the Agency established a cap of up to $135 million on the Agency's indemnification payments to the Mortgage Insurance Fund. Once the cap is reached in the Supplementary Bond Security Account ("SBSA") account, the gap insurance loss reserves and gap claim payments will be charged to the HMRB indenture. As of June 30, 2011, a total of $127.6 million in gap claim payments had been paid from fiscal years 2008 through 2011 leaving a balance of $7.4 million to be paid out of the SBSA. The gap insurance loss reserve established under the HMRB indenture increased $45.6 million from $40.2 million to $85.8 million in fiscal year 2011. As of June 30, 2011, the balance remaining in the Mortgage Insurance Fund to pay outstanding claim payments was $7.7 million. The Fund established a reserve during the year to cover the anticipated shortfall for Fund's loans insured by the Mortgage Insurance Fund. As of June 30, 2011, the Mortgage Insurance Fund loan loss reserve established under HMRB indenture was $29.5 million.

- The Fund had $301.3 million in new loans receivable during fiscal year 2011. Total Program loans receivable decreased by close to $823.4 million at fiscal year end. Decreases in programs loans receivable for the homeownership loan portfolio were primarily due to the increase in loan prepayments. Loan prepayments include all unscheduled principal payments applied to the unpaid principal balance of a loan.

- The Agency continued to actively manage the Fund's interest expense and exposures within the debt portfolio and redeemed $994.3 million of bonds during fiscal year 2011.

- During fiscal year 2011, the Agency issued $111.6 million of new bonds. The majority of the new bonds were issued under the Residential Mortgage Revenue Bonds ("RMRB") indenture and the amount issued represented only 40% of the total issue. Under the NIBP, the Agency was required to issue 40% or $96 million, to the general public. The remaining 60% or $144 million in bonds were already being held in escrow and were converted to fixed rate debt on the bond issuance date. During fiscal year 2011, $189 million of mortgage-backed securities were purchased under the RMRB indenture.

- During fiscal year 2011, $42.9 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

- The CalHFA Mortgage Assistance Corporation ("CalHFA MAC") is a nonprofit public benefit corporation organized under the laws and rules of the state of California and within the meaning of Section 501(c)(3) of the Internal Revenue Code. CalHFA MAC is organized as an entity separate from CalHFA and its purposes, amongst other things are 1) to "develop and administer programs permitted under the Emergency Economic Stabilization Relief Act of 2008 (EESA) and to act as an institution eligible to receive funds under EESA's Troubled Asset Relief Program", and 2) to "lessen the burdens of government by assisting CalHFA prevent or mitigate impact of foreclosures on low and moderate income persons within the State of California". Although CalHFA grants CalHFA MAC a license to use "CalHFA" in its name, both acknowledge they are separate entities. Both are created under different provisions of law; the sources of funding for each are different; the funds are maintained separately; each maintains its own set of books and records separately; operational decisions of CalHFA MAC are not under the direction or control of CalHFA's Executive director or CalHFA's Governing Board. CalHFA MAC is solely responsible for its contractual and other obligations incident to running the Keep Your Home California ("KYHC") program.

Condensed Financial Information:

Condensed Schedule of Assets, Liabilities, and Net Assets

The following table presents condensed Schedule of Assets, Liabilities, and Net Assets for the Fund as of June 30, 2011 and 2010 and the change from the prior year (dollars in millions):

	2011	2010	Change
Assets			
Cash and investments	$3,336	$3,784	(448)
Program loans receivable-net	6,321	7,144	(823)
Other	562	635	(73)
Total Assets	$10,219	$11,563	(1,344)
Liabilities			
Bonds payable	$7,843	$8,895	(1,052)
Unamortized premium/Deferred gain	8	11	(3)
Notes payable	91	94	(3)
Other	797	1,009	(212)
Total Liabilities	$8,739	$10,009	(1,270)
Net Assets			
Invested in capital assets	$1	$1	-
Restricted net assets	1,479	1,553	(74)
Total Net Assets	$1,480	$1,554	(74)
Total Liabilities and Net Assets	$10,219	$11,563	(1,344)

Assets

Of the Fund's assets, 94.5% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding $1.1 million in furniture and equipment.

Total assets decreased by $1.34 billion during fiscal year 2011. The Fund's cash and investments were $3.34 billion as of June 30, 2011, a decrease of $447.6 million from June 30, 2010. The cash and investments balance decrease is primarily due to the increased bond redemption activity in Homeownership Programs.

Of the Fund's assets, 32.7% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 10.8% is in investment agreements. The amount of funds invested in investment agreements during the 2011 fiscal year decreased by $66.1 million. In addition, $1.51 billion of the Fund's investments are held in the State's Surplus Money Investment Fund ("SMIF") and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2011 decreased by $174.8 million.

The composition of cash and investments as of June 30, 2011 and 2010 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

	2011	2010	Change
Investment agreements	$237	$303	(66)
SMIF	1,512	1,687	(175)
Securities	456	282	174
Cash	1,131	1,512	(381)
Total Cash and Investments	$3,336	$3,784	(448)

Program loans receivable decreased by $823.4 million during fiscal year 2011 compared to fiscal year 2010. This decrease is primarily due to an increase in loan prepayments along with an increase in loan write-offs in fiscal year 2011. Loan prepayments increased to $776.9 million during fiscal year 2011 compared to $441.8 million received in fiscal year 2010. Real estate owned ("REO") properties decreased $8.1 million to $192.5 million during fiscal year 2011 compared to $200.6 million in fiscal year 2010.

As of June 30, 2011 and June 30, 2010, the fair values of interest rate swaps were in the negative position of $252.4 million and $329.4 million, respectively.

Other Assets decreased by $73.3 million during fiscal year 2011 when compared to fiscal year 2010. The decrease is primarily due to the recording of the deferred outflow of resources related to interest rate swaps, and a decrease in REO properties offset by the increase in cash collateral held by the swap counterparties.

Liabilities

The Fund's liabilities were $8.74 billion as of June 30, 2011, a decrease of $1.27 billion from June 30, 2010. Of the Fund's liabilities, 89.8% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2011 decreased by $1.05 billion from the prior year mainly due to the scheduled principal payments and $994.3 million in bond redemptions. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund for the year ended June 30, 2011 and 2010.

All of the bonds issued by the Agency are reported within the Fund. The Agency issued a total of $111.6 million of bonds during fiscal year 2011, a decrease of $1.29 billion from $1.4 billion of bonds issued during fiscal year 2010. During fiscal year 2011, the Agency issued only fixed rate debt.

The Agency issues both tax-exempt and federally taxable bonds. During the 2011 fiscal year, federally taxable bonds outstanding decreased by $436.9 million and as of June 30, 2011 represent 30.2% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $614.6 million and as of June 30, 2011 represent 69.8% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2011, the Agency did not issue any taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2011 and 2010 and the changes from the prior year (dollars in millions):

Bonds Payable

	2011	2010	Change
Tax-Exempt Bonds			
*Variable Rate	$3,226	$3,568	(342)
Fixed Rate	2,245	2,518	(273)
Total Tax-Exempt Bonds	$5,471	$6,086	(615)
Federally Taxable Bonds			
*Variable Rate	$2,014	$2,371	(357)
Fixed Rate	358	438	(80)
Total Federally Taxable Bonds	$2,372	$2,809	(437)
Total Bonds Outstanding	$7,843	$8,895	(1,052)

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Financial Statements).

All other liabilities decreased by $212.4 million during fiscal year 2011. The decrease was primarily due to the recording of the decrease in fair value of interest rate swap, decrease on the revolving line of credit payable of Revolving Credit Agreement (:RCA"), and decrease in Pooled Money Investment Account loan payable. The RCA line of credit agreement ended February 28, 2011, and there was no outstanding balance at June 30, 2011.

Net Assets

All of the Fund's net assets are restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total net assets of the Fund decreased by $74 million primarily as a result of transfers to the Fund in the amount of $42.9 million pursuant to the Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and was offset by operating losses of the Fund in the amount of $116.9 million.

Revenues, Expenses, and Changes in Net Assets

The following table presents condensed schedules of revenues, expenses, and changes in net assets for the Fund for the fiscal years ended June 30, 2011 and June 30, 2010 and the changes from the prior year (dollars in millions):

Condensed Schedules of Revenues, Expenses, and Changes in Net Assets

	2011	2010	Change
Operating Revenues:			
Interest income program loans – net	$346	$393	(47)
Interest income investments – net	32	40	(8)
Increase (Decrease) in fair value of investments	(5)	19	(24)
Other loan and commitment fees	31	29	2
Other revenues	100	49	51
Total Operating Revenues	$504	$530	(26)
Operating Expenses:			
Interest	$249	$318	(69)
Mortgage servicing fees	14	16	(2)
Salaries & general expenses	43	93	(50)
Other expenses	315	291	24
Total Operating Expenses	$621	$718	(97)
Operating Loss before transfers	(117)	(188)	71

Operating Revenues

Total operating revenues of the Fund were $504.2 million during fiscal year 2011 compared to $530 million during fiscal year 2010, a decrease of $25.8 million or 4.9%.

Interest income on program loans was $346.4 million during fiscal year 2011 compared to $393 million during fiscal year 2010, a decrease of $46.6 million. The decrease in interest income on program loans is primarily the result of a decrease in interest income on program loans and a net increase in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $823.4 million or 11.5% at June 30, 2011 compared to June 30, 2010.

Interest income from investments decreased 21.4% to $31.6 million in fiscal year 2011 from $40.2 million in fiscal year 2010. The decrease is primarily due to the decrease in interest income from Investment Agreements and SMIF. Investment Agreements decreased $66.1 million from $303.4 million at June 30, 2010 to $237.3 million as of June 30, 2011, while SMIF decreased $174.8 million from $1.69 billion to $1.51 billion.

The decrease in the total fair value of investments was $23.7 million in fiscal year 2011. The decrease in fair value of investments was $14.9 million and the decrease in gain of sale of securities was $8.9 million.

Other loan and commitment fees increased $2.2 million to $31.3 million in fiscal year 2011 compared to $29.1 million for fiscal year 2010. The increase was primarily due to the application fees received by the Fund.

Other revenues increased by $51 million to $99.8 million during fiscal year 2011 compared to $48.8 million in fiscal year 2010. The increase was primarily due to the gain on debt extinguishment and the increase in fair value of investment swap revenue.

Operating Expenses

Total operating expenses of the Fund were $621.1 million during fiscal year 2011 compared to $718.4 million during fiscal year 2010, a decrease of $97.4 million or 13.6%. The decrease is primarily due to the decrease in bond interest expenses, swap expenses and decrease in swap termination expenses.

Bonds payable at June 30, 2011 decreased by $1.05 billion from June 30, 2010 and bond interest and swap expense, which represents 40.1% of the Fund's total operating expenses, decreased by $68.8 million or 21.6% compared to fiscal year 2010. The decrease in bond interest and swap expense is attributed to the increased bond redemption activity and the Agency's participation in the Temporary Credit and Liquidity Program ("TCLP") which provides replacement credit and facilities for existing variable rate debt for State and local Housing Finance Agencies.

Salaries and general expenses decreased from $93.4 million during fiscal year 2010 to $42.7 million during fiscal year 2011 (as shown in the condensed statements of revenues, expenses and changes in net assets).

Operating Loss before Transfers

Operating loss before transfers for fiscal year 2011 was $116.9 million compared to an operating loss of $188.5 million for fiscal year 2010. The $71.6 million decrease in operating loss before transfers is reflective of the activities mentioned above.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET ASSETS
June 30, 2012 and June 30, 2011
(Dollars in Thousands)

	2012 Totals	2011 Totals
ASSETS		
Current assets:		
Cash and cash equivalents	$ 559,865	$ 1,130,977
Investments	1,652,102	1,826,513
Current portion - program loans receivable, net of allowance	163,801	172,027
Interest receivable:		
Program loans, net	29,018	38,114
Investments	6,506	7,008
Accounts receivable	24,894	29,128
Other assets	85,536	52,435
Total current assets	2,521,722	3,256,202
Noncurrent assets:		
Investments	577,505	378,608
Program loans receivable, net of allowance	5,295,050	6,149,078
Deferred financing costs	23,860	28,689
Other assets and deferred outflow	329,867	406,146
Total noncurrent assets	6,226,282	6,962,521
Total assets	$ 8,748,004	$ 10,218,723
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion - bonds payable, net	$ 107,273	$ 173,961
Interest payable	84,955	100,679
Due to other government entities, net	570	22,889
Compensated absences	4,254	4,365
Deposits and other liabilities	230,370	346,780
Total current liabilities	427,422	648,674
Noncurrent liabilities:		
Bonds payable	6,402,243	7,677,063
Notes payable	87,929	90,979
Due to other government entities, net	32,805	33,156
Other liabilities and deferred inflow	324,224	261,845
Deferred revenues	23,569	26,931
Total noncurrent liabilities	6,870,770	8,089,974
Total liabilities	7,298,192	8,738,648
Commitments and contingencies (see notes 11 and 13)		
Net assets:		
Invested in capital assets	1,119	1,114
Restricted by indenture	323,271	339,441
Restricted by statute	1,125,422	1,139,520
Total net assets	1,449,812	1,480,075
Total liabilities and net assets	$ 8,748,004	$ 10,218,723

See notes to financial statements.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2012 and June 30, 2011
(Dollars in Thousands)

	2012 Totals	2011 Totals
OPERATING REVENUES		
Interest income:		
Program loans, net	$ 289,433	$ 346,355
Investments, net	34,332	31,614
Increase (decrease) in fair value of investments	41,577	(4,851)
Loan commitment fees	2,577	2,507
Other loan fees	27,378	28,821
Other revenues	18,595	99,753
Total operating revenues	413,892	504,199
SALARIES AND GENERAL EXPENSES		
Interest	191,265	249,253
Amortization of bond discount and bond premium	(1,024)	(3,297)
Mortgage servicing expenses	11,688	13,685
Provision for program loan losses	105,833	62,858
Salaries and general expenses	41,303	42,668
Other expenses	170,232	255,888
Total salaries and general expenses	519,297	621,055
Operating loss before transfers	(105,405)	(116,856)
Transfers in	75,142	42,948
Decrease in net assets	(30,263)	(73,908)
Net assets at beginning of year	1,480,075	1,553,983
Net assets at end of year	$ 1,449,812	$ 1,480,075

See notes to financial statements.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and June 30, 2011
(Dollars in Thousands)

	2012 Totals	2011 Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 298,527	$ 343,650
Payments to suppliers	(23,828)	(27,283)
Payments to employees	(30,357)	(30,206)
Other receipts	626,860	590,261
Net cash provided by operating activities	871,202	876,422
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from other government entities	(18,836)	(64,920)
Net cash used for noncapital financing activities	(18,836)	(64,920)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sales of bonds	32,862	111,627
Payment of bond principal	(139,387)	(174,161)
Early bond redemptions	(1,236,983)	(994,314)
Interest paid on debt	(206,990)	(271,784)
Interfund transfers	75,142	42,948
Increase to deferred costs	(47)	(1,067)
Net cash used for by capital and related financing activities	(1,475,403)	(1,286,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	4,149,265	3,833,563
Purchase of investments	(4,132,174)	(3,772,221)
Interest on investments, net	34,834	32,469
Net cash provided by (used for) investing activities	51,925	93,811
Net decrease in cash and cash equivalents	(571,112)	(381,438)
Cash and cash equivalents at beginning of year	1,130,977	1,512,415
Cash and cash equivalents at end of year	$ 559,865	$ 1,130,977
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating loss	$ (105,405)	$ (116,856)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest expense on debt	191,265	249,253
Interest on investments	(34,332)	(31,615)
Changes in fair value of investments	(41,577)	4,852
Accretion of capital appreciation bonds	453	2,478
Amortization of bond discount	78	330
Amortization of deferred losses on refundings of debt	335	485
Amortization of bond issuance costs	4,875	6,533
Amortization of bond premium	(1,916)	(4,112)
Amortization of deferred revenue	(2,577)	(2,507)
Depreciation	277	248
Provision for program loan losses	105,833	62,858
Provision for yield reduction payments	(3,092)	6,475
Provision for nonmortgage investment excess	(737)	(2,646)
Effect of changes in operating assets and liabilities:		
Purchase of program loans-net	(171,765)	(299,259)
Collection of principal from program loans, net	919,276	1,067,889
Interest receivable	9,096	(2,706)
Accounts receivable	919	(161)
Other assets and deferred outflow	(60,116)	61,456
Compensated absences	(111)	7
Deposits and other liabilities	(1,167)	(46,683)
Other liabilities and deferred inflow	61,590	(79,897)
Net cash provided by operating activities	$ 871,202	$ 876,422
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash transfer of program loan to REO	$ 115,948	$ 4,217

See notes to financial statements.

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CALIFORNIA HOUSING FINANCE FUND
NOTES TO FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2012 and 2011

Note 1 – AUTHORIZING LEGISLATION AND ORGANIZATION

The California Housing Finance Fund ("Fund") is one of two continuously appropriated funds administered by the California Housing Finance Agency ("Agency"). The Agency was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), as amended, as a public instrumentality, a political subdivision and a component unit of the State of California ("State"), and administers the activities of the Fund and the California Housing Loan Insurance Fund ("Mortgage Insurance Fund"). These funds allow the Agency to carry out its purpose of financing the housing needs of persons and families of low and moderate income within the State. The Agency is authorized to issue its bonds, notes and other obligations to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency has no taxing power and is exempt from federal income taxes and state franchise taxes. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Agency may also provide administrative, consulting and technical services in connection with the financing of housing developments; act as a State representative in receiving and allocating federal housing subsidies; and make grants, under certain circumstances, to housing sponsors (providing that grants may not be made with proceeds from the sale of bonds or notes).

The Agency is the administrator of the Home Purchase Assistance Fund, established by Section 51341 of the Health and Safety Code *et seq.* which is a state general obligation bond program. the funds of which are neither generated nor held within the Fund, and therefore, not included in the accompanying financial statements.

The accompanying financial statements are the financial statements of the Fund and do not include the financial position or the results of operations of the Mortgage Insurance Fund which insures loans owned by the Agency and others to finance the acquisition, new construction or rehabilitation of residential structures in California. As of December 31, 2011, the Mortgage Insurance Fund had total assets of $1.4 million and deficit of $91.8 million (not covered by this Independent Auditors' Report).

As a component unit of the State, the financial information of the Fund is included in the State's Comprehensive Annual Financial Report.

Programs and accounts are as follows:

Home Mortgage Revenue Bonds: The Home Mortgage Revenue Bonds provide financing for the Agency's Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the Federal Housing Administration ("FHA"), the Mortgage Insurance Fund, the Department of Veterans Affairs ("VA"), a private mortgage guaranty insurance policy, or a combination thereof, covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

Draw Down Bonds: The Draw Down Bonds are a low cost means for preserving tax exempt borrowing authority; they were issued in lieu of short term notes. The bonds are unrated and are issued in variable rate form and have monthly or weekly rate resets based on certain indices. The bonds are secured solely by their proceeds which are invested in investment agreements or the SMIF. These investments bear interest rates equal to or slightly in excess of the rates on the bonds.

Housing Program Bonds: The Housing Program Bonds Indenture was created to provide a vehicle for issuing debt to finance either multifamily or single family programs of the Agency. Bonds issued under this indenture are backed by the Agency's general obligation. As of June 30, 2012, the Agency has three series of bonds issued and outstanding under this indenture. These bonds were issued to finance deferred payment. simple interest loans originated under certain of the Agency's down payment assistance programs, as well as to finance certain multifamily loans.

