

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2022**

**NEW ISSUE – BOOK ENTRY ONLY**

RATINGS:  
Moody's: "Aaa"  
S & P: "AA+"  
See "RATINGS" herein

Bracewell LLP, Bond Counsel, is of the opinion that, subject to certain conditions described herein and under existing law, (i) interest on the Series 2022A Bonds is excludable from gross income for federal income tax purposes and (ii) interest on the Series 2022A Bonds is not a specific preference item subject to the alternative minimum tax. See "TAX MATTERS RELATING TO THE SERIES 2022A BONDS" herein.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**



\$ \_\_\_\_\_\*  
**Residential Mortgage  
Revenue Bonds  
Series 2022A (Non-AMT)  
(Social Bonds)**



**Dated Date/Delivery Date:** \_\_\_\_\_, 2022

**Due:** January 1 and July 1, as shown on the inside cover.

**Interest Payment Dates:** Interest accrued on the Series 2022A Bonds will be payable on each January 1 and July 1, commencing July 1, 2022\* as described herein.

**Interest Rates:** Payable at the rates as shown on the inside cover.

**Redemption:** The Series 2022A Bonds are subject to redemption on the dates and at the Redemption Prices more fully described herein. See "THE SERIES 2022A BONDS – Redemption Provisions."

**Denominations:** The Series 2022A Bonds will be available to purchasers in book-entry form only in \$5,000 or any integral multiple thereof as described herein.

**Tax Matters:** Bracewell LLP, Bond Counsel, is of the opinion that, subject to certain conditions described herein and under existing law, (i) interest on the Series 2022A Bonds is excludable from gross income for federal income tax purposes and (ii) interest on the Series 2022A Bonds is not a specific preference item subject to the alternative minimum tax. See "TAX MATTERS RELATING TO THE SERIES 2022A BONDS" herein.

**Purpose:** The Series 2022A Bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed, pass-through certificates (the "Mortgage Certificates"), funding loans for down payment and closing cost assistance, and paying lender compensation related to the Mortgage Loans. The Mortgage Certificates purchased with the proceeds of the Series 2022A Bonds will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("Ginnie Mae") ("Ginnie Mae Certificates" or "GNMA Certificates"). See "APPENDIX B-1 – GNMA AND THE GNMA CERTIFICATES."

**Security:** The Series 2022A Bonds, the Prior Bonds (as defined herein), and, unless subordinated, all Bonds subsequently issued under the Trust Indenture (as defined herein) are equally and ratably secured by the Trust Estate (as defined herein) held by the Trustee under the Trust Indenture. The Series 2022A Bonds are limited obligations of the Department and are payable solely from the revenues and funds pledged for the payment thereof as more fully described herein. Neither the State of Texas (the "State") nor any agency of the State, other than the Department, nor the United States of America or any agency, department or other instrumentality thereof, including Ginnie Mae, is obligated to pay the principal or Redemption Price of or interest on the Series 2022A Bonds. Neither the faith and credit nor the taxing power of the state or the United States of America is pledged, given or loaned to such payment. The Department has no taxing power. Ginnie Mae guarantees only the payment of the principal of and interest on the Ginnie Mae Certificates when due and does not guarantee the payment of the Series 2022A Bonds or any other obligations issued by the Department. See "SECURITY FOR THE BONDS" and "THE TRUST INDENTURE."

**Book-Entry Only System:** The Series 2022A Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – DTC and Book-Entry."

**Trustee:** The Bank of New York Mellon Trust Company, N.A.

**Bond Counsel:** Bracewell LLP

**Disclosure Counsel:** McCall, Parkhurst & Horton L.L.P.

**Underwriters' Counsel:** Chapman and Cutler LLP

**Financial Advisor:** Stifel, Nicolaus & Co., Inc.

**RBC Capital Markets**  
**Barclays                      Jefferies**  
**Piper Sandler & Co.      Morgan Stanley      Ramirez & Co., Inc.**

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

\$ \_\_\_\_\_ **Series 2022A Serial Bonds**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>
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\$ _____	% Series 2022A Term Bonds due _____	Price 100%	CUSIP 882750 _____
\$ _____	% Series 2022A Term Bonds due _____	Price 100%	CUSIP 882750 _____
\$ _____	% Series 2022A Term Bonds due _____	Price 100%	CUSIP 882750 _____
\$ _____	% Series 2022A Term Bonds due _____	Price 100%	CUSIP 882750 _____
\$ _____	% Series 2022A Premium PAC Term Bonds due _____	Price _____%	CUSIP 882750 _____

(Interest Accrues from Date of Delivery)

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\* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a Preliminary Official Statement of the Department with respect to the Series 2022A Bonds that has been "deemed final" by the Department as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page hereof, inside front cover, and the appendices attached hereto, does not constitute, and is not to be used in connection with, an offer to sell or the solicitation of an offer to buy the Series 2022A Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth in this Official Statement has been obtained from the Department and other sources which are believed to be reliable. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under such document shall, under any circumstances, create any implications that there has been no change in the affairs of the Department or other matters described herein since the date hereof.