Housing Mortgage Bonds: The Housing Mortgage Bonds are issued to enable the Agency to make or purchase Mortgage Loans and Mortgage Backed Securities secured by first liens on newly constructed or existing single family homes in California.

Residential Mortgage Revenue Bonds: The Residential Mortgage Revenue Bonds are issued by the Agency pursuant to a national initiative of the United States Treasury to assist state and local housing finance authorities by the Federal Program. The Bonds, issued as escrow bonds pursuant to the Indenture. are to be converted to long-term fixed-rate bonds. The Treasury has agreed. through government-sponsored agencies, to purchase certain mortgage revenue bonds at rate lower than the prevailing market intended to reduce the costs of funds to issuers to the making or financing of mortgage loans.

Multifamily Loan Purchase Bonds: On July 26, 2000, the Agency purchased 278 Department of Housing and Urban Development ("HUD") Section 236 loans with an aggregate unpaid principal balance of approximately $270 million. The purpose of this transaction was to enhance the ability of the Agency to assist affordable housing sponsors to refinance their projects and extend the period during which the units are offered at affordable rents to very-low-income and lower-income tenants. The Agency expects to provide the financing for many of these transactions.

Multifamily Housing Revenue Bonds II: The Multifamily Housing Revenue Bonds II are fixed rate bonds collateralized by the GNMA mortgage-backed securities and/or FHA insured loans. The bonds were issued to provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation) and permanent financing for developments.

Multifamily Housing Revenue Bonds III: The Multifamily Housing Revenue Bonds III are fixed or variable rate bonds collateralized by GNMA mortgage-backed securities and/or FHA insured loans and/or uninsured loans. The bonds provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation), and permanent financing for developments.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project): This Bond is issued pursuant and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Santa Cruz, California, owned by Mission Gardens Affordable, L.P., a California limited partnership.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project): This Bond is issued pursuant and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Ramona, California, owned by Montecito Village Affordable, L.P., a California limited partnership.

Limited Obligation Multifamily Housing Revenue Bonds (Fairmont Apartments Project): The bonds were issued to finance a loan to the borrower for acquisition, rehabilitation and development of a 31-unit multifamily rental housing project located in the City of Oakland, California, and known as Fairmont Apartments.

Limited Obligation Multifamily Housing Revenue Bonds (Belovida Apartment Project): The bonds were issued pursuant to a Trust Indenture dated as of August 1, 2010 between the Agency and U.S. Bank National Association, as Trustee. The proceeds of the Bonds are used by the Agency to finance a mortgage loan, to Belovida at Newbury Park, L.P., for the purpose of financing a portion of the cost of the acquisition, construction and development of a multifamily rental housing development located in the city of San Jose, California.

Limited Obligation Multifamily Housing Revenue Bonds (Highlands Point Apartments): The bonds were issued pursuant to the Act and this Indenture to finance the acquisition, construction and development of an approximately 293-unit multifamily rental housing development located within the City of San Ramon, California to be known as Highlands Point Apartments for persons and families of low or moderate income.

Limited Obligation Multifamily Housing Revenue Bonds (South Pace Apartments): The bonds were issued pursuant to the Act for the purpose of funding a loan to finance the borrower's acquisition, rehabilitation, and development of a 93-unit multifamily rental housing project located in the City of Fairfield, California and known as South Pace apartments. The loan is secured by certain Construction Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing.

Limited Obligation Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan - One Santa Fe Apartments): The bonds were issued to acquire fully modified mortgage-backed securities, Ginnie Mae Certificates, issued by PNC Bank, N.A. backed by a mortgage loan to 1SF-R, LP, which mortgage loan is insured by the Secretary of Housing and Urban Development. The Mortgage Loan is made to the borrower to provide for the financing of a multifamily rental housing development located in Los Angeles, California and to be known as One Santa Fe Apartment.

Limited Obligation Multifamily Housing Revenue Bonds (Woollf House Apartments): The bonds were issued for the purpose of making a loan to Woolf House Partners LP, to finance a portion of the costs of acquiring, rehabilitating equipping and otherwise improving an existing 182-unit residential rental apartment complex.

Affordable Multifamily Housing Revenue Bonds: The Affordable Multifamily Housing Revenue Bonds are issued under the Indenture in connection with the New Issue Bond Program of the HFA Initiative pursuant to the Memorandum of Understanding dated October 19, 2009 among Treasury, the Federal Housing Finance Agency, Fannie Mae and Freddie Mac to facilitate financing for various state and local housing finance agencies to serve homebuyers and low and moderate income renter.

Housing Assistance Trust: The Housing Assistance Trust ("HAT") is comprised of Agency investments in special purpose mortgage loans promoting both rental housing and homeownership, remaining investments in mortgage loans from fully redeemed bond indentures, and funds to assist in the development of single and multifamily projects through various low-interest loan and technical assistance programs. Also, included within HAT are funds held in trust representing Earned Surplus and Financial Adjustment Factor ("FAF") Savings from HUD Section 8 projects. Earned Surplus is to be used in lowering the rents for persons and families of low or moderate income in accordance with state law. FAF Savings are to be used in providing decent, safe, and sanitary housing, which is available for very-low income families and persons qualifying in accordance with federal law.

Contract Administration Programs: The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program, the California Homebuyer's Down payment Assistance Program, National Foreclosure Mitigation Counseling Program, Mental Health Services Act Housing Program, and programs offered pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006. Funding of these programs was appropriated by the legislature or provided by voter authorized State bond programs to other departments and agencies within the State that have contracted with the Agency for this purpose. All monies transferred in accordance with the agreements and for the purposes of the program are considered assets of the Fund. The Fund received transfers in the amount of $75.1 million and $42.9 million for fiscal year 2012 and 2011, respectively.

Supplementary Bond Security Account: This account was established exclusively to secure issuances of bonds. This security may be accomplished by creating supplementary reserve accounts to provide for payment of the principal, interest, redemption premiums or sinking fund payments on bonds, or by insuring mortgage loans made with the proceeds of bond issues or to indemnify the Mortgage Insurance Fund for losses.

Emergency Reserve Account: This account was established by the Agency to meet its obligations and liabilities incurred in connection with its housing loan programs. This reserve is maintained at approximately one percent (1%) of the aggregate amount of the Agency's net program loans receivable.

Loan Servicing: The Agency services nearly all multifamily program loans, approximately 37.5% of the Agency's homeownership program loans in first lien position (as of June 30, 2012), and all junior or subordinate lien homeownership program loans and certain other loans for the California State Teachers' Retirement System and Fannie Mae. Loan servicing agreements require that the Agency hold and maintain escrow and reserve accounts, on behalf of borrowers, that are reported as "Deposits and Other Liabilities".

Loan Warehousing: The Agency borrowed $22.5 million from the State's Pooled Money Investment Account ("PMIA") for short-term warehousing of Agency loans. Homeownership loans are typically warehoused as they are purchased from originating lenders and subsequently transferred to individual bond financings on a monthly basis. The borrowing, which is reapplied for and approved in six-month intervals, requires that interest be paid on the loan at a rate equal to the earnings rate on SMIF on the date of the new loan. As of June 30, 2012, there was no outstanding balance on the PMIA loan which has been fully repaid.

Citigroup Global Markets: The Loan Agreements were made and entered into by and between the Agency and Citibank, N.A., as lender, under the Zenovich-Moscone-Chacon Housing and Home Finance Act. Pursuant to the Loan Agreements, the proceeds of the Agency Loans will be used to retire certain indebtedness of the Agency including to refund and redeem all or a portion of certain Multifamily Rental Housing Bonds of the Agency that were originally issued to finance the Projects. and for other valid purposes of the Agency under the Act.

Operating Account: The Operating Account was established for purposes of depositing funds available to the Agency for payment of operating and administrative expenses of the Agency and financing expenditures not associated with specific bond funds.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting: The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (hereinafter referred to as "Generally Accepted Accounting Principles").

Accounting and Reporting Standards: The Agency follows the Standards of Governmental Accounting and Financial Reporting, as promulgated by GASB. The Agency has adopted the option under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds Accounting*, which allows the Agency to apply all GASB pronouncements and only Financial Accounting Standards Board ("FASB") pronouncements which date prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Recently Adopted Accounting Pronouncements: CalHFA has adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.* This Statement requires the government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. The objective of GASB 64 is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or swap counterparty's credit support provider occurs. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. For fiscal year 2012, CalHFA has adopted and complied with this standard.

New Accounting Pronouncements: GASB issued statements for the future reporting periods that will be applicable to the Agency. In December. 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, with earlier application encouraged. The objective of GASB Statement No. 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is include in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. effective for period beginning after December 15. 2011. with earlier application encouraged. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. In March 2012, the GASB issued Statement No. 65, Items *Previously Reported as Assets and Liabilities*, effective for period beginning after December 15, 2012, with earlier application encouraged. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflow of resources, certain items that were previously reported as assets and liabilities. The Agency will adopt GASB No. 62 and GASB No. 63, and plans to apply GASB No. 65 for the fiscal year beginning July 1, 2012.

Use of Estimates: The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the gap insurance loss reserve. Based on factors such as reported delinquency categories, claim frequency percentages, severity of loss percentages and level of mortgage insurance coverage, the Agency records the estimated gap insurance losses for the delinquent mortgage loan portfolio. Actual results could differ materially from those estimates.

Cash and Cash Equivalents: The Agency considers cash on hand. cash on deposit with financial institutions and cash held in money market funds to be cash and cash equivalents.

Investments: All investments are reported at fair value as determined by financial services providers or financial publications, except for certain non-participating fixed interest investment contracts which are valued using cost based measures. The net increase (decrease) in the fair value of investments includes both realized and unrealized gains and losses.

Interest Rate Swap Agreements: The Agency enters into interest rate swap agreements with swap counterparties to manage variable interest rate risk exposure resulting from the issuance of variable rate bonds. The interest rate swap agreements provide synthetic fixed rates of interest on the underlying bonds and are accounted for as matched swaps in accordance with settlement accounting. An interest rate swap is considered to be a matched swap if it is linked through designation with an asset or liability that is on the statements of net assets, provided that it has the opposite interest characteristics of such Statements of net assets item. Under settlement accounting, periodic net cash settlements under the swap agreements are treated as an increase or decrease in interest expense of the related bond liability over the lives of the agreements. While these swap contracts hedge floating rate bonds issued within the HMRB indenture. hedging expenses are a general obligation of the Agency that is often reimbursed with excess revenue transfers from the HMRB indenture. The interest rate swap agreements allow the Agency to manage the interest rate risk associated with variable rate debt.

Program Loans Receivable, net: Loans receivables are carried at their outstanding principal balances, less an allowance for loan losses.

Allowance for Program Loan Losses: The Agency's policy is to charge expenses for estimated probable losses which are established as an allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans based on evaluations of collectability and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, delinquencies, and anticipated economic and other conditions that may affect the borrowers' ability to repay the loans. While management uses the best information available to evaluate the adequacy of its allowance, future adjustments to the allowance may be necessary if actual experience differs from the factors used in making the evaluations.

Other Real Estate Owned ("REO"): Property acquired by the Agency through foreclosure is recorded at the lower of estimated fair value less estimated selling costs (fair value) or the carrying value of the related loan at the date of foreclosure and is included in "Other Assets" on the accompanying financial statements. At the time the property is acquired, if the fair value is less than the loan amounts outstanding, any difference is charged against the allowance for loan losses. After acquisition, valuations are periodically performed and, if the carrying value of the property exceeds the current fair value, a valuation allowance is established by a charge to operations. Subsequent increases in the fair value may reduce or eliminate the allowance. Operating costs on foreclosed real estate are expensed as incurred. Costs incurred for physical improvements to foreclosed real estate are capitalized if the value is recoverable through future sale.

Bonds Payable, net: Bonds Payable and Notes Payable are carried at their outstanding principal balances, plus unamortized bond premiums, less unamortized bond discounts, unamortized underwriters discounts and deferred losses on refundings.

Bond Premium, Discount and Deferred Financing Costs: Premium, discount and financing costs on bonds are deferred and amortized over the life of the related bond issue using the straight line method of amortization.

Capital Appreciation Bonds: Capital appreciation bonds are payable upon redemption or at maturity in an amount equal to the initial principal amount of such bond plus an amount of interest which, based on semi-annual compounding from the original issuance date, will produce a given yield to the stated maturity. This "Accreted Value" is accrued as bond interest, thereby increasing the original issuance amount of the capital appreciation bond which is not paid until redemption or maturity.

Compensated Absences: Agency employees accrue vacation or annual leave in varying amounts for each monthly period worked. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination, or death may be compensated for certain accumulated amounts at their then current rates of pay. The Agency records an expense for all accumulated leave that the Agency would be required to pay if all employees terminated their employment.

Deferred Revenue: Deferred revenue represents the receipt of certain loan commitment fees and other fees from lenders and borrowers, which is generally recognized as revenue over the life of the associated loans. Also included in deferred revenue is the cumulative amount by which pass-through revenues exceed expenses and allowable costs of issuance of certain programs.

Net Assets: Net Assets are classified as invested in capital assets or restricted net assets. Invested in capital assets represents investments in office equipment and furniture net of depreciation. Restricted net assets represent net assets balances under the lien of bond indentures that are therefore pledged to bondholders. State statutes further restrict other net assets of the Fund solely for purposes of the Agency and provide for a continuing appropriation of such assets for the benefit of bondholders.

Extinguishment of Debt: The Agency accounts for gains and losses associated with debt refundings by deferring such gains or losses and recognizing them as revenues or expenses over the shorter of the term of the bonds extinguished or the term of the refunding bonds. Gains or losses associated with debt redemptions and maturing principal, other than refundings, are recognized as income or expense at the date of the extinguishment.

Operating Revenues and Expenses: The Fund's primary operating revenue is derived from the investment of bond proceeds in the loan programs and investment securities. The primary expense is interest expense on bonds outstanding. Net interest income is an important measure of performance for the Fund. "Interest income program loans" and "interest income investments-net" are shown as operating revenues in the statements of Revenue, Expenses and Changes in Net Assets.

Other Operating Revenues and Expenses: The Agency administers certain Section 8 contracts under the HUD guidelines of New Construction and Substantial Rehabilitation. Included in most contracts is an administrative fee earned by the Agency which totaled $1.7 million for both years ended June 30, 2012 and 2011. The Agency also administers National Foreclosure Mitigation Counseling Program ("FMC"). The HUD and FMC pass-through payments aggregated $73.4 million and $76.4 million for the years ended June 30, 2012 and 2011, respectively, and are reported as other operating revenues and expenses within Other Programs and Accounts.

Note 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Fund utilizes a cash and investment pool maintained by the State Treasurer's office. Each program and account's portion of this pool is included in investments on the statements of net assets. In addition, other types of investments are separately held by most of the programs and accounts.

Cash and Cash Equivalents: At June 30, 2012 and 2011, all cash and cash equivalents, totaling $559.9 million and $1.13 billion, respectively, were covered by federal depository insurance or by collateral held by the Agency's agent in the Agency's name.

Investments: Investment of funds is restricted by the Act and the various bond resolutions and indentures of the Agency, generally, to certain types of investment securities, including direct obligations of the U.S. Government and its agencies, the State Treasurer's Pooled Money Investment Account, long term investment agreements which are issued by institutions rated within the top two ratings of a nationally recognized rating service, and other financial instruments.

In December 2010, the Agency entered into a U. S. Bank National Association Open Repurchase agreement with U.S. Bank through its Money Center for most of the programs except HMRB. Although the repurchase agreements are not insured by Federal Deposit Insurance Corporation ("FDIC") or guaranteed by any governmental agency or authority, or by U.S. Bank, the securities purchased are U.S. government or other government agency securities at a specified price and U.S. Bank has the obligation to repurchase those securities back at a higher price after a specified period, or at the demand of the Agency. As of June 30, 2012, the par value and market value of U.S. Bank open repurchase agreements was $128.1 million.

The Agency is required to post collateral based on the Agency's current Long Term Debt Ratings assigned by either Standard and Poor's Rating Group or Moody's Investor Service, Inc., as set forth in each International Swap Dealers Association, Inc. ("ISDA") Master Agreement (see Note 7). The total cash and fair market value of investment securities posted as collateral at June 30. 2012 and 2011 was $120.3 million and $78.1 million, respectively.

Investments at June 30, 2012 and 2011 are as follows (dollars in thousands):

	Fair Value June, 30 2012	Fair Value June, 30 2011
U.S. Agency Securities --- GNMA's	$ 423,058	$ 209,762
Federal Agency Securities	154,447	168,846
Investment Agreements -- Financial Institutions (at cost)	-	149,307
Total		
Other Investments:		
Surplus Money Investment Fund --- State of California	1,312,147	1,511,662
'US Bank NA Open Repurchase Agreement	128,102	77,598
Other Investment Agreements (at cost)	70,229	87,946
Total Investments	$ 2,087,983	$ 2,205,121
Current portion	1,652,102	1,826,513
Noncurrent portion	577,505	378,608
Total	$ 2,229,607	$ 2,205,121

Note 4 – INVESTMENT RISK FACTORS

Investments by type at June 30, 2012 and 2011 consists of the following (dollars in thousands):

	2012 Totals	2011 Totals
U.S. Agency Securities -- GNMA's	$ 423,058	$ 209,762
Federal Agency Securities	154,447	168,846
Investment Agreements -- Financial Institutions (at cost)	211,853	237,253
US Bank NA Open Repurchase Agreement	128,102	77,598
Surplus Money Investment Fund -- State of California	1,312,147	1,511,662
Total Investments	$ 2,229,607	$ 2,205,121

There are many factors that can affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. It is the investment policy of the Agency to invest substantially all of its funds in fixed income securities, which limits the Agency's exposure to most types of risk.

Credit Risk: Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

The credit risk profile for fixed income securities at June 30, 2012 and 2011 are as follows (dollars in thousands):

	2012 Totals	2011 Totals
Fixed income securities:		
U.S. government guaranteed	$ 577,505	$ 378,608
Guaranteed interest contracts:		
Rated Aaa/AAA	-	13,997
Rated Aaa/AA+	116	
Rated Aaa/NR	12,716	32,977
Rated Aa2/AA+	-	857
Rated NR/AA+	-	5,027
Rated Aa2/AA	12,399	-
Rated Aa2/A+	-	96,739
Rated Aa3/A+	128,102	92,024
Rated A1/AA+	8,845	-
Rated A1/AA-	53,011	69,559
Rated A1/A+	-	3,188
Rated A2/A	110,208	-
Rated A3/A	-	483
Rated A3/NR	14,558	-
Total fixed income securities	$ 917,460	$ 693,459

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. At June 30, 2012, the Agency did not have any investments exposed to custodial credit. All investments are held by the State of California or by pledging financial institutions in the name of the Agency.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the Agency to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as the commingled funds managed by the Agency are not considered subject to concentration of credit risk. At June 30, 2012, no investments in any one issuer exceed 5% of the net assets, except for securities issued by the U.S. government or its agencies.

Interest Rate Risk: Interest rate risk is the risk that the value of fixed income securities will decline due to decreasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. At June 30, 2012, the Agency does not have any debt investments that are highly sensitive to changes in interest rates.

Effective duration is the approximate change in price of a security resulting from a 100 basis points (1 percentage point) change in the level of interest rates. It is not a measure of time. The effective duration for fixed income securities at June 30, 2012 and 2011 are as follows:

	2012	2011
Fixed income securities:		
U.S. government guaranteed	16.31	16.91

Note 5 – PROGRAM LOANS RECEIVABLE

Changes in program loans receivable for the years ended June 30, 2012 and 2011 are as follows (dollars in thousands):

	2012 Totals	2011 Totals
Beginning of year balance	$ 6,932,903	$ 7,787,149
Loans purchased/funded	304,167	305,548
Noncash transfers - REO	(115,948)	(4,216)
Amortized principal repayments	(178,580)	(291,985)
Prepayments	(637,826)	(776,943)
Principal Reduction Program	(1,491)	(932)
Chargeoffs	(115,626)	(85,718)
Subtotal	6,187,599	6,932,903
Unamortized Mortgage Discount	(3,101)	(3,249)
Transfer to mortgage-backed securities	(439,685)	(321,705)
Transfer to REO- net of write-down	(86,186)	(192,518)
Allowance for loan loss	(199,776)	(94,326)
	$ 5,458,851	$ 6,321,105
Current portion	$ 163,801	$ 172,027
Noncurrent portion	5,295,050	6,149,078
Total	$ 5,458,851	$ 6,321,105

Note 6 – ALLOWANCE FOR PROGRAM LOAN LOSSES

Changes in the allowance for program loan losses for the year ended June 30, 2012 and 2011 are as follows (dollars in thousands):

	2012 Totals	2011 Totals
Beginning of year balance	$ 94,326	$ 117,186
Provisions for program loan losses	105,833	62,858
Noncash transfer of Gap and CalHLIF reserve to Allowance for loan loss	115,243	-
Chargeoffs	(115,626)	(85,718)
End of year balance	$ 199,776	$ 94,326

Note 7 – BONDS AND NOTES PAYABLE AND ASSOCIATED INTEREST RATE SWAPS

The Act empowers the Agency, on behalf of the Fund, to issue both federally taxable and tax exempt bonds and notes. Bonds and notes issued by the Agency are not debts of the State but are special and general obligations of the Agency payable solely from and collateralized by the revenues and other assets pledged under the respective indentures. The Act provides the Agency with the authority to have outstanding bonds or notes, at any one time. in the aggregate principal amount of $13.15 billion excluding refunding issues and certain taxable securities.

The Agency, on behalf of the Fund, as part of its interest rate risk management program, has entered into interest rate swap agreements with various counterparties wherein the Agency has agreed to pay fixed or variable rates of interest and receive floating rate payments.

Bonds payable and the terms and outstanding notional amounts and fair value of associated interest rate swaps as of June 30, 2012 are as follows (dollars in thousands):

	Bonds					
Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
Home Mortgage Revenue Bonds:						
1999 Series O	Taxable					
2000 Series D	Taxable					
2000 Series H	Taxable	0.630%	2017		$ 20,680	$ 20.680
2000 Series J	Tax-Exempt					
2000 Series N	Tax-Exempt	0.170%	2031		20,500	20,500
2000 Series V	Taxable	0.890%	2032		17,905	17,905
2000 Series V	Taxable	0.890%	2032		17,990	17,990
2000 Series X-2	Tax-Exempt	0.170%	2031		11,150	11,150
2000 Series Z	Taxable	0.690%	2031		38,330	38,330
2001 Series D	Taxable	0.770%	2022		48,750	48,750
2001 Series G	Taxable	0.710%	2029		42,235	42,235
2001 Series J	Tax-Exempt	0.170%	2032		27,420	27,420
2001 Series K	Taxable	0.750%	2032		47.105	47,105
2001 Series N	Tax-Exempt					
2001 Series O	Taxable	0.780%	2032		53,065	53,065
2001 Series S	Taxable	0.820%	2023		37.080	37.080
2001 Series U	Tax-Exempt	0.170%	2032		37,225	37,225
2001 Series V	Taxable	0.640%	2031		15,795	15,795
2002 Series B	Tax-Exempt	0.170%	2033		32,895	32,895
2002 Series C	Taxable	0.760%	2033		26.930	26,930
2002 Series D	Taxable	0.680%	2030		25,405	25,405
2002 Series F	Tax-Exempt					
2002 Series H	Taxable	0.760%	2022		18,265	18,265
2002 Series J	Tax-Exempt	0.170%	2033		63,100	63,100
2002 Series L	Taxable	0.760%	2024		21,590	21,590
2002 Series M	Tax-Exempt	0.170%	2022		39,250	39,250
2002 Series M	Tax-Exempt	0.170%	2033		8,290	8.290
2002 Series O	Taxable	0.710%	2033		19,065	19.065
2002 Series P	Tax-Exempt					
2002 Series Q	Tax-Exempt	0.170%	2033		5,030	5,030
2002 Series U	Tax-Exempt	0.170%	2032		26,120	26,120
2002 Series U	Tax-Exempt	0.170%	2031		26,140	26,140
2003 Series D	Tax-Exempt	0.170%	2033		39,230	39,230

			Swaps			
Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	6.6550%	LIBOR	12/9/99	8/1/12	$ 1.045	$ (6)
Fixed payer	7.1950%	LIBOR	1/27/00	2/1/13	1,420	(10)
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	18,990	(5,584)
Fixed payer	4.5275%	LIBOR @ 65%	10/5/00	8/1/15	17,905	(1,202)
Fixed payer	7.0960%	6 mo LIBOR	10/5/00	8/1/14	12,925	(840)
Fixed payer	4.5100%	LIBOR @ 65%	12/13/00	8/1/31	22,770	(5,883)
Fixed payer	6.8430%	3 mo LIBOR	12/13/00	8/1/16	18,175	(2,016)
Fixed payer	6.2150%	3 mo LIBOR+.26%	1/25/01	8/1/19	33,460	(5,247)
Fixed payer	6.0100%	3 mo LIBOR+.20%	4/5/01	2/1/16	17,005	(1,790)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	28,155	(3,935)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	7.010	(626)
Fixed payer	6.3600%	3 mo LIBOR+.27%	7/26/01	8/1/20	37,050	(6,551)
Fixed payer	5.5300%	3 mo LIBOR+.31%	10/10/01	8/1/18	23.120	(2,601)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	42,590	(6,651)
Fixed payer	3.8880%	LIBOR @ 65%	4/18/02	8/1/27	33,925	(7,588)
Fixed payer	5.6000%	3 mo LIBOR+.25%	5/1/02	8/1/12	795	(3)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	35,620	(5,169)
Fixed payer	5.5350%	3 mo LIBOR+.25%	11/1/02	2/1/13	2,285	(40)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	58,760	(7,685)
Fixed payer	5.1000%	3 mo LIBOR+.25%	12/1/02	2/1/13	2,320	(22)
Fixed payer	3.7280%	LIBOR @ 65%	10/17/02	8/1/22	41,600	(5,766)
Fixed payer	3.1480%	LIBOR @ 65%	12/12/02	8/1/22	50,610	(6,300)
Fixed payer	3.8200%	LIBOR @ 65%	12/12/02	8/1/32	10,635	(559)
Fixed payer	3.2400%	LIBOR @ 60%+.26%	3/6/03	2/1/31	25,855	(65)

	Bonds					
Bond Issue	**Type of Bond**	**Interest Rate Range**	**Final Maturity Date**	**Outstanding Fixed**	**Outstanding Variable**	**Total**
2003 Series D	Tax-Exempt	0.170%	2022		32,105	32,105
2003 Series F	Tax-Exempt	0.170%	2022		25,555	25,555
2003 Series F	Tax-Exempt	0.170%	2034		64,645	64,645
2003 Series G	Taxable	0.660%	2034		16,810	16,810
2003 Series H	Tax-Exempt	0.170%	2032		40,475	40,475
2003 Series H	Tax-Exempt	0.170%	2033		45,390	45,390
2003 Series I	Taxable	0.690%	2033		30,355	30,355
2003 Series K	Tax-Exempt	0.170%	2033		47,730	47.730
2003 Series K	Tax-Exempt	0.170%	2034		31,475	31,475
2003 Series L	Taxable	0.690%	2034		29.215	29.215
2003 Series M	Tax-Exempt	0.170%	2024		40,255	40,255
2003 Series M	Tax-Exempt	0.170%	2034		57,530	57,530
2003 Series N	Taxable	0.720%	2034		32,250	32,250
2004 Series A	Tax-Exempt					
2004 Series E	Tax-Exempt	0.170%	2023		38.940	38.940
2004 Series E	Tax-Exempt	0.170%	2035		49,525	49,525
2004 Series F	Taxable	0.700%	2035		43,445	43.445
2004 Series G	Tax-Exempt					
2004 Series G	Tax-Exempt					
2004 Series I	Tax-Exempt					
2005 Series A	Tax-Exempt	0.170%	2035		101,025	101,025
2005 Series B	Tax-Exempt	0.170%	2016		9,755	9,755
2005 Series B	Tax-Exempt	0.170%	2035		91,300	91,300
2005 Series D	Tax-Exempt	0.170%	2038		44,755	44,755
2005 Series D	Tax-Exempt	0.170%	2040		88,075	88,075
2005 Series F	Tax-Exempt	0.170%	2037		50,395	50,395
2005 Series F	Tax-Exempt	0.170%	2038		80,280	80,280
2005 Series H	Tax-Exempt	0.170%	2036		54,995	54,995
2005 Series H	Tax-Exempt	0.170%	2036		69,155	69,155
2006 Series C	Tax-Exempt	0.170%	2037		51,075	51,075
2006 Series C	Tax-Exempt	0.170%	2037		71,120	71,120
2006 Series D	Tax-Exempt	4.250% - 4.400%	2017	20,000		20,000
2006 Series E	Tax-Exempt	4.600% - 5.000%	2026	45,390		45,390
2006 Series F	Tax-Exempt	0.170%	2040		7,100	7,100
2006 Series F	Tax-Exempt	0.170%	2041		54,295	54,295
2006 Series G	Tax-Exempt	3.700% - 3.875%	2016	25,420		25,420
2006 Series H	Tax-Exempt	5.750% - 5.750%	2030	19,085		19,085
2006 Series I	Tax-Exempt	4.600% - 4.875%	2041	71,135		71,135
2006 Series J	Tax-Exempt	4.050% - 4.150%	2016	17,295		17.295
2006 Series K	Tax-Exempt	4.550% - 5.500%	2042	158,115		158,115
2006 Series L	Tax-Exempt	4.000% - 4.150%	2016	26,505		26,505
2006 Series M	Tax-Exempt	4.550% - 5.000%	2042	123,660		123,660
2007 Series A	Taxable	5.720%	2032	90,000		90,000
2007 Series B	Taxable	0.690%	2042		40,000	40,000
2007 Series C	Taxable	0.690%	2042		20.000	20,000
2007 Series D	Tax-Exempt	4.050% - 4.400%	2018	47,360		47,360
2007 Series E	Tax-Exempt	4.650% - 5.000%	2042	126,250		126,250
2007 Series F	Tax-Exempt	4.400% - 4.700%	2017	30,635		30,635
2007 Series G	Tax-Exempt	4.950% - 5.050%	2029	65,615		65,615
2007 Series G	Tax-Exempt	5.500%	2042	49,200		49.200
2007 Series H	Tax-Exempt	0.170%	2033		41,255	41,255
2007 Series H	Tax-Exempt	0.170%	2042		50.000	50,000
2007 Series I	Tax-Exempt	4.000% - 4.350%	2017	11,595		11,595
2007 Series J	Tax-Exempt	5.750%	2047	21,245		21,245
2007 Series K	Tax-Exempt	0.170%	2037		17.340	17,340

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
			Swaps			
Fixed payer	3.1300%	LIBOR @ 60%+.26%	4/10/03	8/1/19	30,935	(75)
Fixed payer	2.6750%	LIBOR @ 60%+.26%	8/7/03	8/1/30	40,475	(798)
Fixed payer	3.2700%	LIBOR @ 60%+.26%	8/1/04	2/1/18	47,730	(1,269)
Fixed payer	3.2250%	LIBOR @ 60%+.26%	2/4/04	8/1/19	41,570	(628)
Fixed payer	3.8900%	LIBOR @ 60%+.26%	2/4/04	8/1/34	40,705	(783)
Fixed payer	3.0875%	LIBOR @ 60%+.26%	8/1/04	8/1/30	27,085	(2,478)
Fixed payer	3.5400%	LIBOR @ 60%+.26%	4/1/05	8/1/20	42,540	(1,803)
Fixed payer	4.1330%	LIBOR @ 60%+.26%	4/1/05	2/1/35	43,845	(2,385)
Fixed payer	3.6100%	LIBOR @ 60%+.26%	2/1/05	2/1/34	48,085	(6,787)
Fixed payer	4.0821%	LIBOR @ 60%+.26%	8/1/04	2/1/35	6,275	(246)
Fixed payer	3.5600%	LIBOR @ 60%+.26%	8/4/04	2/1/33	15,285	(2,069)
Fixed payer	3.8040%	LIBOR @ 60%+.26%	4/5/05	8/1/35	101,025	(16,509)
Fixed payer	3.0490%	LIBOR @ 60%+.26%	7/1/05	2/1/16	24,600	(1,111)
Fixed payer	3.7260%	LIBOR @ 60%+.26%	7/1/05	2/1/35	21,985	(789)
Fixed payer	3.1580%	LIBOR @ 60%+.26%	5/19/05	2/1/36	48,470	(2,630)
Fixed payer	3.3860%	LIBOR @ 60%+.26%	7/28/05	2/1/38	61,830	(3,547)
Fixed payer	3.8570%	LIBOR @ 62%+.25%	12/15/05	2/1/36	49,720	(3,077)
Fixed payer	4.0590%	LIBOR @ 62%+.25%	4/19/06	2/1/37	71,120	(6,838)
Fixed payer	4.2550%	LIBOR @ 62%+.25%	7/27/06	8/1/40	60,000	(4,303)
Fixed payer	4.1360%	LIBOR @ 62%+.25%	7/27/06	2/1/41	60,000	(7,456)
Fixed payer	4.0480%	LIBOR @ 62%+.25%	8/8/07	2/1/31	50,000	(6,850)
Fixed payer	4.2360%	LIBOR @ 62%+.25%	8/8/07	2/1//38	50,000	(7,663)
Fixed payer	3.9870%	LIBOR @ 63%+.24%	11/7/07	8/1/32	25,000	(2,607)

	Bonds					
Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
2007 Series K	Tax-Exempt	0.170%	2038		25,000	25,000
2007 Series L	Taxable	5.530%	2027	44,190		44,190
2007 Series M	Taxable	5.835%	2032	80,495		80,495
2007 Series N	Taxable	0.690%	2043		60,000	60,000
2008 Series A	Tax-Exempt	3.700% - 4.500%	2020	31,900		31,900
2008 Series B	Tax-Exempt	4.800% - 5.000%	2028	11,710		11,710
2008 Series C	Tax-Exempt	0.170%	2041		12,130	12,130
2008 Series C	Tax-Exempt	0.170%	2041		15,850	15,850
2008 Series C	Tax-Exempt	0.170%	2041		7,005	7,005
2008 Series C	Tax-Exempt	0.170%	2041		7,760	7,760
2008 Series C	Tax-Exempt	0.170%	2041		12,550	12,550
2008 Series D	Tax-Exempt	0.170%	2043		1,680	1,680
2008 Series D	Tax-Exempt	0.170%	2043		2,595	2,595
2008 Series D	Tax-Exempt	0.170%	2043		1,355	1,355
2008 Series D	Tax-Exempt	0.170%	2043		3,865	3,865
2008 Series D	Tax-Exempt	0.170%	2031		35,420	35,420
2008 Series D	Tax-Exempt	0.170%	2031		27,460	27,460
2008 Series D	Tax-Exempt	0.170%	2043		4,210	4,210
2008 Series D	Tax-Exempt	0.170%	2043		1,980	1,980
2008 Series E	Tax-Exempt	0.170%	2032		17,385	17,385
2008 Series E	Tax-Exempt	0.170%	2032		7,930	7,930
2008 Series F	Tax-Exempt	0.170%	2032		20,160	20,160
2008 Series G	Taxable	6.000%	2025	50,000		50,000
2008 Series H	Taxable	4.950%	2020	77,645		77,645
2008 Series I	Taxable	1.730%	2042		17,000	17,000
2008 Series I	Taxable	1.730%	2042		13,990	13,990
2008 Series I	Taxable	1.730%	2042		47,270	47,270
2008 Series J	Tax-Exempt	4.375% - 5.125%	2018	61,280		61,280
2008 Series K	Tax-Exempt	5.300% - 5.550%	2038	102,885		102,885
2008 Series L	Tax-Exempt	5.200% - 5.550%	2033	155,950		155,950
Housing Program Bonds:						
2004 Series A	Tax-Exempt	0.170%	2036		28,000	28,000
2006 Series A	Tax-Exempt	4.750% - 4.950%	2036	42,890		42,890
2006 Series B	Taxable	0.150%	2036		32,650	32,650
Residential Mortgage Revenue Bonds:						
2009 Series A-1	Taxable	0.118%	2041		150,000	150,000
2009 Series A-3	Tax-Exempt	3.100%	2041	35,700		35,700
2009 Series A-4	Tax-Exempt	0.630%	2041	107,190		107,190
2009 Series A-5	Tax-Exempt	1.150%	2041	466,115		466,115
2010 Series A	Tax-Exempt	0.950% - 4.625%	2027	23,395		23,395
2011 Series A	Tax-Exempt	0.375% - 4.750%	2028	70,855		70,855
Multifamily Loan Purchase Bonds:						
2000 Series A	Taxable	Variable	2017		16,100	16,100
Multifamily Housing Revenue Bonds II:						
1996 Series A	Tax-Exempt	6.050%	2027	15,025		15,025
1996 Series B	Tax-Exempt	6.050% - 6.150%	2022	17,120		17,120