Neither the Department nor the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

Many statements contained in this Official Statement, including the appendices and the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on the Department's beliefs, as well as assumptions made by, and information currently available to, the management and staff of the Department. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this Official Statement.

The Department's projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Department's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Department. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Department's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2022A BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH ARE INTENDED TO STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING EFFORTS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2022A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED HEREIN, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The Series 2022A Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Trust Indenture or any other document been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Any registration or qualification of the Series 2022A Bonds in accordance with applicable provisions of the securities laws or the states in which the Series 2022A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2022A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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# OFFICIAL STATEMENT

Relating to

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

\$ \_\_\_\_\_ \*

### Residential Mortgage Revenue Bonds Series 2022A (Non-AMT) (Social Bonds)

## INTRODUCTION

This Official Statement provides certain information concerning the Texas Department of Housing and Community Affairs (the "Department") in connection with the issuance of its Residential Mortgage Revenue Bonds, Series 2022A (Social Bonds) (the "Series 2022A Bonds"). Capitalized terms used but not otherwise defined herein shall have the respective meanings for such terms as set forth in "APPENDIX A – GLOSSARY."

The Department, a public and official agency of the State of Texas (the "State"), was created and organized pursuant to and in accordance with the provisions of the Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the "Act") for the purpose of, among other things, financing sanitary, decent and safe housing for individuals and families of low and very low income and families of moderate income. The Department is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and all functions and obligations of which were transferred to the Department pursuant to the Act. Under the Act, the Department may issue bonds, notes and other obligations to finance or refinance residential housing and multi-family developments located in the State and to refund bonds previously issued by the Agency, the Department or certain other quasi-governmental issuers. See "THE DEPARTMENT."

The Series 2022A Bonds are authorized to be issued pursuant to the Act, a resolution adopted by the Governing Board of the Department on \_\_\_\_\_, 2021 (the "Bond Resolution"), an Amended and Restated Residential Mortgage Revenue Bond Trust Indenture, dated as of July 1, 2019 (the "Master Indenture" and as amended and supplemented from time to time, collectively, the "Trust Indenture") between the Department and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as trustee (the "Trustee"), a Thirty-Sixth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of \_\_\_\_\_, 2022 (the "Thirty-Sixth Supplemental Indenture"). The Trust Indenture authorizes the Department to issue bonds to provide funds (i) to acquire or refinance single family mortgage loans or participations therein ("Mortgage Loans") that are made to Eligible Borrowers, as determined from time to time by the Department, (ii) to purchase mortgage-backed securities (the "Mortgage Certificates") that are backed by Mortgage Loans and guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), (iii) to refund the Refunded Bonds (defined below), and (iv) to pay costs associated therewith.

The Department has previously issued multiple series of single family mortgage revenue bonds (the "Prior Bonds") under the Trust Indenture of which \$298,782,785 in aggregate principal amount was

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\* Preliminary, subject to change.

Outstanding as of September 30, 2021. See "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Prior Bonds."

The Series 2022A Bonds, the Prior Bonds and, unless subordinated, all bonds subsequently issued pursuant to the Trust Indenture (collectively, the "Bonds") are equally and ratably secured by the Trust Estate held by the Trustee pursuant to the Trust Indenture. See "THE TRUST INDENTURE" and "SECURITY FOR THE BONDS – Additional Bonds."

The Series 2022A Bonds are being issued for the primary purpose of providing funds for the purchase of Mortgage Certificates guaranteed as to timely payment of principal and interest by Ginnie Mae (the "2022A Mortgage Certificates") which represent beneficial ownership of pools of Mortgage Loans, funding loans for down payment and closing cost assistance (as hereinafter defined, the "DPA Loans"), and paying lender compensation related to the 2022A Mortgage Loans. See "PLAN OF FINANCE."