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	4.0400%	LIBOR @ 63%+.24%	11/7/07	2/1/38	25,000	(2,607)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	2,225	(765)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	13.345	(2,779)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	7,005	(1,916)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	7,760	(2,571)
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	1,680	(825)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	2,595	(630)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	1,355	(261)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	3,865	(1,279)
Fixed payer	4.8500%	LIBOR @ 65%	11/18/08	2/1/17	23,235	(1,901)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	11,460	(1,739)
Fixed payer	4.8000%	LIBOR @ 65%	11/18/00	2/1/17	4,210	(819)
Fixed payer	4.6600%	LIBOR @ 65%	11/18/08	2/1/16	9,235	(696)
Fixed payer	3.8700%	LIBOR @ 65%	11/18/08	8/1/17	18,645	(1,636)
Fixed payer	6.1950%	LIBOR	8/1/02	8/1/14	10,005	(499)
Fixed payer	7.1100%	LIBOR	11/18/08	8/1/22	33,700	(9,793)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Bonds Outstanding Fixed	Bonds Outstanding Variable	Total
Multifamily Housing Revenue Bonds III:						
1997 Series A	Tax-Exempt	5.850% - 6.050%	2038	60,040		60,040
1998 Series A	Tax-Exempt	5.050% - 5.500%	2038	25,900		25,900
1998 Series B	Tax-Exempt	5.400% - 5.500%	2039	64.910		64.910
1998 Series C	Tax-Exempt	5.200% - 5.300%	2022	6,730		6,730
1999 Series A	Tax-Exempt	5.200% - 5.375%	2036	29,420		29,420
2000 Series A	Tax-Exempt	0.167%	2035		69,655	69.655
2000 Series B	Tax-Exempt	0.157%	2031		5,280	5.280
2000 Series C	Tax-Exempt	0.167%	2033		43,580	43.580
2000 Series D	Tax-Exempt	0.157%	2031		12,365	12,365
2001 Series C	Taxable	0.170%	2041		10,730	10,730
2001 Series D	Tax-Exempt	0.143%	2022		615	615
2001 Series E	Tax-Exempt	0.167%	2036		45,240	45.240
2001 Series F	Tax-Exempt	0.142%	2032		11,990	11.990
2001 Series G	Tax-Exempt	0.167%	2025		3,265	3,265
2001 Series G	Tax-Exempt	0.167%	2036		36,070	36.070
2001 Series G	Tax-Exempt	0.167%	2036		8,955	8.955
2001 Series H	Taxable	0.156%	2036		14,715	14,715
2002 Series A	Tax-Exempt	0.167%	2037		8,875	8,875
2002 Series A	Tax-Exempt	0.167%	2037		6,815	6,815
2002 Series B	Tax-Exempt	0.160%	2035		17,280	17,280
2002 Series C	Tax-Exempt	0.173%	2037		5,985	5.985
2002 Series C	Tax-Exempt	0.170%	2037		15,125	15.125
2002 Series D	Tax-Exempt	0.143%	2033		4,045	4,045
2002 Series E	Tax-Exempt	0.167%	2037		14,485	14,485
2002 Series E	Tax-Exempt	0.167%	2037		38,420	38.420
2003 Series C	Tax-Exempt	0.637%	2038		9,225	9,225
2003 Series C	Tax-Exempt	0.637%	2038		13,300	13.300
2003 Series C	Tax-Exempt	0.637%	2038		8,995	8.995
2004 Series A	Tax-Exempt					
2004 Series B	Tax-Exempt	4.087%	2039		1,905	1.905
2004 Series B	Tax-Exempt	4.087%	2039		5,835	5,835
2004 Series B	Tax-Exempt	4.087%	2039		5,095	5,095
2004 Series B	Tax-Exempt	4.087%	2039		13,470	13,470
2004 Series B	Tax-Exempt	4.087%	2039		1,570	1,570
2004 Series C	Tax-Exempt	0.407%	2037		5	5
2004 Series C	Tax-Exempt	0.407%	2037		7,435	7,435
2004 Series D	Tax-Exempt	0.407%	2039		43,375	43.375
2005 Series A	Tax-Exempt	0.143%	2035		2,205	2.205
2005 Series B	Tax-Exempt	0.186%	2038		2,360	2,360
2005 Series B	Tax-Exempt	0.186%	2038		2,645	2,645
2005 Series B	Tax-Exempt	0.186%	2038		3,180	3,180
2005 Series C	Tax-Exempt	3.800% - 4.900%	2036	8,200		8,200
2005 Series D	Tax-Exempt	0.170%	2038		16,610	16.610
2005 Series E	Tax-Exempt	4.250% - 5.125%	2038	20,145		20,145
2006 Series A	Tax-Exempt	0.170%	2041		1,070	1.070
2006 Series A	Tax-Exempt	0.170%	2041		1,360	1,360
2006 Series A	Tax-Exempt	0.170%	2041		3,595	3,595
2007 Series A	Tax-Exempt	4.400% - 4.750%	2034	1,465		1,465
2007 Series B	Tax-Exempt	0.167%	2040		845	845
2007 Series B	Tax-Exempt	0.167%	2040		1,535	1,535
2007 Series C	Tax-Exempt	0.167%	2042		5,845	5,845
2007 Series C	Tax-Exempt	0.167%	2040		4,740	4,740
2008 Series A	Tax-Exempt	0.153%	2040		7,985	7.985
2008 Series B	Tax-Exempt	0.167%	2036		19,045	19,045

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
			Swaps			
Fixed payer	4.5850%	LIBOR @ 64%	7/12/00	2/1/31	1.240	(256)
Fixed payer	4.3950%	LIBOR @ 64%	11/18/08	2/1/31	13,170	(3,790)
Fixed payer	4.4520%	SIFMA less .20%	6/28/01	8/1/22	2,200	(423)
Fixed payer	4.7120%	SIFMA less .15%	6/28/01	2/1/36	45,240	(14,672)
Fixed payer	4.0290%	SIFMA less .20%	2/1/02	2/1/32	13,470	(2,665)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	3,280	(683)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	37,585	(9,911)
Fixed payer	4.5950%	SIFMA less .15%	2/1/04	2/1/34	8.955	(2,790)
Fixed payer	4.5000%	SIFMA less .15%	8/1/02	8/1/32	15,970	(4,294)
Fixed payer	4.8900%	SIFMA less .15%	2/2/04	2/1/37	10,955	(4,080)
Fixed payer	4.0370%	SIFMA less .20%	2/1/03	2/1/35	22,950	(5,415)
Fixed payer	4.4050%	SIFMA less .15%	2/1/04	2/1/37	13.060	(4,189)
Fixed payer	4.6380%	SIFMA less .15%	8/1/05	8/1/37	15.350	(5,209)
Fixed payer	4.0850%	SIFMA less .20%	2/3/03	2/1/35	11,025	(2,982)
Fixed payer	4.1510%	SIFMA less .15%	2/3/03	2/1/35	14,485	(4,031)
Fixed payer	4.5710%	SIFMA less .15%	11/1/04	8/1/37	38.420	(13,961)
Fixed payer	3.5560%	LIBOR @ 60%+.26%	2/1/04	8/1/35	13,135	(702)
Fixed payer	4.0260%	LIBOR @ 60%+.26%	8/1/05	8/1/35	13,985	(507)
Fixed payer	4.1770%	LIBOR @ 60%+.26%	2/1/06	8/1/38	16,140	(615)
Fixed payer	3.0590%	LIBOR @ 60%+.21%	8/1/04	8/1/34	18,970	(2,816)
Fixed payer	3.6920%	LIBOR @ 60%+.26%	8/1/06	8/1/36	11.830	(2,148)
Fixed payer	3.3860%	LIBOR @ 60%+.26%	8/1/04	8/1/34	5,860	(173)
Fixed payer	3.3300%	LIBOR @ 60%+.26%	8/1/04	8/1/34	4,980	(649)
Fixed payer	4.9783%	SIFMA less .15%	8/1/06	2/1/39	13,375	(3,242)
Fixed payer	4.5390%	SIFMA less .15%	8/1/04	8/1/34	2,355	(494)
Fixed payer	3.4350%	LIBOR @ 60%+.21%	2/1/05	8/1/25	7,560	(1,192)
Fixed payer	3.5640%	SIFMA less .20%	7/1/05	8/1/35	2,205	(480)
Fixed payer	3.9540%	SIFMA less .15%	6/15/05	8/1/35	2,525	(476)
Fixed payer	4.0790%	SIFMA less .15%	2/1/07	2/1/37	23,670	(4,851)
Fixed payer	3.9570%	SIFMA less .15%	8/1/07	2/1/38	3,790	(771)
Fixed payer	3.7010%	LIBOR @ 60%+.26%	2/1/06	2/1/38	29.350	(6,685)
Fixed payer	4.042% * HR	97% SIFMA & HR	6/15/06	8/1/27	6.645	(1,127)
Fixed payer	4.381% * HR	97% SIFMA & HR	6/15/06	8/1/39	8,950	(1,889)
Fixed payer	4.492% * HR	97% SIFMA & HR	6/15/06	2/1/41	4,075	(922)
Fixed payer	3.9370%	LIBOR @ 64%+.25%	7/12/07	2/1/22	2,300	(324)
Fixed payer	4.2220%	LIBOR @ 64%+.25%	8/1/09	2/1/40	5.905	(1,469)
Fixed payer	3.7280%	LIBOR @ 63%+.30%	2/1/08	8/1/42	6,360	(1,003)
Fixed payer	3.9190%	LIBOR @ 63%+.30%	11/1/09	8/1/40	13,725	(3,137)
Fixed payer	3.2950%	LIBOR @ 61%+.24%	11/1/09	8/1/40	10.465	(2,443)
Fixed payer	3.3850%	SIFMA less .15%	8/1/03	8/1/36	22,625	(3,591)

				Bonds		
Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
2008 Series B	Tax-Exempt	0.167%	2038		9,810	9,810
2008 Series C	Tax-Exempt	0.187%	2038		5,475	5,475
2008 Series C	Tax-Exempt	0.187%	2036		13,520	13,520
2008 Series C	Tax-Exempt	0.187%	2038		760	760
Affordable Multifamily Housing Revenue Bonds:						
2009 Series A-1	Tax-Exempt	4.090%	2043	12,500		12,500
2009 Series A-2	Tax-Exempt	3.210%	2042	4,830		4,830
2009 Series A-3	Tax-Exempt	3.210%	2042	5,740		5,740
2009 Series A-4	Tax-Exempt	3.210%	2042	5,090		5,090
2009 Series A-5	Tax-Exempt	3.210%	2042	4,650		4,650
2009 Series A-6	Tax-Exempt	3.010%	2044	5,100		5,100
2009 Series A-7	Tax-Exempt	3.010%	2051	14,120		14,120
2009 Series A-8	Tax-Exempt	3.010%	2051	12,970		12,970
2009 Series A-9	Tax-Exempt	3.010%	2044	10,850		10,850
2009 Series A-10	Tax-Exempt	3.010%	2044	48,660		48,660
2009 Series A-11	Tax-Exempt	3.010%	2040	9,770		9,770
2009 Series A-12	Tax-Exempt	3.010%	2041	6,510		6,510
2009 Series A-13	Tax-Exempt	3.010%	2041	5,790		5,790
2009 Series A-14	Tax-Exempt	3.010%	2044	10,370		10,370
2009 Series A-15	Tax-Exempt	3.010%	2051	7,010		7,010
2009 Series A-16	Tax-Exempt	3.550%	2044	4,250		4,250
2009 Series A-17-1	Tax-Exempt	3.550%	2044	12,870		12,870
2009 Series A-17-2	Tax-Exempt	0.680%	2044	1,130		1,130
2009 Series A-18	Tax-Exempt	3.550%	2044	9,460		9,460
2009 Series A-19	Tax-Exempt	2.320%	2051	77,830		77,830
2009 Series A-20	Tax-Exempt	2.330%	2051	16,500		16,500
2009 Series A-21	Tax-Exempt	2.320%	2046	55,780		55,780
2009 Series A-22	Tax-Exempt	2.320%	2039	36,530		36,530
Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments)						
2009 Series A	Tax-Exempt	0.180%	2041		4,620	4,620
Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments)						
2009 Series B	Tax-Exempt	0.180%	2043		6,325	6,325
Limited Obligation Multifamily Housing Revenue Bonds (Fairmont Apartments)						
2009 Series C	Tax-Exempt	7.000%	2026	442		442
Limited Obligation Multifamily Housing Revenue Bonds (Belovida Apartments)						
2010 Series A	Tax-Exempt	2.375%	2014	11,390		11,390
Subordinate Limited Obligation Multifamily Housing Revenue Bonds (Highlands Point Apartments)						
2010 Series B	Taxable	6.000%	2044	2,350		2,350
Limited Obligation Multifamily Housing Revenue Bonds (South Pace Apartments)						
2010 Series C	Tax-Exempt	4.500%	2012	5,442		5,442

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	4.2950%	SIFMA less .15%	8/1/05	2/1/38	26,990	(4,581)
Fixed payer	3.8830%	LIBOR @ 60%+.26%	12/1/04	8/1/38	8,425	(2,500)
Fixed payer	3.9680%	LIBOR @ 60%+.26%	7/1/05	2/1/36	13,520	(3,756)
Fixed payer	4.0600%	LIBOR @ 60%+.26%	2/1/06	8/1/38	8,750	(2,774)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Bonds Outstanding Fixed	Outstanding Variable	Total
Limited Obligation						
Multifamily Housing Revenue Bonds (One Santa Fe Apartments)						
2011 Series A	Tax-Exempt	3.350%	2021	8,370		8,370
Limited Obligation						
Multifamily Housing Revenue Bonds (Woolf House Apartments)						
2011 Series B	Tax-Exempt	1.050%	2014	16.700		16.700
				2,982,664	3,520,735	6,503,399
Unamortized discount						(314)
Unamortized premium						9,798
Unamortized deferred losses on refundings						(3.367)
Total Bonds						$ 6,509.516

Swaps						
Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
					$ 2,303,445	$ (324,224)

Bank Bonds: Under standby bond purchase agreements for the Agency's Variable Rate Demand Obligations ("VRDO"), if the Agency's variable rate bonds cannot be remarketed, the banks under the agreement are required to buy the bonds from the bondholders. These bonds may be remarketed or may be subject to mandatory redemptions at a later date. As of June 30, 2012 and 2011, the Agency had no outstanding bank bonds.

Note Payable: The Agency entered into a loan agreement with Citibank N.A. on March 1, 2010. The Agency received funds to use for special bond redemptions in exchange for a total note payable of $95.1 million. The loan is collateralized by the Multifamily loan receivables. The Agency collects and remits the mortgage payments less servicing fees to Citibank on 35 Multifamily loans. The Citibank loans note payable balance is $87.9 million and $90.1 million at June 30, 2012 and 2011, respectively, as included in Notes Payable in the combined statements of net assets. The outstanding maturity dates of the note payable are various and ranges from July 1, 2012 to January 1, 2046. The range of the interest rates for the note payable is from 5.25% to 9.15%. The table below provides a summary of the note payment requirements for the next five years and in five year increments thereafter (dollars in thousands).

Fiscal Year Ending June 30	Principal	Interest	Total
2013	$ 3,204	$ 4,780	$ 7,984
2014	3,074	4,610	7,684
2015	3,270	4,419	7,689
2016	3,427	4,218	7,645
2017	3,550	4,032	7,582
2018-2022	20,952	16,823	37,775
2023-2027	24,129	10,504	34,633
2028-2032	15,405	4,986	20,391
2033-2037	7,320	1,703	9,023
2038-2042	1,968	665	2,633
2043-2047	1,630	158	1,788
Total	$ 87,929	$ 56,898	$ 144,827

Conduit Bond Obligations: Beginning in 2010, the Agency has issued conduit housing revenue bonds to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. The bonds are limited obligations of the Agency, payable solely from the revenues and other funds and money pledged and assigned under the applicable indenture, series indenture, or master pledge and assignment. However. the bonds are reported as liabilities in the accompanying financial statements along with the related assets.

The Agency had twenty-nine series of conduit debt obligations aggregating $342 million as of June 30, 2012 and twenty-five series of conduit debt obligations aggregating $224 million as of June 30, 2011.

Reconciliation of Bonds Payable: Changes in bonds payable for the year ended June 30, 2012 and 2011 are as follows (dollars in thousands):

	2012 Totals	2011 Totals
Beginning of year balance	$ 7,851,024	$ 8,905,816
New bonds issued	32,862	111,627
Scheduled maturities	(136,337)	(171,286)
Redemptions	(1,236,983)	(994,314)
Bond accretions	453	2,478
Amortized discount	78	330
Amortized premium	(1,916)	(4,112)
Amortized deferred loss	335	485
End of year balance	$ 6,509,516	$ 7,851,024
Current portion	$ 107,273	$ 173,961
Noncurrent portion	6,402,243	7,677,063
Total	$ 6,509,516	$ 7,851,024

Variable Rate Debt and Debt Service Requirements: The Agency's variable rate debt is typically related to remarketed rates or common indices such as the Securities Industry and Financial Markets Association ("SIFMA") or the London Inter-Bank Offered Rate ("LIBOR") and resets periodically. The interest calculations shown in the table below are based on the variable rate in effect at June 30, 2012, and may not be indicative of the actual interest expense that will be incurred by the Fund. As rates vary, variable rate bond interest payments and net swap payments will vary. The table below provides a summary of debt service requirements and net swap payments for the next five years and in five year increments thereafter (dollars in thousands).

Fiscal Year	Fixed/Variable Unswapped		Variable Swapped		Interest Rate	
Ending June 30	Principal	Interest	Principal	Interest	Swaps, Net	Total
2013	$ 90,082	$123,799	$ 17,190	$ 5,650	$ 85,710	$ 322,431
2014	140,780	121,051	18,700	5,523	78,569	364,623
2015	144,770	116,136	29,940	5,420	72,178	368,444
2016	137,995	111,345	45,990	5,278	66,328	366,936
2017	134,335	106,846	43,720	5,116	60,945	350,962
2018-2022	755,205	460,396	310,965	22,699	242,053	1,791,318
2023-2027	784,377	336,933	295,185	17,246	170,352	1,604,093
2028-2032	915,730	229,717	512,160	11,282	109,240	1,778,129
2033-2037	843,520	142,874	393,780	4,272	43,302	1,427,748
2038-2042	549,050	69,329	85,800	869	4,122	709,170
2043-2047	212,175	12,501	16,540	29	7	241,252
2048-2052	25,410	906				26,316
Total	$ 4,733,429	$ 1,831,833	$ 1,769,970	$ 83,384	$ 932,806	$ 9,351,422

Objective of the Interest Rate Swaps: In order to protect against rising rates, the Agency primarily entered into swaps to establish synthetic fixed rates for a like amount of the Agency's variable rate bond obligations. The majority of the Agency's interest rate swap transactions are structured for the Agency to pay a fixed interest rate while receiving a variable interest rate (fixed payer swaps) and exceptions are listed under Basis Risk Associated with Interest Rate Swaps. Synthetic fixed rates provide the Agency with a significantly lower fixed cost of funds compared to issuing fixed-rate bonds; however, the increased risks related to the synthetic fixed rates have the effect of increasing costs to the Agency.

Terms, Fair Value and Credit Risk: The terms, including the fair values, of the outstanding fixed payer swaps as of June 30, 2012 are summarized in the table at the beginning of Note 7. The terms, including fair values, of the outstanding basis swaps are summarized in the table under Basis Risk Associated with Interest Rate Swaps.

The fair value of the swaps is reported as "Derivative swap asset" within "Other assets and deferred outflow" in the statements of net assets or as "Derivative swap liability" within "Other liabilities and deferred inflow." The cumulative gain or loss on the fair value of the effective swaps is reported as "Deferred outflow of resources" within "Other assets and deferred outflows" or "Deferred inflow of resources" within "Other liabilities and deferred inflows" in the statements of net assets. Alternatively, the gain or loss on the fair value of the ineffective swaps is reported as "Investment swap revenues" within "Other revenues" in the statements of revenues, expenses and changes in net assets. The Agency did not pay or receive any cash when the swap transactions were initiated except for in-substance assignments. The following table summarizes the swap fair value activity in the statements of net assets as of June 30, 2012 and 2011 and the statements of revenues. expenses. and changes in net assets for the years ended June 30. 2012 and 2011 (dollars in thousands):

	2012	2011
Statements of Net Assets:		
Derivative swap asset	$ 376	$ 113
Deferred outflow of resources	239,108	212,374
Derivative swap liability	324,224	252,486
Statements of Revenues. Expenses, and Changes in Net Assets:		
Investment swap revenues	$ (44,741)	$ (3,360)

Except as discussed under rollover risk, the Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

As of June 30, 2012, the Agency executes interest rate swap transactions with 12 swap counterparties. All of the Agency's interest rate swap agreements require the Agency to post collateral if its general obligation credit ratings, as issued by Moody's and Standard and Poor's fall below a certain level or if the fair value of the swaps breach a certain threshold. The collateral can be posted in several forms in the amount of the fair value of the interest rate swaps. If the Agency does not post collateral, the interest rate swap can be terminated by the counterparty. As of June 30, 2012, the Agency had a total cash and fair value of mortgage-backed securities posted as collateral with swap counterparties in the amount of $85.0 million and $35.3 million, respectively, as included in "Other assets" and "Investments" in the statements of net assets. As of June 30, 2011, the Agency had a total cash and fair value of mortgage-backed securities posted as collateral in the amount of $51.9 million and $26.2 million, respectively

Because interest rates are generally lower than the rates in effect at inception of the swap agreements, the Agency's fixed payer swap agreements had an aggregate negative fair value of $324.2 million as of June 30, 2012 and $252.3 million as of June 30, 2011. Fair values are as reported by the Agency's dealer counterparties and are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

As of June 30, 2012, the Agency's swap portfolio had an aggregate asset position of $0.4 million. This represents the maximum loss that would be reported at the reporting date if all counterparties failed to perform as contracted. However, this maximum exposure is eliminated by the applicable counterparty swap liabilities included in the $324.2 million total. Therefore, the Agency has no net exposure to credit risk.

The table below shows the number of fixed payer swaps and outstanding notional amounts by the counterparties' respective credit ratings as of June 30, 2012 (dollars in thousands).

Moody's	Standard & Poors	Outstanding Notional Amount	Number of Swap Transactions
Aa1	AA-	$ 25.000	1
Aa2	AAA	231.560	7
Aa2	AA	54,360	2
Aa3	AAA	654,590	36
Aa3	A+	594,260	19
A1	A	10,465	1
A2	A+	194.605	11
A2	A	14,265	2
Baa1	A-	111,830	2
Baa2	A-	412,510	16
		$ 2,303,445	97

Interest Rate Risk: The Agency is exposed to interest rate risk on its fixed payer swaps. As the LIBOR or the SIFMA swap index decreases, the Agency's net payments on the swaps increase.

Basis Risk: All of the Agency's interest rate swaps contain an element of basis risk, the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because floating rates paid by swap counterparties are based on indices, which consist of market-wide averages, while interest paid on the Agency's variable rate bonds is specific to individual bond issues.

Historically, the Agency's variable rate tax-exempt bonds trade at a slight discount to the SIFMA index. For those swaps associated with tax-exempt bonds for which the Agency receives a variable rate payment based on a percentage of LIBOR, the Agency is exposed to basis risk should the relationship between SIFMA and LIBOR converge.

Multiple swap formulas have been used by the Agency. As of June 30, 2012, the formulas for the swap portfolio utilized the SIFMA, the 1 month LIBOR, the 3 month LIBOR, and the 6 month LIBOR rates. As of June 30, 2012, rates for the SIFMA, the 1 month LIBOR, the 3 month LIBOR. and the 6 month LIBOR were 0.18%. 0.25%, 0.46%. and 0.73% respectively. The swap formulas will continue to be monitored for its effectiveness in the case that the Agency chooses to enter into any future interest rate swaps. In addition, the Agency holds 8 basis swaps as a means to change the variable rate formula received for $215.3 million of swap notional amount. These basis swaps changed the variable rate formula received from counterparties from 65% of LIBOR to those described in the following table as of June 30, 2012 (dollars in thousands):

Bond Issue	Variable Rate Paid By Agency	Floating Rate Received By Agency */**	Effective Date	Termination Date		Outstanding Notional/Applicable Amount		Fair Value
Home Mortgage Revenue Bonds:								
2000 Series C	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/17	$	27,445	$	26
2000 Series J	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/30		20,670		45
2000 Series U	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/15		17,905		12
2000 Series X-2	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/31		22,770		46
2001 Series N	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/18		8,365		12
2002 Series B	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/27		33,925		67
2002 Series F	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/24		42,625		86
2002 Series M	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/22		41,600		82
					$	215,305	$	376

* The notional amount and the amortization of these swaps mirror the initial 65% of LIBOR swaps, basically overlaying the swaps so that the effective rate received from the counterparties are the rates shown in the table above.

**The variable interest rate received by the counterparties is dependent on the LIBOR interest rate at the time of settlement. The rate shown in the table is the effective rate at June 30, 2012.

Termination Risk: Counterparties to the Agency's interest rate swap agreements have ordinary termination rights that require settlement payments by the Agency or the counterparty based on the fair value of the swap at the date of termination.

Rollover Risk: The Agency is exposed to rollover risk on interest rate swaps that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these swaps terminate, the Agency will be re-exposed to the risks being hedged by the swaps. The fixed payer interest rate swaps' termination dates and associated debts' maturities are listed in the previous bonds payable and interest rate swap table.

Over Hedged Bonds: All notional amounts (or "applicable amounts") of the fixed payer swaps match the principal amounts of the associated debt with the following exceptions as of June 30, 2012 (dollars in thousands):

Bond Issue	Bonds Outstanding	Swap Notional Amount	Unmatched Swap	Fair Value
Home Mortgage Revenue Bonds				
1999 Series O		$ 1,045	$ 1,045	$ (6)
2000 Series D		1,420	1,420	(10)
2000 Series J *		18,990	18,990	(5,538)
2000 Series X2 *	$ 11,150	22,770	11,620	(2,978)
2001 Series J	27,420	28,155	735	(103)
2001 Series N *		7,010	7,010	(614)
2001 Series U	37,225	42,590	5,365	(838)
2002 Series B *	32,895	33,925	1,030	(228)
2002 Series F *		35,620	35,620	(5,083)
2002 Series M *	39,250	41,600	2,350	(321)
2002 Series P		50,610	50,610	(6,300)
2002 Series Q	5,030	10,635	5,605	(295)
2003 Series M	40,255	41,570	1,315	(20)
2004 Series A		27,085	27,085	(2,478)
2004 Series E	38,940	42,540	3,600	(153)
2004 Series G		48,085	48,085	(6,787)
2004 Series G		6,275	6,275	(246)
2004 Series I		15,285	15,285	(2,069)
2005 Series B	9,755	24,600	14,845	(670)
2005 Series D	44,755	48,470	3,715	(202)
2006 Series F	7,100	60,000	52,900	(3,794)
2006 Series F	54,295	60,000	5,705	(709)
2007 Series H	41,255	50,000	8,745	(1,198)
2007 Series K	17,340	25,000	7,660	(799)
2008 Series E	7,930	9,235	1,305	(98)
2008 Series I	13,990	33,700	19,710	(5,728)
Multifamily Housing Revenue Bonds III				
2000 Series D	12,365	13,170	805	(232)
2001 Series D	615	2,200	1,585	(305)
2001 Series F	11,990	13,470	1,480	(293)
2001 Series G	39,335	40,865	1,530	(397)
2002 Series A	8,875	15,970	7,095	(1,908)
2002 Series A	6,815	10,955	4,140	(1,542)
2002 Series B	17,280	22,950	5,670	(1,338)
2002 Series C	15,125	15,350	225	(76)
2002 Series C	5,985	13,060	7,075	(2,269)
2002 Series D	4,045	11,025	6,980	(1,888)
2003 Series C	9,225	13,135	3,910	(209)
2003 Series C	13,300	13,985	685	(25)
2003 Series C	8,995	16,140	7,145	(272)
2004 Series A		18,970	18,970	(2,816)
2004 Series B	1,905	11,830	9,925	(1,802)
2004 Series B	5,835	5,860	25	(1)
2004 Series B	1,570	2,355	785	(165)
2004 Series C	7,435	7,560	125	(20)
2005 Series B	2,360	2,525	165	(31)
2005 Series B	2,645	23,670	21,025	(4,309)
2005 Series B	3,180	3,790	610	(124)
2005 Series D	16,610	29,350	12,740	(2,902)
2006 Series A	1,070	6,645	5,575	(946)
2006 Series A	1,360	8,950	7,590	(1,602)
2006 Series A	3,595	4,075	480	(109)
2007 Series B	1,535	5,905	4,370	(1,087)
2007 Series B	845	2,300	1,455	(205)
2007 Series C	5,845	6,360	515	(81)
2007 Series C	4,740	13,725	8,985	(2,054)
2008 Series A	7,985	10,465	2,480	(579)
2008 Series B	9,810	26,990	17,180	(2,916)
2008 Series B	19,045	22,625	3,580	(568)
2008 Series C	5,475	8,425	2,950	(875)
2008 Series C	760	8,750	7,990	(2,533)
Total	$ 686,140	$ 1,219,615	$ 533,475	$ (83,744)

*Includes Basis Swap.

Borrowings Payable for Interest Rate Swaps: From time to time, the Agency transfers excess interest rate swap notional (or applicable) amounts between variable rate bond series. Generally, the transfers result in derivative instruments with off-market terms. In previous years, the Agency has established a borrowing payable in the amount of the swap fair value at the time of transfer and amortized it over the life of the swap. However upon further review, the Agency has concluded that this type of non-cash transaction has not been addressed in current governmental authoritative accounting guidance. Therefore, the Agency has fully amortized any remaining borrowings payable.

As of June 30, 2011, the Agency had borrowings payable of $9.4 million. The borrowings payable is reported within "Other liabilities and deferred inflows" in the statements of net assets and the amortization is reported within "Interest" in the statements of revenues, expenses, and changes in net assets.

Note 8 – NONMORTGAGE INVESTMENT AND MORTGAGE YIELD

In accordance with Federal law, the Agency is required to rebate to the Internal Revenue Service ("IRS") the excess of the amount actually earned on all nonmortgage investments (derived from investing the bond proceeds) over the amount that would have been earned had those investments borne a rate equal to the yield on the bond issue, plus any income attributable to such excess. As of June 30, 2012 and 2011, the Fund had liabilities to the IRS totaling $1.6 million and $2.3 million respectively reported in the statements of net assets as "Due to IRS" within "Due to other government entities." The net effect of changes in the liability account has been recorded as an increase in "Interest income: Investments" in the statements of revenues, expenses and changes in net assets.

Additionally, the Agency has identified all the bond series that were issued as variable rate plans of finance and subject to review and monitoring of mortgage yield excess. As of June 30, 2012 and 2011, the Fund had liabilities to the IRS totaling $17.8 million and $20.9 million respectively reported in the statements of net assets as "Due to IRS" within "Due to other government entities." The net effect of this change is recorded as an increase in "Interest income: Program loans" in the statements of revenues, expenses and changes in net assets. The Agency will continue to monitor the status of mortgage yield compliance to mitigate further liability.

Note 9 – EXTINGUISHMENT OF DEBT

On December 20, 2011, the Agency issued Affordable Multifamily Housing Revenue Bonds 2009 Series A-21 and A-22 and the proceeds were used to refund prior Multifamily Housing Revenue Bonds III series. The losses from the debt refundings were deferred and will be amortized as a component of interest expense over the shorter of the term of the bonds extinguished or the term of the refunding bonds. Both instances were applicable in the debt refundings. A summary of the losses from the extinguishment of Multifamily Rental Housing Programs' debt for the year ended June 30, 2012 is as follows (dollars in thousands):

Unmatured principal	$ 92,670
Unamortized bond issuance costs	(215)
Unamortized underwriter's fees	(263)
Net obligation refunded	92,192
Less proceeds disbursed	92,670
Deferred loss on refunding	$ (478)

The refundings will decrease the debt service cash flow for Multifamily Rental Housing Programs by approximately $16.6 million. The refundings may also provide for an economic gain (present value of the difference between new and old debt service requirements) for Multifamily Housing Rental Programs, which is estimated to be $13.1 million.

For the year ended June 30, 2012, the Agency had no gain or loss on the early extinguishment of debt. However, for the year ended June 30, 2011, the Agency recorded a gain on the early extinguishment of debt of $35.5 million.

Note 10 – PENSION PLAN AND OTHER EMPLOYEE BENEFITS

The Fund contributes to the Public Employees' Retirement Fund ("PERF") as part of the State of California, the primary government. The PERF is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employment Retirement System ("CalPERS"). CalPERS provides retirement, death, disability and post retirement health care benefits to members as established by state statute. CalPERS issues a publicly available Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information for the Public Employees' Retirement Fund. A copy of that report may be obtained from CalPERS, Central Supply, P.O. Box 942715, Sacramento, CA 95229-2715 or via the internet at www.calpers.ca.gov.

For the CalPERS fiscal year ended June 30, 2012 the employer contribution rates were 18.175 - 17.025% for the period from July 2011 to June 2012. The employer contribution rates were 17.528% - 16.442% for July 2010 – December 2010 and 19.922% - 19.622% for January 2011 to June 2011.

The Fund's contributions to the PERF for the years ended June 30, 2012 and 2011 were $7.1 million and $5.9 million, respectively, equal to the required contributions for each fiscal year.

Required contributions are determined by actuarial valuation using the individual entry age normal actuarial cost method. The most recent actuarial valuation available is as of June 30, 2010 which actuarial assumptions included (a) 7.75% investment rate of return compounded annually, (b) projected salary increases that vary based on duration of service, and (c) overall payroll growth factor of 3.25% annually. Both (a) and (c) included an inflation component of 3% compounded annually and a .25% per annum productivity increase assumption.

The most recent actuarial valuation of the PERF indicated that there was an unfunded actuarial accrued liability. The amount of the under funded liability applicable to each agency or department cannot be determined. For trend information, which presents CalPERS progress in accumulating sufficient assets to pay benefits when due, please see the June 30, 2012 CalPERS CAFR.

The Other Postemployment Benefits ("OPEB") is a cost-sharing multiple-employer defined benefit healthcare plan administered by CalPERS. The State of California is required to include the information in its financial reports. State Controller's Office sets the employer contribution rate based on the annual required contribution ("ARC") of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Agency's estimated unfunded OPEB costs were $13.4 million and $9.9 million for the year ended June 30, 2012 and June 30, 2011. This liability was added to personal services at the end of fiscal year. As of June 30, 2012, the allocated contribution of OPEB from the Fund was $1.8 million. compared to $1.6 million for the year ended June 30. 2011. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the OPEB.

Note 11 – COMMITMENTS

As of June 30, 2012, the Agency had no outstanding commitments and conditionally approved loan reservation to fund Homeownership Program and Multifamily Program loans. As of June 30, 2012, the Agency had proceeds available from bonds issued to fund $1.8 million of Homeownership Program loans and $0.5 million of Multifamily Program loans.

Note 12 – LEASES

The Agency has three office locations in California and has entered into three separate lease agreements for office space. The Base Rent Schedules are as follows (dollar in thousands):

Fiscal years ended June 30	500 Capitol Mall Tower, LLC (Sacramento Office) Lease ends 7/31/23	Harsch Investment Properties, LLC (West Sacramento Office) Lease ends 5/31/15	Slauson Investors, LLC (Culver City Office) Lease ends 8/31/13	Total
2012	$2,018	$322	$301	$2,641
2013	2,235	347	313	2,895
2014	2,280	358	27	2,665
2015	2,325	302	-	2,627
2016	2,372	-	-	2,372
2017 - 2021	12,590	-	-	12,590
2022 - 2026	5,623	-	-	5,623
Total	$29,443	$1,329	$641	$31,413

Note 13 – ARRANGEMENTS WITH THE MORTGAGE INSURANCE FUND

All operating and administrative expenses of the Agency are initially paid from the Fund including certain operating and administrative expenses in support of mortgage guarantee insurance programs which are reported in the Mortgage Insurance Fund. Monthly, the Fund charges the Mortgage Insurance Fund for these expenses.

The Agency Board of Directors approved Resolution 03-19 on March 20, 2003 authorizing the Agency to utilize the resources of the fund to support the mortgage guaranty insurance programs of the Agency in the following two ways: 1) the Executive Director of the Agency is authorized to create one or more supplementary reserve accounts within the Supplementary Bond Security Account ("SBSA")of the Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims against the Mortgage Insurance Fund in connection with loans financed by the Agency, and 2) the Executive Director of the Agency may establish an inter-fund credit agreement by which the Mortgage Insurance Fund may borrow such sums from the Fund as may be required to maintain the claims paying rating of any credit rating service.

Subsequently, the Agency Executive Director established an inter-fund credit agreement in the amount of $10 million in which the Mortgage Insurance Fund may borrow from the Fund as needed for the purpose of paying claims arising out of policies of mortgage guarantee insurance and costs and expenses related to the payment of such claims. Interest rate(s) and repayment terms are determined upon receipt of a request to draw on this credit facility. The Mortgage Insurance Fund had not requested a draw on this credit through June 30, 2012.

Resolution 03-19 authorized the Executive Director of the Agency to create one or more supplementary reserve accounts within the SBSA of the California Housing Finance Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims, the amendment places a limitation on the indemnity obligation to an aggregate amount not to exceed $135 million. In August 2011, the cap was reached and the aggregate total of $135 million in gap claim payments was paid from May 2008 to August 2011 As of June 30, 2012, the allowance for loan loss reserve established under the HMRB indenture decreased $5.3 million from $122.3 million to $117 million.

Effective March 1, 2003, the Mortgage Insurance Fund entered into a reinsurance treaty and administrative services agreement with Genworth Mortgage Insurance Corporation ("Genworth"). This agreement cedes to Genworth a 75% quota share of the insurance risk for most loans insured by the Mortgage Insurance Fund and provides for certain administrative services to be performed by Genworth. Prior to February 2011, Genworth was paying the full amount of the loss (100%) to the insured and was billing the Mortgage Insurance Fund for its portion of the loss (25%) each month. Effective February 1, 2011, Genworth is paying for their portion of the loss (75%) directly to the insured and the Mortgage Insurance Fund is paying for its portion of the loss (25%) directly to the insured. As of June 30, 2012, there is no cash or investments remaining in the Mortgage Insurance Fund to pay outstanding claims. The California Housing Finance Fund has already established a reserve to cover the anticipated shortfall for the loans insured by the Mortgage Insurance Fund. As of June 30, 2012, the reserve amount established under the HMRB indenture was $51.2 million.

Note 14 – LITIGATION

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against the Agency. Based upon information available to the Agency, its review of such lawsuits and claims and consultation with counsel, the Agency believes the liability relating to these actions, if any, would not have a material adverse effect on the Fund's financial statements.

Note 15 – RELATED PARTY TRANSACTIONS

CalHFA MAC entered into an administrative agreement with CalHFA for support services, which include an allocation of CalHFA staff to provide program oversight, administrative and legal support, and direct reimbursement for goods and services of outside vendors. Due to its status as a state governmental agency, CalHFA enjoys the benefit of discounts for goods and services with strategic business partners. The administrative agreement enables CalHFA MAC to leverage these discounts by providing for CalHFA to purchase goods and services during program implementation and ongoing operations. CalHFA MAC reimburses CalHFA for these items at the actual cost expended. CalHFA MAC had liabilities to CalHFA of $0.53 million and $0.50 million for the fiscal year ended June 30, 2012 and the period from May 21, 2010 (inception date) to June 30, 2011, respectively. These amounts were comprised of accounts payable and accrued expenses resulting from unbilled vendor invoices for materials and services. Additionally, actual cash reimbursements paid to CalHFA totaled $1.3 million and $1.9 million for the fiscal year ended June 30, 2012 and period from May 21, 2010 (inception date) to June 30, 2011, respectively.

CalHFA MAC also leases office space from the CalHFA under an operation lease with a term of four years and five months that expires April 30, 2015.