**The Series 2022A Bonds are on a parity in all respects with all Outstanding Prior Bonds and, unless subordinated, any Bonds subsequently issued.** The Prior Bonds are payable solely from and are secured by a pledge of and lien on the Revenues, Mortgages, Mortgage Loans (including Mortgage Certificates), Investment Securities, moneys held in the Funds (excluding the Rebate Fund) and other property pledged under the Trust Indenture (collectively, the "Trust Estate"). The Trust Estate currently includes, among other things, Mortgage Certificates which were purchased with the proceeds of the Prior Bonds. These Mortgage Certificates are guaranteed by GNMA or Fannie Mae. See "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – Mortgage Loans and Mortgage Certificates." There is no requirement that proceeds of subsequent issues of Bonds be used to purchase Mortgage Certificates. All payments with respect to principal of and interest on Mortgage Loans (net of servicing fees) and on Mortgage Certificates (net of servicing and guaranty fees) received by the Department and the earnings on investments of Funds and accounts held pursuant to the Trust Indenture constitute Revenues. The pledge of and lien on the Trust Estate is subject to discharge if moneys or qualified securities sufficient to provide for the payment of all Outstanding Bonds are deposited and held in trust for such payment. See "SECURITY FOR THE BONDS."

**THE SERIES 2022A BONDS ARE LIMITED OBLIGATIONS OF THE DEPARTMENT AND ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THE PAYMENT THEREOF AS MORE FULLY DESCRIBED HEREIN. NEITHER THE STATE NOR ANY AGENCY OF THE STATE, OTHER THAN THE DEPARTMENT, NOR THE UNITED STATES OF AMERICA OR ANY AGENCY, DEPARTMENT OR OTHER INSTRUMENTALITY THEREOF, INCLUDING GNMA AND FANNIE MAE, IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2022A BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR THE UNITED STATES OF AMERICA IS PLEDGED, GIVEN OR LOANED TO SUCH PAYMENT. THE DEPARTMENT HAS NO TAXING POWER. GNMA AND FANNIE MAE GUARANTEE ONLY THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE GNMA CERTIFICATES AND FANNIE MAE CERTIFICATES, RESPECTIVELY, WHEN DUE AND DO NOT GUARANTEE THE PAYMENT OF THE SERIES 2022A BONDS OR ANY OTHER OBLIGATIONS ISSUED BY THE DEPARTMENT.**

There follows in this Official Statement a brief description of the plan of finance, the Department and its bond programs, together with summaries of certain terms of the Series 2022A Bonds, the Trust Indenture, and certain provisions of the Act, as well as other matters. All references herein to the Act, the



Trust Indenture, and other agreements are qualified in their entirety by reference to each such document, copies of which are available from the Department, and all references to the Series 2022A Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Trust Indenture.

For information concerning the Prior Bonds and the Mortgage Loans and Mortgage Certificates acquired with proceeds of the Prior Bonds, see "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Prior Bonds" and "APPENDIX D-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES." For information concerning other single family and multi-family programs of the Department, see "APPENDIX D-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS."

## **DESIGNATION OF THE SERIES 2022A BONDS AS SOCIAL BONDS**

### **General**

Kestrel Verifiers, a division of Kestrel 360, Inc. ("Kestrel Verifiers"), has designated the Series 2022A Bonds as "Social Bonds". The information under the subcaptions "Social Bond Designation" and "Independent Second Party Opinion on Social Bond Designation and Disclaimer" below has been provided by Kestrel Verifiers.

None of the Department, the Underwriters, Stifel, Nicolaus & Co., Inc., Bond Counsel or Disclosure Counsel, has independently confirmed or verified the information below or assumed any obligation to ensure that the Series 2022A Bonds comply with any legal or other standards or principles that may be related to Social Bonds. "Social Bonds" is an entirely self-designating label lacking any objective guidelines or criteria, and the Department has designated the Series 2022A Bonds as Social Bonds based solely on their designation as Social Bonds by Kestrel Verifiers. The designation of the Series 2022A Bonds as Social Bonds does not entitle the Owner of any Series 2022A Bond to any benefit under the Internal Revenue Code. Owners of the Series 2022A Bonds do not have any security other than as described under "SECURITY FOR THE BONDS" herein.

### **Social Bond Designation**

Per the International Capital Market Association ("ICMA"), Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Social Projects and which are aligned with the four core components of the Social Bonds Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting.

- Kestrel Verifiers has determined that: (a) the Series 2022A Bonds are in conformance with the four pillars of the ICMA Social Bond Principles, as described in Kestrel Verifiers' Second Party Opinion, (the "Second Party Opinion") which is attached hereto as APPENDIX I and (b) the uses of proceeds align with the Affordable Housing, Access to Essential Services, and Socioeconomic Advancement and Empowerment eligible project categories by providing financing for low- and moderate-income first-time homebuyers.