Note 16 – SUBSEQUENT EVENTS

On July 4, 2012, the Agency used $466.1 million of RMRB bond proceeds to refund $466.1 million of variable rate demand bonds in the HMRB indenture thus reducing the Agency's total variable rate debt and risks associated with these type of debt.

On September 18, 2012, Standard & Poor's Rating Services affirmed the Agency's issuer credit rating (ICR) at A- with negative outlook and also affirmed the Agency's HMRB at BBB with stable outlook. The rating actions did not trigger any additional collateral postings.

On September 20, 2012, the Agency Board of Directors adopted resolution 12-10 which approved the extension of the Agency's participation in U.S. Treasury Department's Temporary Credit and Liquidity Program through December 23, 2015. The U.S. Treasury Department signed the extension documents on September 28, 2012 which formally put the extension into place.

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CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF NET ASSETS
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2012
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
ASSETS				
Current assets:				
Cash and cash equivalents	$ 528,299	$ 1,038	$ 30,528	$ 559,865
Investments	748,244	85,874	817,984	1,652,102
Current portion - program loans receivable	84,837	46,460	32,504	163,801
Interest receivable - Program loans	16,337	5,779	6,902	29,018
Interest receivable - Investments	4,540	1,070	896	6,506
Accounts receivable	19,354	-	5,540	24,894
Due (to) from other funds	(28,225)	959	27,266	-
Other assets	70	373	85,093	85,536
Total current assets	1,373,456	141,553	1,006,713	2,521,722
Noncurrent assets:				
Investments	410,255	127,443	39,807	577,505
Program loans receivable	3,578,265	1,207,033	509,752	5,295,050
Deferred financing costs	20,299	3,556	5	23,860
Other assets and deferred outflow	89,587	98,191	142,089	329,867
Total Noncurrent assets	4,098,406	1,436,223	691,653	6,226,282
Total Assets	$ 5,471,862	$ 1,577,776	$ 1,698,366	$ 8,748,004
LIABILITIES AND NET ASSETS				
Current liabilities:				
Bonds payable	$ 73,819	$ 33,454	-	$ 107,273
Interest payable	41,928	15,584	$ 27,443	84,955
Due (from) to other government entities	(68)	-	638	570
Compensated absences	-	-	4,254	4,254
Deposits and other liabilities	3,646	34	226,690	230,370
Total current liabilities	119,325	49,072	259,025	427,422
Noncurrent liabilities:				
Bonds payable	5,126,952	1,275,291	-	6,402,243
Notess payable	-	-	87,929	87,929
Due to other government entities	1,505	17,883	13,417	32,805
Other liablities and deferred inflow	-	134,668	189,556	324,224
Deferred revenues	1,658	13	21,898	23,569
Total noncurrent liabilities	5,130,115	1,427,855	312,800	6,870,770
Total Liabilities	5,249,440	1,476,927	571,825	7,298,192
Net assets				
Invested in capital assets	-	-	1,119	1,119
Restricted by indenture	222,422	100,849	-	323,271
Restricted by statute	-	-	1,125,422	1,125,422
Total Net assets	222,422	100,849	1,126,541	1,449,812
Total Liabilities and Net assets	$ 5,471,862	$ 1,577,776	$ 1,698,366	$ 8,748,004

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
WITH ADDITIONAL COMBINING INFORMATION
Year Ended June 30, 2012
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 212,991	$ 59,281	$ 17,161	$ 289,433
Interest income - Investments -- net	23,508	5,790	5,034	34,332
Decrease in fair value of investments	26,998	13,038	1,541	41,577
Loan commitment fees	167	-	2,410	2,577
Other loan fees	9	-	27,369	27,378
Other revenues	1,129	(33,161)	50,627	18,595
Total Operating revenues	264,802	44,948	104,142	413,892
SALARIES AND GENERAL EXPENSES				
Interest	104,095	33,699	53,471	191,265
Amortization of bond discount and bond premium	(1,552)	528	-	(1,024)
Mortgage servicing fees	11,600	6	82	11,688
Provision (reversal) for estimated loan losses	94,968	(3,143)	14,008	105,833
Salaries and general expenses	-	-	41,303	41,303
Other expenses	44,181	9,591	116,460	170,232
Total salaries and general expenses	253,292	40,681	225,324	519,297
Operating (loss) income before transfers	11,510	4,267	(121,182)	(105,405)
Transfers in	-	-	75,142	75,142
Transfers intrafund	(36,659)	4,712	31,947	-
(Deficit) Net assets	(25,149)	8,979	(14,093)	(30,263)
Net assets at beginning of year	247,571	91,870	1,140,634	1,480,075
Net assets at end of year	$ 222,422	$ 100,849	$ 1,126,541	$ 1,449,812

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF CASH FLOWS
WITH ADDITIONAL COMBINING INFORMATION
Year Ended June 30, 2012
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 222,235	$ 61,246	$ 15,046	$ 298,527
Payments to suppliers	(12,512)	(197)	(11,119)	(23,828)
Payments to employees	-	-	(30,357)	(30,357)
Other receipts (payments)	617,045	31,735	(21,920)	626,860
Net cash provided by (used for) operating activities	826,768	92,784	(48,350)	871,202
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(36,659)	4,712	31,947	-
Changes in due from other government entities	1,389	-	(20,225)	(18,836)
Net cash provided by (used for) noncapital financing activities	(35,270)	4,712	11,722	(18,836)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	32,862	-	32,862
Payment of bond principal	(88,412)	(47,925)	(3,050)	(139,387)
Early bond redemptions	(1,074,765)	(162,218)	-	(1,236,983)
Interest paid on debt	(109,718)	(36,339)	(60,933)	(206,990)
Interfund transfers	-	-	75,142	75,142
(Increase) Decrease in deferred financing costs	(85)	321	(283)	(47)
Net cash used for capital and related financing activities	(1,272,980)	(213,299)	10,876	(1,475,403)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	2,732,499	378,058	1,038,708	4,149,265
Purchase of investments	(2,663,168)	(455,222)	(1,013,784)	(4,132,174)
Interest on investments	23,926	5,599	5,309	34,834
Net cash provided by investing activities	93,257	(71,565)	30,233	51,925
Net decrease in cash and cash equivalents	(388,225)	(187,368)	4,481	(571,112)
Cash and cash equivalents at beginning of year	916,524	188,406	26,047	1,130,977
Cash and cash equivalents at end of year	$ 528,299	$ 1,038	$ 30,528	$ 559,865
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	11,510	4,267	(121,182)	(105,405)
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:				
Interest expense on debt	104,095	33,699	53,471	191,265
Interest on investments	(23,508)	(5,790)	(5,034)	(34,332)
Changes in fair value of investments	(26,998)	(13,038)	(1,541)	(41,577)
Accretion of capital appreciation bonds	453	-	-	453
Amortization of bond discount	46	32	-	78
Amortization of deferred losses	318	17	-	335
Amortization of bond issuance costs	3,952	635	288	4,875
Amortization of bond premium	(1,916)	-	-	(1,916)
Amortization of deferred revenue	(167)	-	(2,410)	(2,577)
Depreciation	-	-	277	277
Provision (reversal) for estimated loan losses	94,968	(3,143)	14,008	105,833
Provision for yield reduction payments	(3,791)	699	-	(3,092)
Provision for nonmortgage investment excess	(382)	(355)	-	(737)
Effect of changes in operating assets and liabilities:				
Purchase of program loans-net	(144,437)	(6,258)	(21,070)	(171,765)
Collection of principal from program loans - net	815,047	59,102	45,127	919,276
Interest receivable	9,245	1,966	(2,115)	9,096
Accounts receivable	(5,180)	1,054	5,045	919
Due (from) to other funds	(197)	(12,522)	12,719	-
Other assets and deferred outflow	(14)	(21,314)	(38,788)	(60,116)
Compensated absences	-	-	(111)	(111)
Deposits and other liab	(604)	(15)	(548)	(1,167)
Other liabilities and deferred inflow	(5,672)	53,748	13,514	61,590
Net cash provided by (used for) operating activities	$ 826,768	$ 92,784	$ (48,350)	$ 871,202
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ 115,873	$ -	$ 75	$ 115,948

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF NET ASSETS
HOMEOWNERSHIP PROGRAMS
June 30, 2012
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	DRAW DOWN BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS
ASSETS			
Current assets:			
Cash and cash equivalents	$ 11,732	$ -	$ 2
Investments	635,277	-	1,834
Current portion - program loans receivable	82,526	-	-
Interest receivable - Program loans	15,888	-	199
Interest receivable - Investments	3.682	-	1
Accounts receivable	19.291	-	-
Due (to) from other funds	(27,243)	-	(721)
Other assets	49	-	-
Total current assets	741,202	-	1,315
Noncurrent assets:			
Investments	151,278	-	-
Program loans receivable	3.496,487	-	43,029
Deferred financing costs	18,817	-	475
Other assets and deferred outflow	89,587	-	-
Total Noncurrent assets	3,756,169	-	43,504
Total Assets	$ 4,497,371	$ -	$ 44,819
LIABILITIES AND NET ASSETS			
Current liabilities:			
Bonds payable	$ 63,625	$ -	$ -
Interest payable	36,724	-	886
Due from other government entities	(68)	-	-
Deposits and other liabilities	3,631	-	2
Total current liabilities	103,912	-	888
Noncurrent liabilities:			
Bonds payable	4,206,346	-	77,545
Notess payable	-	-	-
Due to other government entities	1,505	-	-
Deferred revenues	1,567	-	-
Total noncurrent liabilities	4,209,418	-	77,545
Total Liabilities	4,313,330	-	78,433
Net assets			
Invested in capital assets	-	-	-
Restricted by indenture	184,041	-	(33,614)
Restricted by statute	-	-	-
Total Net assets	184,041	-	(33,614)
Total Liabilities and Net assets	$ 4,497,371	$ -	$ 44,819

SINGLE FAMILY HOME MORTGAGE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
$ -	$ 516,563	$ 2	$ 528,299
-	109,597	1,536	748,244
-	-	2,311	84,837
-	-	250	16,337
-	834	23	4,540
-	-	63	19,354
-	(240)	(21)	(28,225)
-	-	21	70
-	626,754	4,185	1,373,456
-	251,077	7,900	410,255
-	-	38,749	3,578,265
-	1,007	-	20,299
-	-	-	89,587
-	252,084	46,649	4,098,406
$ -	$ 878,838	$ 50,834	$ 5,471,862
$ -	$ 10,194	$ -	$ 73,819
-	4,318	-	41,928
-	-	-	(68)
-	5	8	3,646
-	14,517	8	119,325
-	843,061	-	5,126,952
-	-	-	-
-	-	-	1,505
-	-	91	1,658
-	843,061	91	5,130,115
-	857,578	99	5,249,440
-	-	-	-
-	21,260	50,735	222,422
-	-	-	-
-	21,260	50,735	222,422
$ -	$ 878,838	$ 50,834	$ 5,471,862

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
HOMEOWNERSHIP PROGRAM
Year Ended June 30, 2012
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	DRAW DOWN BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS
OPERATING REVENUES			
Interest income:			
Program loans and loan agreements -- net	$ 209,838	$ -	$ 754
Interest income - Investments -- net	13,966	-	8
Increase (Decrease) in fair value of investments	7,226	-	-
Loan commitment fees	165	-	-
Other loan fees	9	-	-
Other revenues	1,111	-	-
Total Operating revenues	232,315	-	762
SALARIES AND GENERAL EXPENSES			
Interest	91,057	-	2,002
Amortization of bond discount and bond premium	(1,630)	-	-
Mortgage servicing fees	11,484	-	-
Provision for estimated loan losses	90,902	-	4,198
Salaries and general expenses	-	-	-
Other expenses	43,425	-	375
Total salaries and general expenses	235,238	-	6,575
Operating income (loss) before transfers	(2,923)	-	(5,813)
Transfers in	-	-	-
Transfers intrafund	(80,428)	(90)	(1,757)
(Decrease) increase in net assets	(83,351)	(90)	(7,570)
Net assets at beginning of year	267,392	90	(26,044)
Net assets at end of year	$ 184,041	$ -	$ (33,614)

SINGLE FAMILY HOME MORTGAGE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2,017	$ -	$ 382	$ 212,991
54	9,457	23	23,508
(2)	19,122	652	26,998
2	-	-	167
-	-	-	9
18	-	-	1,129
2,089	28,579	1,057	264,802
1,519	9,517	-	104,095
78	-	-	(1,552)
100	-	16	11,600
(125)	-	(7)	94,968
-	-	-	-
42	337	2	44,181
1,614	9,854	11	253,292
475	18,725	1,046	11,510
-	-	-	-
(4,392)	319	49,689	(36,659)
(3,917)	19,044	50,735	(25,149)
3,917	2,216	-	247,571
$ -	$ 21,260	$ 50,735	$ 222,422

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS - HOMEOWNERSHIP PROGRAMS
Year Ended June 30, 2012
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	DRAW DOWN BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 218,990	$ -	$ 721
Payments to suppliers	(12,329)	-	(16)
Payments to employees	-	-	-
Other receipts (payments)	606,865	-	2,500
Net cash provided by operating activities	813,526	-	3,205
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intrafund transfers	(80,428)	(90)	(1,757)
Changes in due from other government entities	1,389	-	-
Net cash (used for) provided by noncapital financing activities	(79,039)	(90)	(1,757)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sales of bonds	-	-	-
Payment of bond principal	(85,532)	-	-
Early bond redemptions	(770,650)	-	-
Interest paid on debt	(95,701)	-	(2,133)
Interfund transfers	-	-	-
Increase in deferred financing costs	(86)	-	-
Net cash (used for) capital and related financing activities	(951,969)	-	(2,133)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity and sale of investments	2,046,987	90	4,446
Purchase of investments	(1,874,861)	-	(3,771)
Interest on investments	14,675	-	10
Net cash provided by (used for) investing activities	186,801	90	685
Net decrease in cash and cash equivalents	(30,681)	-	-
Cash and cash equivalents at beginning of year	42,413	-	2
Cash and cash equivalents at end of year	$ 11,732	$ -	$ 2
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating (loss) income	$ (2,923)	$ -	$ (5,813)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Interest expense on debt	91,058	-	2,001
Interest on investments	(13,966)	-	(8)
Changes in fair value of investments	(7,226)	-	-
Accretion of capital appreciation bonds	453	-	-
Amortization of bond discount	46	-	-
Amortization of deferred losses	240	-	-
Amortization of bond issuance costs	3,844	-	26
Amortization of bond premium	(1,916)	-	-
Amortization of deferred revenue	(165)	-	-
Provision for estimated loan losses	90,901	-	4,198
Provision for yield reduction payments	(3,791)	-	-
Provision for nonmortgage investment excess	(382)	-	-
Effect of changes in operating assets and liabilities:			
Purchase of program loans-net	(144,190)	-	-
Collection of principal from program loans - net	805,198	-	1,962
Interest receivable	9,153	-	(33)
Accounts receivable	(5,368)	-	-
Due from other funds	(1,117)	-	875
Other assets and deferred outflow	6	-	-
Compensated absences	-	-	-
Deposits and other liab	(591)	-	(3)
Other liabilities and deferred inflow	(5,738)	-	-
Net cash (used for) provided by operating activities	$ 813,526	$ -	$ 3,205
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Noncash transfer of program loan to REO	$ 114,942	$ -	$ -

SINGLE FAMILY HOME MORTGAGE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS /ERCOLLATERALIZATI	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2,392	$ -	$ 132	$ 222,235
(119)	(41)	(7)	(12,512)
-	-	-	-
48,696	10	(41,026)	617,045
50,969	(31)	(40,901)	826,768
(4,392)	319	49,689	(36,659)
-	-	-	1,389
(4,392)	319	49,689	(35,270)
-	-	-	-
(1,880)	(1,000)	-	(88,412)
(45,960)	(258,155)	-	(1,074,765)
(3,720)	(8,164)	-	(109,718)
-	-	-	-
86	(85)	-	(85)
(51,474)	(267,404)	-	(1,272,980)
105,050	575,926	-	2,732,499
(100,221)	(675,529)	(8,786)	(2,663,168)
59	9,182	-	23,926
4,888	(90,421)	(8,786)	93,257
(9)	(357,537)	2	(388,225)
9	874,100	-	916,524
$ -	$ 516,563	$ 2	$ 528,299
$ 475	$ 18,725	$ 1,046	11,510
1,519	9,517	-	104,095
(54)	(9,457)	(23)	(23,508)
2	(19,122)	(652)	(26,998)
-	-	-	453
-	-	-	46
78	-	-	318
16	66	-	3,952
-	-	-	(1,916)
(2)	-	-	(167)
(125)	-	(6)	94,968
-	-	-	(3,791)
-	-	-	(382)
			-
41,827	-	(42,074)	(144,437)
6,867	-	1,020	815,047
375	-	(250)	9,245
251	-	(63)	(5,180)
(216)	239	22	(197)
-	-	(20)	(14)
-	-	-	-
(19)	1	8	(604)
(25)	-	91	(5,672)
$ 50,969	$ (31)	$ (40,901)	$ 826,768
$ 931	$ -	$ -	$ 115,873

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF NET ASSETS
MULTIFAMILY RENTAL HOUSING PROGRAMS
June 30, 2012
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ -	$ 865	$ 19
Investments	717	4.039	74,280	2.725
Current portion - program loans receivable	11.000	1.116	27,672	5.514
Interest receivable - Program loans	-	186	4,012	1,318
Interest receivable - Investments	-	3	928	14
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	959
Other assets	-	32	291	-
Total current assets	11,717	5,376	108,048	10,549
Noncurrent assets:				
Investments	-	-	82,851	2,840
Program loans receivable	4.472	30.336	750.501	26.665
Deferred financing costs	-	33	3,256	115
Other assets and deferred outflow	-	-	98,191	-
Total Noncurrent assets	4.472	30.369	934.799	29.620
Total Assets	$ 16,189	$ 35,745	$ 1,042,847	$ 40,169
LIABILITIES AND NET ASSETS				
Current liabilities:				
Bonds payable	$ -	$ 590	$ 25,223	$ -
Interest payable	91	815	14,278	17
Deposits and other liabilities	1	1	31	1
Total current liabilities	92	1,406	39,532	18
Noncurrent liabilities:				
Bonds payable	16.100	31.414	775,939	25,995
Notess payable	-	-	-	-
Due to other government entities	-	-	17,883	-
Other liablities and deferred inflow	-	-	134,668	-
Deferred revenues	-	-	13	-
Total noncurrent liabilities	16.100	31.414	928,503	25,995
Total Liabilities	16,192	32,820	968,035	26,013
Net assets				
Invested in capital assets	-	-	-	-
Restricted by indenture	(3)	2,925	74,812	14,156
Restricted by statute	-	-	-	-
Total Net assets	(3)	2,925	74,812	14,156
Total Liabilities and Net assets	$ 16.189	$ 35.745	$ 1,042.847	$ 40.169

MULTIFAMILY CONDUITS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 154	$ -	$ 1,038
-	4,113	85,874
294	864	46,460
25	238	5,779
-	125	1,070
-	-	-
-	-	959
-	50	373
473	5,390	141,553
-	41,752	127,443
55,191	339,868	1,207,033
-	152	3,556
-	-	98,191
55,191	381,772	1,436,223
$ 55,664	$ 387,162	$ 1,577,776
$ 5,441	$ 2,200	$ 33,454
26	357	15,584
-	-	34
5,467	2,557	49,072
50,197	375,646	1,275,291
-	-	-
-	-	17,883
-	-	134,668
-	-	13
50,197	375,646	1,427,855
55,664	378,203	1,476,927
-	-	-
-	8,959	100,849
-	-	-
-	8,959	100,849
$ 55,664	$ 387,162	$ 1,577,776

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
MULTIFAMILY PROGRAM
Year Ended June 30, 2012
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements – net	$ 1,379	$ 2,266	$ 51,439	$ 2,123
Interest income - Investments – net	-	13	4,730	91
Increase in fair value of investments	-	-	9,386	451
Loan commitment fees	-	-	-	-
Other loan fees	-	-	-	-
Other revenues	-	-	(33,161)	-
Total Operating revenues	1,379	2,279	32,394	2,665
SALARIES AND GENERAL EXPENSES				
Interest	1,373	1,985	29,022	64
Amortization of bond discount and bond premium	-	32	482	-
Mortgage servicing fees	-	-	6	-
Provision (reversal) for estimated loan losses	-	(16)	(3,178)	58
Salaries and general expenses	-	-	-	-
Other expenses	6	113	8,483	599
Total salaries and general expenses	1,379	2,114	34,815	721
Operating income (loss) before transfers	-	165	(2,421)	1,944
Transfers in	-	-	-	-
Transfers intrafund	-	-	(6,424)	6,756
(Decrease) increase in net assets	-	165	(8,845)	8,700
Net assets at beginning of year	(3)	2,760	83,657	5,456
Net assets at end of year	$ (3)	$ 2,925	$ 74,812	$ 14,156

MULTIFAMILY CONDUITS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 306	$ 1,768	$ 59,281
-	956	5,790
-	3,201	13,038
-	-	-
-	-	-
-	-	(33,161)
306	5,925	44,948
306	949	33,699
-	14	528
-	-	6
-	(7)	(3,143)
-	-	-
-	390	9,591
306	1,346	40,681
-	4,579	4,267
-	-	-
-	4,380	4,712
-	8,959	8,979
-	-	91,870
$ -	$ 8,959	$ 100,849

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS - MULTIFAMILY RENTAL HOUSING PROGRAMS
Year Ended June 30, 2012
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 1,378	$ 2,272	$ 52,402	$ 2,050
Payments to suppliers	(3)	(10)	(183)	(1)
Other receipts (payments)	11,218	968	192,831	3,129
Net cash provided by (used for) operating activities	12,593	3,230	245,050	5,178
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	-	-	(6,424)	6,757
Net cash (used for) provided by noncapital financing activities	-	-	(6,424)	6,757
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	-	-	-
Payment of bond principal	(11,675)	(550)	(29,550)	-
Early bond redemptions	-	(3,400)	(139,085)	(18,455)
Interest paid on debt	(1,440)	(2,085)	(30,164)	(87)
Increase (decrease) in deferred financing costs	-	-	478	-
Net cash (used for) provided by capital and related financing activities	(13,115)	(6,035)	(198,321)	(18,542)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	13,117	16,953	186,273	18,144
Purchase of investments	(12,596)	(14,167)	(230,604)	(11,622)
Interest on investments	-	18	4,656	94
Net cash provided by (used for) investing activities	521	2,804	(39,675)	6,616
Net (decrease) increase in cash and cash equivalents	(1)	(1)	630	9
Cash and cash equivalents at beginning of year	1	1	235	10
Cash and cash equivalents at end of year	$ -	$ -	$ 865	$ 19
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	$ -	$ 165	$ (2,421)	$ 1,944
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:				
Interest expense on debt	1,372	1,985	29,022	65
Interest on investments	-	(14)	(4,729)	(92)
Changes in fair value of investments	-	-	(9,386)	(451)
Amortization of bond discount	-	32	-	-
Amortization of deferred losses	-	-	481	-
Amortization of bond issuance costs	-	8	532	90
Provision (reversal) for estimated loan losses	-	(16)	(3,178)	58
Provision for yield reduction payments	-	-	699	-
Provision for nonmortgage investment excess	-	-	(355)	-
Effect of changes in operating assets and liabilities:				
Sale (Purchase) of program loans-net	-	-	168,247	2,412
Collection of principal from program loans - net	11,222	1,063	43,264	2,135
Interest receivable	-	6	962	(72)
Accounts receivable	-	-	1,054	-
Due (from) to other funds	-	-	(11,610)	(912)
Other assets and deferred outflow	-	2	(21,266)	-
Deposits and other liab	(1)	(1)	(14)	1
Other liabilities and deferred inflow	-	-	53,748	-
Net cash provided by (used for) operating activities	$ 12,593	$ 3,230	$ 245,050	$ 5,178
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ -	$ -	$ -	$ -

MULTIFAMILY CONDUITS	AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 416	$ 2,728	$ 61,246
-	-	(197)
(27,522)	(148,889)	31,735
(27,106)	(146,161)	92,784
-	4,379	4,712
-	4,379	4,712
32,862	-	32,862
(5,200)	(950)	(47,925)
(8)	(1,270)	(162,218)
(416)	(2,147)	(36,339)
-	(157)	321
27,238	(4,524)	(213,299)
-	143,571	378,058
-	(186,233)	(455,222)
-	831	5,599
-	(41,831)	(71,565)
132	(188,137)	(187,368)
22	188,137	188,406
$ 154	$ -	$ 1,038
$ -	$ 4,579	$ 4,267
306	949	33,699
-	(955)	(5,790)
-	(3,201)	(13,038)
-	-	32
-	(464)	17
-	5	635
-	(7)	(3,143)
-	-	699
-	-	(355)
(27,662)	(149,255)	(6,258)
140	1,278	59,102
110	960	1,966
-	-	1,054
-	-	(12,522)
-	(50)	(21,314)
-	-	(15)
-	-	53,748
$ (27,106)	$ (146,161)	$ 92,784
$ -	$ -	$ -

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF NET ASSETS
OTHER PROGRAMS AND ACCOUNTS
June 30, 2012
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,192	$ 8,534	$ -	$ -
Investments	182.910	359.781	8.185	31.946
Current portion - program loans receivable	19.754	9.748	-	-
Interest receivable - Program loans	750	5,725	-	-
Interest receivable - Investments	320	325	8	29
Accounts receivable	1,445	-	-	137
Due (to) from other funds	(26,893)	(296)	17,735	1
Other assets	85.030	-	-	-
Total current assets	265,508	383,817	25,928	32,113
Noncurrent assets:				
Investments	39.807	-	-	-
Program loans receivable	148.406	275.536	-	-
Deferred financing costs	-	-	-	-
Other assets and deferred outflow	53	-	-	-
Total Noncurrent assets	188.266	275.536	-	-
Total Assets	$ 453,774	$ 659,353	$ 25,928	$ 32,113
LIABILITIES AND NET ASSETS				
Current liabilities:				
Interest payable	$ -	$ -	$ -	$ -
Due to other government entities	-	685	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	5	8.326	-	-
Total current liabilities	5	9,011	-	-
Noncurrent liabilities:				
Bonds payable	-	-	-	-
Notess payable	-	-	-	-
Due to other government entities	-	-	-	-
Other liabilities and deferred inflow	-	-	-	-
Deferred revenues	-	-	-	-
Total noncurrent liabilities	-	-	-	-
Total Liabilities	5	9,011	-	-
Net assets				
Invested in capital assets	-	-	-	-
Restricted by indenture	-	-	-	-
Restricted by statute	453,769	650,342	25,928	32.113
Total Net assets	453,769	650,342	25,928	32.113
Total Liabilities and Net assets	$ 453.774	$ 659.353	$ 25.928	$ 32.113

LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ 19,071	$ 1	$ -	$ 163	$ 567	$ 30,528
206,666	98	-	-	28,398	817,984
-	-	-	3,002	-	32,504
-	31	-	396	-	6,902
184	1	-	-	29	896
3,244	-	-	-	714	5,540
(3,640)	17	-	-	40,342	27,266
-	-	-	-	63	85,093
225,525	148	-	3,561	70,113	1,006,713
-	-	-	-	-	39,807
-	3,249	-	82,561	-	509,752
-	-	-	-	5	5
-	-	-	-	142,036	142,089
-	3,249	-	82,561	142,041	691,653
$ 225,525	$ 3,397	-	86,122	$ 212,154	$ 1,698,366
$ -	$ -	$ -	$ 476	$ 26,967	$ 27,443
-	-	-	-	(47)	638
-	-	-	-	4,254	4,254
216,618	-	-	-	1,741	226,690
216,618	-	-	476	32,915	259,025
-	-	-	-	-	-
-	-	-	87,929	-	87,929
-	-	-	-	13,417	13,417
-	-	-	-	189,556	189,556
-	-	-	-	21,898	21,898
-	-	-	87,929	224,871	312,800
216,618	-	-	88,405	257,786	571,825
-	-	-	-	1,119	1,119
-	-	-	-	-	-
8,907	3,397	-	(2,283)	(46,751)	1,125,422
8,907	3,397	-	(2,283)	(45,632)	1,126,541
$ 225,525	$ 3,397	$ -	$ 86,122	$ 212,154	$ 1,698,366

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
OTHER PROGRAMS AND ACCOUNTS
Year Ended June 30, 2012
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements — net	$ 12,857	$ 4,242	$ -	$ -
Interest income - Investments — net	2,462	1,364	99	145
Increase (decrease) in fair value of investments	1,789	-	-	-
Loan commitment fees	11	-	-	-
Other loan fees	1,287	-	-	-
Other revenues	3,555	2,644	-	-
Total Operating revenues	21,961	8,250	99	145
SALARIES AND GENERAL EXPENSES				
Interest	-	-	-	-
Mortgage servicing fees	82	-	-	-
(Reversal) provision for estimated loan losses	(1,702)	15,596	-	-
Salaries and general expenses	-	-	-	-
Other expenses	5,216	28,896	-	-
Total salaries and general expenses	3,596	44,492	-	-
Operating income (loss) before transfers	18,365	(36,242)	99	145
Transfers in	-	75,142	-	-
Transfers intrafund	(33,280)	-	-	-
(Decrease) Increase in net assets	(14,915)	38,900	99	145
Net assets (Deficit) at beginning of year	468,684	611,442	25,829	31,968
Net assets (Deficit) at end of year	$ 453,769	$ 650,342	$ 25,928	$ 32,113

	LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
	$ -	$ 62	$ -	$ -	$ -	$ 17,161
	2	824	-	-	138	5,034
	-	(248)	-	-	-	1.541
	-	-	-	-	2,399	2.410
	5,422	-	-	-	20,660	27,369
	71,198	5	10	-	(26,785)	50,627
	76,622	643	10	-	(3,588)	104,142
	-	35	-	-	53,436	53,471
	-	-	-	-	-	82
	-	181	-	(67)	-	14.008
	-	-	-	-	41.303	41.303
	73.486	-	1	-	8.861	116.460
	73,486	216	1	(67)	103,600	225,324
	3.136	427	9	67	(107.188)	(121,182)
	-	-	-	-	-	75,142
	(6,000)	(20,948)	(55)	-	92,230	31,947
	(2.864)	(20.521)	(46)	67	(14.958)	(14.093)
	11.771	23.918	46	(2.350)	(30.674)	1.140.634
	$ 8,907	$ 3,397	$ -	$ (2,283)	$ (45,632)	$ 1,126,541

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS - OTHER PROGRAMS AND ACCOUNTS
Year Ended June 30, 2012
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 13,160	$ 1,811	$ -	$ -
Payments to suppliers	(90)	-	-	-
Payments to employees	-	-	-	-
Other receipts (payments)	39,583	(73,724)	(6,928)	(32)
Net cash provided (used for) by operating activities	52,653	(71,913)	(6,928)	(32)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(33,280)	-	-	-
Due (from) to other government entities	-	-	(1,124)	-
Net cash provided by (used for) noncapital financing activities	(33,280)	-	(1,124)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment of bond principal	-	-	-	-
Interest paid on debt	-	-	-	-
Interfund transfers	-	75,142	-	-
Increase in deferred financing costs	(220)	-	-	-
Net cash provided by (used for) capital and related financing activities	(220)	75,142	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	722,126	115,679	9,862	3,949
Purchase of investments	(741,493)	(115,263)	(1,931)	(4,071)
Interest on investments - net	2,393	1,485	121	153
Net cash (used for) provided by investing activities	(16,974)	1,901	8,052	31
Net increase (decrease) in cash and cash equivalents	2,179	5,130	-	(1)
Cash and cash equivalents at beginning of year	13	3,404	-	1
Cash and cash equivalents at end of year	$ 2,192	$ 8,534	$ -	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 18,365	$ (36,242)	$ 99	$ 145
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	-	-	-	-
Interest on investments	(2,462)	(1,364)	(99)	(145)
Changes in fair value of investments	(1,789)	-	-	-
Amortization of bond issuance costs	220	-	-	-
Amortization of bond premium	-	-	-	-
Amortization of deferred revenue	(12)	-	-	-
Depreciation	-	-	-	-
(Reversal) provision for estimated loan losses	(1,703)	15,596	-	-
Provision for nonmortgage investment excess	-	-	-	-
Effect of changes in operating assets and liabilities:				
Sale (Purchase) of program loans-net	36,366	(63,063)	-	-
Collection of principal from program loans - net	31,184	15,854	-	-
Interest receivable	303	(2,431)	-	-
Accounts receivable	(1,376)	-	-	(42)
Due (from) to ther funds	53,695	(1,332)	467	10
Other assets and deferred outflow	(85,008)	-	-	-
Compensated absences	-	-	-	-
Deposits and other liab	(7)	1,069	(7,395)	-
Other liabilities and deferred inflow	4,877	-	-	-
Net cash provided by (used for) operating activities	$ 52,653	$ (71,913)	$ (6,928)	$ (32)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ 75	$ -	$ -	$ -

LOAN SERVICING	LOAN WAREHOUSING	HOMEOWNERSHIP SECONDARY MARKETING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ -	$ 68	$ -	$ 7	$ -	$ 15,046
-	-	-	-	(11,029)	(11,119)
-	-	-	-	(30,357)	(30,357)
9,858	29,223	(41)	3,053	(22,912)	(21,920)
9,858	29,291	(41)	3,060	(64,298)	(48,350)
(6,000)	(20,948)	(55)	-	92,230	31,947
-	(22,500)	-	-	3,399	(20,225)
(6,000)	(43,448)	(55)	-	95,629	11,722
-	-	-	(3,050)	-	(3,050)
-	(63)	-	(16)	(60,854)	(60,933)
-	-	-	-	-	75,142
-	-	-	-	(63)	(283)
-	(63)	-	(3,066)	(60,917)	10,876
54,567	62,023	-	-	70,502	1,038,708
(59,545)	(50,729)	-	-	(40,752)	(1,013,784)
53	945	-	-	159	5,309
(4,925)	12,239	-	-	29,909	30,233
(1,067)	(1,981)	(96)	(6)	323	4,481
20,138	1,982	96	169	244	26,047
$ 19,071	$ 1	$ -	$ 163	$ 567	$ 30,528
$ 3,136	$ 427	$ 9	$ 67	$ (107,188)	(121,182)
					-
					-
-	35	-	-	53,436	53,471
(3)	(824)	-	-	(137)	(5,034)
-	248	-	-	-	(1,541)
-	-	-	-	68	288
-	-	-	-	-	-
-	-	-	-	(2,398)	(2,410)
-	-	-	-	277	277
-	182	-	(67)	-	14,008
-	-	-	-	-	-
				-	
-	5,627	-	-	-	(21,070)
-	(4,964)	-	3,053	-	45,127
-	6	-	7	-	(2,115)
1,061	26	-	-	5,376	5,045
(342)	28,542	(50)	-	(68,271)	12,719
-	-	-	-	46,220	(38,788)
-	-	-	-	(111)	(111)
6,006	(5)	-	-	(216)	(548)
-	(9)	-	-	8,646	13,514
$ 9,858	$ 29,291	$ (41)	$ 3,060	$ (64,298)	$ (48,350)
$ -	$ -	$ -	$ -	$ -	$ 75

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APPENDIX B

MORTGAGE-BACKED SECURITIES PURCHASED WITH PROCEEDS OF BONDS

The following table provides certain information with respect to the 2010 Mortgage-Backed Securities and the 2011 Mortgage-Backed Securities, which constitute all of the Mortgage-Backed Securities (or participations therein) purchased with Residential Mortgage Revenue Bond ("RMRB") proceeds.

Security Settlement Date	GNMA Pool Number	CUSIP	Underlying Mortgage Rate	Pass-through Rate	Original Certificate Amount[1]	Certificate Remaining Principal Balance[1,2]	Participation Percentage Owned and Funded with RMRB Proceeds[3]	Amount of Certificate Remaining Principal Balance Owned Under Indenture[4]	Remaining Term
				2010 Mortgage-Backed Securities					
1/3/2011	759378	36230UM30	3.875%	3.375%	$ 1,705,851.00	1,269,506.95	89.08%	$ 1,130,882.70	331
1/13/2011	759423	36230UPG8	3.875%	3.375%	3,214,440.00	3,074,968.73	81.58%	2,508,526.81	331
2/8/2011	759557	36230UTN9	3.875%	3.375%	4,630,433.00	3,989,645.39	81.58%	3,254,711.14	332
2/8/2011	759558	36230UTP4	4.000%	3.500%	564,481.00	541,910.69	84.21%	456,345.44	331
2/8/2011	759559	36230UTQ2	3.875%	3.375%	523,529.00	501,932.61	81.58%	409,470.91	331
2/16/2011	759281	36230UJ26	3.875%	3.375%	8,735,034.00	8,234,185.84	81.58%	6,717,362.33	332
3/3/2011	762681	36176DCS0	3.875%	3.375%	6,284,544.00	5,628,495.99	81.58%	4,591,667.92	332
3/3/2011	762684	36176DCV3	4.000%	3.500%	73,859.00	70,492.21	84.21%	59,361.81	328
3/3/2011	762691	36176DC43	4.000%	3.500%	2,410,243.00	2,315,979.53	84.21%	1,950,298.24	333
3/3/2011	762692	36176DC50	3.875%	3.375%	667,532.00	631,343.84	81.58%	515,044.06	325
3/7/2011	762690	36176DC35	3.750%	3.250%	573,440.00	548,634.20	78.95%	433,132.47	332
3/22/2011	762763	36176DFC2	3.875%	3.375%	9,633,576.00	8,712,547.08	81.58%	7,107,604.30	333
3/22/2011	762764	36176DFD0	4.000%	3.500%	4,479,186.00	4,009,011.18	84.21%	3,376,009.31	333
3/22/2011	762765	36176DFE8	4.125%	3.625%	6,839,737.00	5,623,032.40	86.84%	4,883,160.03	329
3/22/2011	762773	36176DFN8	4.000%	3.500%	762,866.00	567,856.05	84.21%	478,194.22	333
3/22/2011	762774	36176DFP3	3.875%	3.375%	568,961.00	546,678.09	81.58%	445,973.86	333
3/22/2011	762800	36176DGH0	4.125%	3.625%	201,631.00	194,049.88	86.84%	168,517.38	334
3/30/2011	762935	36176DLQ4	4.000%	3.500%	2,452,465.00	2,356,877.85	84.21%	1,984,739.55	334
3/30/2011	762936	36176DLR2	4.125%	3.625%	3,735,373.00	3,593,881.52	86.84%	3,121,002.80	334
3/30/2011	762951	36176DL84	4.250%	3.750%	1,113,165.00	519,919.41	89.47%	465,191.17	334
5/5/2011	763169	36176DT29	4.000%	3.500%	708,637.00	684,016.05	84.21%	576,013.57	335
5/17/2011	763211	36176DVC4	4.000%	3.500%	201,363.00	193,529.45	84.21%	162,972.32	336
5/17/2011	763212	36176DVD2	4.125%	3.625%	289,017.00	279,194.05	86.84%	242,457.56	335
5/26/2011	763285	36176DXN8	4.000%	3.500%	320,821.00	309,683.48	84.21%	260,786.04	336
5/26/2011	763287	36176DXQ1	4.125%	3.625%	210,590.00	202,132.63	86.84%	175,536.43	334
6/7/2011	770691	36176M7C1	4.250%	3.750%	595,487.00	576,625.16	89.47%	515,927.62	337
6/7/2011	770692	36176M7D9	4.000%	3.500%	324,439.00	313,486.98	84.21%	263,989.24	336