- Upon the expenditure of the proceeds of the Series 2022A Bonds deposited into the Mortgage Loan Account, the Department expects to prepare a report regarding the 2022A Mortgage Loans consisting of the information set forth in APPENDIX J – USE OF PROCEEDS REPORT." Such reporting obligations is not included and not a part of the Department's obligations under the Rule as described under the caption "CONTINUING DISCLOSURE OF INFORMATION."

### **Independent Second Party Opinion on Social Bond Designation and Disclaimer**

For 20 years, Kestrel Verifiers has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc., is an Approved Verifier accredited by the Climate Bonds Initiative (CBI) and an Observer for the ICMA Green Bond Principles. As such, Kestrel Verifiers is qualified to verify transactions in all asset classes worldwide for alignment with ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Climate Bonds Initiative Standards and criteria.

The second party opinion(s) issued by Kestrel Verifiers does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the bonds. Designations by Kestrel Verifiers are not a recommendation to any person to purchase, hold, or sell the bonds and such labeling does not address the market price or suitability of these bonds for a particular investor and does not and is not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the second party opinion, Kestrel Verifiers has assumed and relied upon the accuracy and completeness of the information made publicly available by the Department or that was otherwise made available to Kestrel Verifiers.

### **PLAN OF FINANCE**

Proceeds of the Series 2022A Bonds will be deposited to the 2022A Mortgage Loan Account of the Mortgage Loan Fund and used to purchase 2022A Mortgage Certificates, to fund DPA Loans, and to pay lender compensation related to the 2022A Mortgage Loans.

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## SOURCES AND USES OF FUNDS

The sources of funds and the uses in connection with the Series 2022A Bonds are expected to be approximately as set forth below.

<u>SERIES 2022A</u>	
<u>SOURCES OF FUNDS</u>	
Bond Proceeds	
Issuer Contribution <sup>(1)</sup>	
<b>TOTAL SOURCES</b>	
<u>USES OF FUNDS</u>	
2022A Mortgage Loan Account <sup>(2)</sup>	
Underwriter Compensation	
Costs of Issuance	
<b>TOTAL USES</b>	

<sup>(1)</sup> An additional amount of up to \$\_\_\_\_\_ of Trust Indenture funds may be used for capitalized interest related to the Series 2022A Bonds.

<sup>(2)</sup> Will be used to purchase the 2022A Mortgage Certificates, make DPA Loans, and pay lender compensation and servicing fees relating to the 2022A Mortgage Loans.

## THE SERIES 2022A BONDS

### General

The Series 2022A Bonds will be dated the date of delivery. The Series 2022A Bonds are issuable only as fully registered bonds, without coupons, and will be 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 the Bond Depository for the Series 2022A Bonds. The Series 2022A Bonds will be available to purchasers in book-entry form only in denominations of \$5,000 or any integral multiple thereof, as more fully described herein. The principal or Redemption Price of, and interest on, the Series 2022A Bonds will be payable by the Trustee to DTC, which will be responsible for making such payments to DTC Participants (hereinafter defined) for subsequent remittance to the owners of beneficial interests in the Series 2022A Bonds or their nominees. See "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – DTC and Book-Entry."

The Series 2022A Bonds mature on the dates and in the amounts set forth on the inside cover hereof.

### Interest Rates

The Series 2022A Bonds will accrue interest from the date of delivery, until maturity or prior redemption at the respective per annum rates of interest set forth on the inside cover page hereof. Interest accrued on the Series 2022A Bonds will be payable on July 1, 2022, and semiannually on each January 1 and July 1 thereafter until maturity or prior redemption. Interest on the Series 2022A Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months.

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## Redemption Provisions\*

### *Series 2022A Bonds*

The Series 2022A Bonds are subject to optional redemption, special redemption, and mandatory sinking fund redemption at various times prior to their scheduled maturities at various Redemption Prices as described below. **The Department anticipates that a significant portion of the Series 2022A Bonds will be redeemed prior to their scheduled maturities as the result of the receipt by the Department of amounts representing Mortgage Loan Principal Payments (all amounts representing scheduled payments of principal and any Mortgage Loan Principal Prepayments) and from excess Revenues (including residual Trust Indenture revenues whether or not derived in connection with the Series 2022A Bonds).**