Security Settlement Date	GNMA Pool Number	CUSIP	Underlying Mortgage Rate	Pass-through Rate	Original Certificate Amount[1]	Certificate Remaining Principal Balance[1,2]	Participation Percentage Owned and Funded with RMRB Proceeds[3]	Amount of Certificate Remaining Principal Balance Owned Under Indenture[4]	Remaining Term
6/7/2011	770693	36176M7E7	4.375%	3.875%	520,413.00	305,753.77	92.11%	281,615.45	335
6/16/2011	770702	36176NAB7	4.250%	3.750%	347,488.00	335,607.87	89.47%	300,280.42	334
6/16/2011	770703	36176NAC5	4.000%	3.500%	387,834.00	374,939.80	84.21%	315,738.73	337
6/16/2011	770704	36176NAD3	4.125%	3.625%	274,249.00	265,030.51	86.84%	230,158.46	336
6/28/2011	770825	36176ND65	4.500%	4.000%	490,565.00	475,111.39	94.74%	450,105.73	336
6/28/2011	770866	36176NFF3	4.000%	3.500%	150,852.00	145,875.59	84.21%	122,842.35	337
6/28/2011	770872	36176NFM8	4.250%	3.750%	258,808.00	250,625.59	89.47%	224,243.90	337
6/28/2011	770873	36176NFN6	4.500%	4.000%	463,216.00	449,214.54	94.74%	425,571.47	337
6/28/2011	770874	36176NFP1	4.375%	3.875%	383,395.00	371,433.65	92.11%	342,109.97	337
6/28/2011	770875	36176NFQ9	4.125%	3.625%	243,662.00	235,829.95	86.84%	204,799.49	338
6/28/2011	770876	36176NFR7	4.625%	4.125%	550,768.00	530,562.96	97.37%	516,600.68	333
7/19/2011	770931	36176NHG9	4.250%	3.750%	223,860.00	216,719.60	100.00%	216,719.60	337
7/19/2011	770932	36176NHH7	4.500%	4.000%	194,400.00	92,920.18	100.00%	92,920.18	338
7/19/2011	770934	36176NHK0	4.375%	3.875%	234,493.00	227,543.64	100.00%	227,543.64	337
8/16/2011	544310	36212UVB4	4.250%	3.750%	142,729.00	136,515.63	100.00%	136,515.63	328
8/16/2011	544318	36212UVK4	4.250%	3.750%	243,948.00	236,856.59	100.00%	236,856.59	337
8/16/2011	544325	36212UVS7	4.500%	4.000%	349,482.00	336,076.03	100.00%	336,076.03	335
11/29/2011	779708	36176YAH0	4.750%	4.250%	441,258.00	431,077.20	16.67%	71,846.20	340
11/29/2011	779713	36176YAN7	3.875%	3.375%	161,701.00	156,303.08	32.02%	50,044.71	338
12/16/2011	409162	36206EQP3	4.625%	4.125%	1,649,004.00	1,356,547.01	12.74%	172,768.06	338
12/16/2011	618449	36290VBS2	4.500%	4.000%	507,917.00	493,362.48	15.09%	74,470.11	336
12/16/2011	618450	36290VBT0	4.750%	4.250%	1,675,296.00	1,633,311.17	10.38%	169,493.60	340
12/16/2011	654723	36294NLC0	4.250%	3.750%	272,526.00	265,499.58	19.81%	52,598.92	341
12/16/2011	654724	36294NLD8	4.750%	4.250%	2,310,708.00	2,255,326.91	10.38%	234,042.04	340
12/16/2011	709081	36297DXJ1	4.625%	4.125%	393,648.00	384,091.39	12.74%	48,916.73	339
12/16/2011	709082	36297DXK8	4.750%	4.250%	2,856,073.00	2,788,580.25	10.38%	289,382.13	341
12/16/2011	709083	36297DXL6	4.875%	4.375%	194,690.00	189,872.52	8.02%	15,225.69	340
12/16/2011	724402	3620AAX78	4.250%	3.750%	369,234.00	360,784.14	19.81%	71,475.97	342
12/16/2011	724412	3620AAYH5	4.125%	3.625%	263,659.00	257,483.79	22.17%	57,083.96	341
12/16/2011	724424	3620AAYV4	4.000%	3.500%	2,778,354.00	2,544,332.16	24.53%	624,081.42	342
12/16/2011	770633	36176M4S9	4.750%	4.250%	4,269,611.00	3,298,719.90	10.38%	342,321.36	339
12/16/2011	779939	36177HBG7	4.625%	4.125%	445,929.00	206,097.60	12.74%	26,248.38	343
12/16/2011	779940	36177HBH5	4.750%	4.250%	402,946.00	393,777.11	10.38%	40,863.51	340
12/16/2011	779941	36177HBJ1	4.000%	3.500%	2,134,057.00	2,079,520.58	24.53%	510,071.14	342
1/5/2012	779773	36176YCJ4	3.875%	3.375%	55,488.00	54,125.01	32.02%	17,329.60	343
	Subtotal:							$ 53,783,841.07	
Weighted Average:			4.011%	3.511%					333

Security Settlement Date	GNMA Pool Number	CUSIP	Underlying Mortgage Rate	Pass-through Rate	Original Certificate Amount[1]	Certificate Remaining Principal Balance[1,2]	Participation Percentage Owned and Funded with RMRB Proceeds[3]	Amount of Certificate Remaining Principal Balance Owned Under Indenture[4]	Remaining Term
2011 Mortgage-Backed Securities									
7/27/2011	409162	36206EQP3	4.625%	4.125%	$ 1,649,004.00	$ 1,356,547.01	87.26%	$ 1,183,779.23	338
7/27/2011	409165	36206EQS7	4.375%	3.875%	1,009,121.00	348,282.99	100.00%	348,282.99	338
8/16/2011	544322	36212UVP3	4.750%	4.250%	4,996,267.00	4,724,206.22	100.00%	4,724,206.22	335
8/16/2011	544323	36212UVQ1	4.625%	4.125%	641,046.00	623,781.11	100.00%	623,781.11	339
9/28/2011	618446	36290VBP8	4.625%	4.125%	547,386.00	533,310.00	100.00%	533,310.00	339
9/28/2011	618449	36290VBS2	4.500%	4.000%	507,917.00	493,362.48	84.91%	418,892.37	336
9/28/2011	618450	36290VBT0	4.750%	4.250%	1,675,296.00	1,633,311.17	89.62%	1,463,817.57	340
10/6/2011	654723	36294NLC0	4.250%	3.750%	272,526.00	265,499.58	80.19%	212,900.66	341
10/6/2011	654724	36294NLD8	4.750%	4.250%	2,310,708.00	2,255,326.91	89.62%	2,021,284.87	340
10/19/2011	709080	36297DXH5	4.500%	4.000%	262,399.00	255,893.73	100.00%	255,893.73	341
10/19/2011	709081	36297DXJ1	4.625%	4.125%	393,648.00	384,091.39	87.26%	335,174.66	339
10/19/2011	709082	36297DXK8	4.750%	4.250%	2,856,073.00	2,788,580.25	89.62%	2,499,198.13	341
10/19/2011	709083	36297DXL6	4.875%	4.375%	194,690.00	189,872.52	91.98%	174,646.83	340
12/13/2011	724402	3620AAX78	4.250%	3.750%	369,234.00	360,784.14	80.19%	289,308.11	342
12/13/2011	724412	3620AAYH5	4.125%	3.625%	263,659.00	257,483.79	77.83%	200,399.89	341
12/13/2011	724424	3620AAYV4	4.000%	3.500%	2,778,354.00	2,544,332.16	75.47%	1,920,250.73	342
3/30/2011	762934	36176DLP6	3.875%	3.375%	751,229.00	516,193.97	81.58%	421,105.83	334
4/5/2011	762967	36176DMQ3	4.000%	3.500%	1,249,769.00	1,204,522.48	84.21%	1,014,334.67	335
4/5/2011	762968	36176DMR1	4.125%	3.625%	5,518,330.00	5,238,385.12	86.84%	4,549,123.98	333
4/14/2011	762990	36176DNF6	3.875%	3.375%	704,682.00	676,457.01	81.58%	551,846.32	332
4/14/2011	762992	36176DNH2	4.125%	3.625%	4,191,793.00	3,351,613.44	86.84%	2,910,611.45	333
4/28/2011	763059	36176DQL0	4.000%	3.500%	1,376,021.00	1,323,083.11	84.21%	1,114,175.69	334
4/28/2011	763061	36176DQN6	4.125%	3.625%	3,105,704.00	2,859,479.22	86.84%	2,483,232.19	335
4/28/2011	763062	36176DQP1	4.250%	3.750%	1,498,993.00	1,209,902.04	89.47%	1,082,543.71	334
5/5/2011	763167	36176DTY9	3.875%	3.375%	684,196.00	460,932.46	81.58%	376,023.91	333
5/5/2011	763168	36176DTZ6	4.000%	3.500%	777,493.00	750,292.40	84.21%	631,825.20	335
5/5/2011	763170	36176DT37	4.125%	3.625%	15,475,514.00	14,939,389.27	86.84%	12,973,679.92	335
5/5/2011	763171	36176DT45	4.250%	3.750%	2,432,539.00	2,018,113.53	89.47%	1,805,680.31	336
5/17/2011	763213	36176DVE0	4.125%	3.625%	11,916,553.00	11,022,430.20	86.84%	9,572,110.96	335
5/17/2011	763214	36176DVF7	4.250%	3.750%	2,360,675.00	1,988,903.72	89.47%	1,779,545.52	335
5/26/2011	763284	36176DXM0	3.875%	3.375%	289,587.00	279,227.89	81.58%	227,791.15	335
5/26/2011	763286	36176DXP3	4.125%	3.625%	9,924,741.00	9,042,911.29	86.84%	7,853,054.54	335
5/26/2011	763288	36176DXR9	4.250%	3.750%	7,063,652.00	6,446,240.08	89.47%	5,767,688.77	336
5/26/2011	763289	36176DXS7	4.375%	3.875%	3,123,081.00	2,660,033.87	92.11%	2,450,031.21	336
5/26/2011	763367	36176DZ89	4.000%	3.500%	208,768.00	201,556.47	84.21%	169,732.15	336
5/26/2011	763368	36176DZ97	4.125%	3.625%	3,916,893.00	3,658,440.18	86.84%	3,177,066.17	336
5/26/2011	763369	36176D2A0	4.250%	3.750%	4,736,319.00	3,859,206.10	89.47%	3,452,973.80	336

Security Settlement Date	GNMA Pool Number	CUSIP	Underlying Mortgage Rate	Pass-through Rate	Original Certificate Amount[1]	Certificate Remaining Principal Balance[1,2]	Participation Percentage Owned and Funded with RMRB Proceeds[3]	Amount of Certificate Remaining Principal Balance Owned Under Indenture[4]	Remaining Term
5/26/2011	763370	36176D2B8	4.375%	3.875%	2,787,364.00	2,695,390.72	92.11%	2,482,596.78	336
5/26/2011	763371	36176D2C6	4.500%	4.000%	2,074,943.00	1,581,075.19	94.74%	1,497,860.33	335
8/30/2011	770582	36176M2P7	4.625%	4.125%	298,696.00	290,544.61	100.00%	290,544.61	338
8/30/2011	770583	36176M2Q5	4.750%	4.250%	6,718,068.00	5,972,115.29	100.00%	5,972,115.29	339
8/30/2011	770584	36176M2R3	4.875%	4.375%	1,092,210.00	807,316.19	100.00%	807,316.19	338
9/15/2011	770633	36176M4S9	4.750%	4.250%	4,269,611.00	3,298,719.90	89.62%	2,956,398.54	339
9/15/2011	770638	36176M4X8	4.500%	4.000%	473,251.00	460,878.08	100.00%	460,878.08	340
6/7/2011	770694	36176M7F4	4.250%	3.750%	4,007,623.00	3,419,486.69	89.47%	3,059,540.77	336
6/7/2011	770695	36176M7G2	4.125%	3.625%	4,031,802.00	3,763,396.51	86.84%	3,268,213.01	336
6/7/2011	770696	36176M7H0	4.375%	3.875%	2,222,839.00	2,151,268.14	92.11%	1,981,431.46	336
6/7/2011	770697	36176M7J6	4.500%	4.000%	1,879,351.00	1,601,314.34	94.74%	1,517,034.82	336
6/7/2011	770698	36176M7K3	4.625%	4.125%	3,374,500.00	3,266,367.22	97.37%	3,180,409.83	335
6/16/2011	770701	36176NAA9	4.000%	3.500%	1,416,891.00	1,053,134.88	84.21%	886,850.15	332
6/16/2011	770705	36176NAE1	4.125%	3.625%	2,344,070.00	2,264,531.95	86.84%	1,966,567.48	336
6/16/2011	770706	36176NAF8	4.250%	3.750%	2,495,625.00	2,415,537.47	89.47%	2,161,270.73	337
6/16/2011	770707	36176NAG6	4.375%	3.875%	3,046,643.00	2,783,852.61	92.11%	2,564,075.19	336
6/28/2011	770775	36176NCL3	4.125%	3.625%	746,153.00	722,074.66	86.84%	627,064.86	337
6/28/2011	770776	36176NCM1	4.375%	3.875%	2,356,373.00	2,279,019.71	92.11%	2,099,097.53	336
6/28/2011	770777	36176NCN9	4.625%	4.125%	3,698,065.00	3,586,453.03	97.37%	3,492,073.18	337
6/28/2011	770778	36176NCP4	4.500%	4.000%	2,797,085.00	2,577,884.41	94.74%	2,442,206.29	336
6/28/2011	770779	36176NCQ2	4.250%	3.750%	2,348,154.00	2,272,526.65	89.47%	2,033,313.42	337
6/28/2011	770826	36176ND73	4.750%	4.250%	3,101,326.00	2,477,442.86	100.00%	2,477,442.86	336
6/29/2011	770863	36176NFC0	4.500%	4.000%	3,261,006.00	3,156,292.68	94.74%	2,990,171.91	336
6/29/2011	770864	36176NFD8	4.250%	3.750%	1,104,614.00	834,034.98	89.47%	746,241.94	335
6/29/2011	770865	36176NFE6	4.125%	3.625%	931,607.00	896,655.58	86.84%	778,674.46	334
6/29/2011	770867	36176NFG1	4.375%	3.875%	2,449,515.00	1,738,216.97	92.11%	1,600,989.15	337
6/29/2011	770868	36176NFH9	4.625%	4.125%	1,715,694.00	1,658,544.08	97.37%	1,614,898.03	335
6/29/2011	770869	36176NFJ5	4.750%	4.250%	4,962,552.00	4,091,596.09	100.00%	4,091,596.09	337
6/29/2011	770877	36176NFS5	4.875%	4.375%	661,812.00	402,812.78	100.00%	402,812.78	338
6/29/2011	770883	36176NFY2	4.000%	3.500%	91,277.00	88,221.78	84.21%	74,292.18	334
7/19/2011	770927	36176NHC8	4.250%	3.750%	720,817.00	698,511.64	89.47%	624,984.56	337
7/19/2011	770928	36176NHD6	4.375%	3.875%	1,903,647.00	1,647,394.53	92.11%	1,517,337.00	337
7/19/2011	770929	36176NHE4	4.500%	4.000%	1,009,445.00	858,434.53	94.74%	813,253.50	338
7/19/2011	770930	36176NHF1	4.125%	3.625%	488,224.00	472,975.76	86.84%	410,742.11	337
7/19/2011	770933	36176NHJ3	4.625%	4.125%	912,195.00	885,256.70	97.37%	861,960.59	337
7/19/2011	770935	36176NHL8	4.750%	4.250%	10,588,916.00	9,849,483.21	100.00%	9,849,483.21	338
7/19/2011	770936	36176NHM6	4.625%	4.125%	2,323,978.00	1,862,723.26	97.37%	1,813,704.48	337
11/29/2011	779708	36176YAH0	4.750%	4.250%	441,258.00	431,077.20	83.33%	359,230.85	340
11/29/2011	779713	36176YAN7	3.875%	3.375%	161,701.00	156,303.08	67.98%	106,258.43	338
11/29/2011	779716	36176YAR8	3.750%	3.250%	146,197.00	142,199.26	100.00%	142,199.26	343

Security Settlement Date	GNMA Pool Number	CUSIP	Underlying Mortgage Rate	Pass-through Rate	Original Certificate Amount[1]	Certificate Remaining Principal Balance[1,2]	Participation Percentage Owned and Funded with RMRB Proceeds[3]	Amount of Certificate Remaining Principal Balance Owned Under Indenture[4]	Remaining Term
1/5/2012	779773	36176YCJ4	3.875%	3.375%	55,488.00	54,125.01	67.98%	36,795.43	343
1/5/2012	779774	36176YCK1	4.000%	3.500%	2,218,653.00	2,021,405.45	100.00%	2,021,405.45	344
11/22/2011	779939	36177HBG7	4.625%	4.125%	445,929.00	206,097.60	87.26%	179,849.22	343
11/22/2011	779940	36177HBH5	4.750%	4.250%	402,946.00	393,777.11	89.62%	352,913.68	340
11/22/2011	779941	36177HBJ1	4.000%	3.500%	2,134,057.00	2,079,520.58	75.47%	1,569,449.53	342
11/22/2011	779981	36177HCS0	3.750%	3.250%	87,101.00	82,454.46	100.00%	82,454.46	325
Subtotal:								$ 162,835,304.21	
Weighted Average:			4.370%	3.870%					336
Total:								$ 216,619,145.28	

[1] Obtained from the Ginnie Mae MBS Tax, Pool, RPB and Factor Data Search Page (the "Ginnie Mae MBS Page") at http://structuredginniemaes.ginnienet.com/factorreporting/. Amounts in these columns must be multiplied by the applicable percentage under "Participation Percentage Owned and Funded with RMRB Proceeds" to derive the amount thereof allocable to the Indenture.

[2] Amounts in this column were obtained from the column headed "RPB" on the Ginnie Mae MBS Page, and reflect the projected remaining principal balance after the April 15, 2013 payment.

[3] Rounded to the nearest hundreth of a percent. 100% of interest payments on each certificate are allocable to the Indenture.

[4] Amounts in this column have been derived by multiplying the related amount in the "Certificate Remaining Prinicpal Balance" column by the percentage (before rounding) reflected in the "Participation Percentage Owned and Funded with RMRB Proceeds" column.