### *Special Redemption from Unexpended Proceeds of Series 2022A Bonds*

The Series 2022A Bonds are subject to special redemption from unexpended proceeds of the Series 2022A Bonds, prior to their stated maturities, in whole or in part. The Redemption Price of the Series 2022A Bonds to be so redeemed shall be equal to (i) for Series 2022A Bonds other than the Premium Serial Bonds and Premium PAC Term Bonds, 100% of the principal amount thereof, and (ii) for the Premium Serial Bonds and the Premium PAC Term Bonds, the applicable Redemption Price as set forth in "APPENDIX G – UNEXPENDED PROCEEDS REDEMPTION PRICE FOR PREMIUM SERIAL BONDS AND PREMIUM PAC TERM BONDS," that maintains the original yield to maturity on the Premium Serial Bonds and to the Projected Weighted Average Life (in Years) from 100% through 400%, inclusive (Optional Call not Exercised), of the SIFMA Prepayment Model of such Premium PAC Term Bonds as set forth under "Average Life and Prepayment Speeds," plus in each case accrued interest thereon to, but not including, the date of redemption. Notwithstanding the foregoing, if the principal amount of Series 2022A Bonds to be so redeemed is less than \$250,000 (a "De Minimis Special Redemption"), such unexpended proceeds shall be treated as Mortgage Loan Principal Payments relating to the 2022A Mortgage Certificates and Series 2022A Bonds shall be redeemed as described below under "Special Redemption from 2022A Mortgage Loan Principal Payments."

Such redemption from unexpended proceeds shall occur on \_\_\_\_\_, 2022, or as soon as practicable after receipt by the Trustee of a certification of the Department that such amounts will not be used to purchase 2022A Mortgage Certificates, unless the Certificate Purchase Period is extended in accordance with the Trust Indenture. In no event will such redemption occur later than \_\_\_\_\_, 2025.

As described in "INVESTMENT CONSIDERATIONS – Non-Origination of Mortgage Loans," over the past year, the Department has averaged over \$31 million per month in GNMA mortgage-backed securities issued that are backed by tax-exempt bond eligible mortgage loans, exclusive of loans for which a mortgage credit certificate was issued. The Department has not had an unexpended proceeds call since November 1, 2010.

Except for the De Minimis Special Redemption, the Series 2022A Bonds to be redeemed as described in this subcaption shall be selected by the Trustee on a pro rata basis among all maturities unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Cashflow Certificate.

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\* Preliminary, subject to change.

***Special Redemption from 2022A Mortgage Loan Principal Payments***

The Series 2022A Bonds, other than the Premium Serial Bonds, are subject to redemption prior to maturity and shall be redeemed, in whole or in part, from time to time on the first day of any month on or after \_\_\_\_\_, 2022, after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of the Series 2022A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date, from Mortgage Loan Principal Payments relating to the 2022A Mortgage Certificates transferred to the 2022A Special Redemption Account in accordance with the Trust Indenture.

In the event of a redemption from such Mortgage Loan Principal Payments, the Trustee shall select the particular Series 2022A Bonds to be redeemed as follows:

- (a) first, the Trustee shall redeem the Premium PAC Term Bonds, but only to the extent that the Outstanding principal amount of the Premium PAC Term Bonds following such redemption is not less than the Premium PAC Term Bonds Outstanding Applicable Amount as of such date;

The Premium PAC Term Bonds Outstanding Applicable Amount is as follows:

<u>Date</u>	<u>Premium PAC Term Bonds Outstanding Applicable Amount (\$)</u>	<u>Date</u>	<u>Premium PAC Term Bonds Outstanding Applicable Amount (\$)</u>
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- (b) amounts remaining following the redemptions described in clause (a) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, to redeem all the Series 2022A Bonds (other than the Premium Serial Bonds and Premium PAC Term Bonds) on a proportionate basis until the Outstanding principal amount of all Series 2022A Bonds has been reduced to the Series 2022A Cumulative Applicable Amount as of such date.

The Series 2022A Cumulative Applicable Amount is as follows:

<u>Date</u>	<u>Series 2022A Cumulative Applicable Amount (\$)</u>	<u>Date</u>	<u>Series 2022A Cumulative Applicable Amount (\$)</u>
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(c) amounts remaining following the redemptions described in clauses (a) and (b) above shall be applied monthly, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, to redeem all Series 2022A Bonds (excluding Premium Serial Bonds, but including the Premium PAC Term Bonds), on a proportionate basis after taking into account the amounts applied to redeem the Series 2022A Bonds pursuant to the above-described redemptions.

Any special redemption of the Series 2022A Bonds pursuant to the provisions of the Trust Indenture described above in "Special Redemption from Unexpended Proceeds" will reduce the Premium PAC Term Bonds Outstanding Applicable Amount and the Series 2022A Cumulative Applicable Amount described above for the current and each future semiannual period on a proportionate basis.

***Special Redemption From Excess Revenues***

The Series 2022A Bonds, other than the Premium Serial Bonds, are subject to redemption from Excess Revenues prior to maturity and shall be redeemed, in whole or in part from time to time, on the first day of any month on or after \_\_\_\_\_, 2022, after giving notice as provided in the Trust Indenture and in accordance with a Letter of Instructions provided by the Department, at a Redemption Price equal to 100% of the principal amount of the Series 2022A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date. Excess Revenues may include amounts not derived in connection with the Series 2022A Bonds.

In the event of a redemption from Excess Revenues, the Trustee shall apply amounts transferred to the 2022A Special Redemption Account in accordance with the Trust Indenture to redeem the Series 2022A Bonds Outstanding in the same manner described in "Special Redemption from 2022A Mortgage Loan Principal Payments" above, unless otherwise instructed by the Department pursuant to a Letter of Instructions accompanied by a Cashflow Certificate.

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***Optional Redemption***

The Series 2022A Bonds (except for the Premium PAC Term Bonds) maturing on or after July 1, 2030, are subject to redemption prior to maturity, in whole or in part at any time and from time to time, on and after January 1, 2030, at the option of the Department after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of such Series 2022A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date.

The Premium PAC Term Bonds are subject to redemption prior to maturity, in whole or in part at any time and from time to time, on and after January 1, 2030, at the option of the Department after giving notice as provided in the Trust Indenture, at the Redemption Prices set forth below (expressed as a percentage of the Principal Amount to be redeemed), in each case together with interest accrued thereon to, but not including, the redemption date:

Redemption Date

Redemption Price

If the Premium PAC Term Bonds are redeemed on a date other than a redemption date listed above, the Redemption Price, as of such redemption date, will be determined by the Department using straight-line interpolation between the Redemption Prices for the redemption dates listed above immediately preceding and succeeding such redemption date.

***Mandatory Sinking Fund Redemption***

The Series 2022A Bonds maturing on the dates specified below are subject to scheduled mandatory redemption prior to maturity and shall be redeemed after giving notice as provided in the Trust Indenture, in the aggregate principal amounts and on the dates set forth in the following tables, at a Redemption Price equal to 100% of the principal amount of the Series 2022A Bonds or portions thereof to be redeemed, plus accrued interest if any, to, but not including, the redemption date:

\$ \_\_\_\_\_ Term Bonds Maturing \_\_\_\_\_

<u>Redemption Date</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
----------------------------	----------------------------------	----------------------------	----------------------------------

\_\_\_\_\_  
\*Final Maturity

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\$ \_\_\_\_\_ Term Bonds Maturing \_\_\_\_\_

<u>Redemption Date</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
----------------------------	----------------------------------	----------------------------	----------------------------------

\_\_\_\_\_  
\*Final Maturity

\$ \_\_\_\_\_ Term Bonds Maturing \_\_\_\_\_

<u>Redemption Date</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
----------------------------	----------------------------------	----------------------------	----------------------------------

\_\_\_\_\_  
\*Final Maturity

\$ \_\_\_\_\_ Term Bonds Maturing \_\_\_\_\_

<u>Redemption Date</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
----------------------------	----------------------------------	----------------------------	----------------------------------

\_\_\_\_\_  
\*Final Maturity

[Remainder of page intentionally left blank]



\$\_\_\_\_\_ Premium PAC Term Bonds Maturing \_\_\_\_\_

<u>Redemption Date</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
----------------------------	----------------------------------	----------------------------	----------------------------------

\_\_\_\_\_  
\*Final Maturity

The principal amount of the Series 2022A Bonds to be redeemed on each such redemption date pursuant to mandatory sinking fund redemption shall be reduced by the principal amount of any Series 2022A Bonds having the same maturity and interest rate, which (A) at least 45 days prior to such mandatory sinking fund redemption date, (1) shall have been acquired by the Department and delivered to the Trustee for cancellation, or (2) shall have been acquired and canceled by the Trustee at the direction of the Department, or (3) shall have been redeemed other than pursuant to scheduled mandatory redemption, and (B) shall have not been previously credited against a scheduled mandatory sinking fund redemption.

## **Partial Redemption**

Except as described in "THE SERIES 2022A BONDS – Redemption Provisions – Series 2022A Bonds – Special Redemption from Unexpended Proceeds of Series 2022A Bonds," "– Special Redemption from 2022A Mortgage Loan Principal Payments" and "– Special Redemption from Excess Revenues," the particular Series 2022A Bonds within a maturity to be redeemed in part shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. A portion of any Series 2022A Bond may be redeemed, but only in an Authorized Denomination. Upon surrender of any Series 2022A Bond for redemption in part, the Trustee will authenticate and deliver an exchange Series 2022A Bond in an Authorized Denomination in an aggregate principal amount equal to the unredeemed portion of the surrendered Series 2022A Bond. See "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – DTC and Book-Entry."

## **Notice of Redemption**

Except as provided below, the Trustee shall give notice, in the name of the Department, of the redemption of Series 2022A Bonds to the holders thereof, which notice shall specify the maturity and interest rates of the Series 2022A Bonds to be redeemed, the redemption date and the method and place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2022A Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2022A Bonds so to be redeemed, and, in the case of Series 2022A Bonds to be redeemed in part only, such notices shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state any conditions that must be satisfied prior to the redemption date and that on such date there shall become due and payable upon each Series 2022A Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal amount thereof, in the case of Series 2022A Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. If applicable, such notice shall provide that the redemption of the Series 2022A Bonds is conditioned upon moneys being available for such purpose on the redemption date or such other conditions as may be set forth in such notice. See "THE SERIES 2022A BONDS – Conditional Notices of Redemption."

The Trustee shall mail a copy of such notice by first class mail, postage prepaid, not less than 30 days, nor more than 60 days prior to the redemption date to the holders of any Series 2022A Bonds or portions thereof which are to be redeemed, at the address shown on the registration books maintained by the Trustee.

## **Conditional Notices of Redemption**

The Department reserves the right to give notice of its election or direction to redeem Series 2022A Bonds conditioned upon the occurrence of subsequent events.

## **Payment of Redeemed Bonds**

Notice having been given as provided in the Trust Indenture, the Series 2022A Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Series 2022A Bond, the Department shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Series 2022A Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Series 2022A Bond so surrendered, Series 2022A Bonds of like maturity, interest rate and aggregate principal amount in any Authorized

Denomination. If, on the redemption date, moneys for the redemption of all the Series 2022A Bonds or portions thereof of any like maturity to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as specified in the Trust Indenture, then, from and after the redemption date, interest on the Series 2022A Bonds or portions thereof of like maturity so called for redemption shall cease to accrue and become payable. If such moneys shall not be available on the redemption date, such Series 2022A Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

### **Purchase in Lieu of Redemption**

The Trust Indenture permits the purchase of Bonds, including the Series 2022A Bonds, in the open market in lieu of redemption of such Bonds. Any such purchase may be at a price not exceeding the then applicable Redemption Price for such Bonds.

### **Average Life and Prepayment Speeds**

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The SIFMA Prepayment Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. The SIFMA Prepayment Model does not purport to be either an historical description of the prepayment of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the 2022A Mortgage Certificates. One hundred percent (100%) of the SIFMA Prepayment Model assumes prepayment rates of 0.2 percent per year of the then unpaid principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30<sup>th</sup> month. Beginning in the 30<sup>th</sup> month and in each month thereafter during the life of the mortgage loans, 100 percent of the SIFMA Prepayment Model assumes a constant prepayment rate of six percent per year. Multiples will be calculated from this prepayment rate speed e.g., 200 percent of the SIFMA Prepayment Model assumes prepayment rates will be 0.4 percent per year on month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter. The amounts shown in the tables under "THE SERIES 2022A BONDS—Redemption Provisions—Series 2022A Bonds" above for Premium PAC Term Bonds Outstanding Applicable Amount and for Series 2022A Cumulative Applicable Amount are based on many assumptions, including (i) receipt of prepayments on the 2022A Mortgage Loans equal to 100 percent of SIFMA's standard prepayment model (as further described below) (the "SIFMA Prepayment Model") in the case of Premium PAC Term Bonds Outstanding Applicable Amount and 400 percent of the SIFMA Prepayment Model in the case of the Series 2022A Cumulative Applicable Amount; and (ii) that 100 percent of the moneys on deposit in the 2022A Mortgage Loan Account attributable to the proceeds of the Series 2022A Bonds will be used to purchase 2022A Mortgage Certificates.

The following table assumes, among other things, that (i) all amounts in the 2022A Mortgage Loan Account will be used to purchase 2022A Mortgage Loans; (ii) 2022A Mortgage Loans will be purchased on average on \_\_\_\_\_; (iii) \$29,925,000 of 2022A Mortgage Loans will have an original term of 30 years with **4 points** of repayable DPA and have an average interest rate of \_\_\_% per annum; (iv) \$36,575,000 of 2022A Mortgage Loans will have an original term of 30 years with 5 points of repayable DPA and have an average interest rate of \_\_\_% per annum; (v) \$74,100,000 of 2022A Mortgage Loans will have an original term of 30 years with 4 points of forgivable DPA and have an average interest rate of \_\_\_% per annum; (vi) \$49,400,000 of 2022A Mortgage Loans will have an original term of 30 years with 5 points of forgivable DPA and have an average interest rate of \_\_\_% per annum; (vii) Trustee's fees will be .02% per annum of the Series 2022A Bonds outstanding with an annual minimum of \$3,500 payable monthly; (viii) 2022A Mortgage Loans prepay at the indicated percentage of the SIFMA Prepayment Model; (ix) all

2022A Mortgage Loans are pooled and assigned to GNMA upon the issuance to the Trustee of GNMA Certificates and payments on such Mortgage Certificates are timely made and used on a timely basis to redeem the Series 2022A Bonds; (x) the Series 2022A Bonds are not redeemed pursuant to unexpended proceeds redemption; (xi) the Series 2022A Bonds, other than the Premium PAC Term Bonds where noted, are not redeemed pursuant to optional redemption; (xii) no amounts allocable to any other series of Bonds are used to cross-call the Series 2022A Bonds and no amounts allocable to the Series 2022A Bonds are used to cross-call any other series of Bonds; (xiii) the Investment Securities held in the 2022A Mortgage Loan Account will pay interest at the rate of 0% per annum and the Investment Securities held in the Revenue Fund will pay interest at the rate of 0% per annum for the first three years and 0.05% per annum thereafter; (xiv) Series 2022A Bonds will be redeemed as described under "THE SERIES 2022A BONDS – Redemption Provisions – Series 2022A Bonds – Special Redemption from 2022A Mortgage Loan Principal Payments" for the respective Series 2022A Bonds, assuming Series 2022A Bonds are redeemed monthly and (xv) Series 2022A Bonds will be redeemed semi-annually as described under "Redemption from Excess Revenues."

Based on the foregoing and other assumptions, some or all of which may not reflect actual experience, the table below indicates the projected weighted average lives of the Premium PAC Term Bonds and the Term Bonds.

<b>Projected Weighted Average Life (in Years) (1)</b>						
Series 2022A Bonds						
SIFMA Prepayment Model	Term Bonds due _/_/20__	Term Bonds due _/_/20__	Term Bonds due _/_/20__	Term Bonds due _/_/20__	PAC Term Bonds Due _/_/20__	
					(Optional Call not Exercised)	(Optional Call Exercised)
0%						
50%						
75%						
100%						
125%						
150%						
175%						
200%						
300%						
400%						
500%						

<sup>(1)</sup>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 bonds to the related principal payment date, (ii) adding the results and (iii) dividing the sum by the total principal paid on the bond.

In addition to the table above, "APPENDIX F – TABLE OF PROJECTED WEIGHTED AVERAGE LIFE DATA AT VARIOUS PREPAYMENT SPEEDS" sets forth a table of additional average life-related data at various prepayment speeds.

The holder of less than all of the Outstanding principal amount of a Premium PAC Term Bond or a Term Bond may not achieve the results indicated above. The Department does not undertake to update this table or any other projections contained in this Official Statement based on the Department's actual experience with respect to repayment and prepayment of the Series 2022A Bonds.

The SIFMA Prepayment Model does not purport to be a prediction of the anticipated rate of prepayments of Mortgage Loans, and there is no assurance that the prepayments of the Mortgage Loans will conform to any of the assumed prepayment rates. The Department makes no representation as to the percentage of the principal balance of the Mortgage Loans 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 caption.

## SECURITY FOR THE BONDS

### **Pledge of Trust Indenture**

The Series 2022A Bonds, the Prior Bonds and, unless subordinated, all bonds subsequently issued pursuant to the Trust Indenture are equally and ratably secured by the Trust Indenture for the equal benefit, protection and security of the owners of the Bonds, each of which, regardless of time of issuance or maturity, is to be of equal rank without preference, priority or distinction, except as otherwise provided in the Trust Indenture.

Principal or Redemption Price of and interest on all Bonds are payable solely from and are secured by a pledge of and lien on the Trust Estate, which consists generally of the Revenues, Mortgages, Mortgage Loans (including Mortgage Certificates), money, and Investment Securities held in the Funds (excluding the Rebate Fund), and other property pledged under the Trust Indenture and any Supplemental Indenture. Revenues include all payments with respect to the Mortgage Loans (net of servicing, accounting and collection fees) which include Mortgage Certificates (net of servicing and guaranty fees) and the earnings on investments of amounts held under the Trust Indenture and any Supplemental Indenture. Revenues do not include payments made in order to obtain or maintain mortgage insurance and fire and other hazard insurance with respect to Mortgage Loans (including Mortgage Certificates), and any payments required to be made with respect to Mortgage Loans (including Mortgage Certificates) for taxes, other governmental charges, and other similar charges customarily required to be escrowed on mortgage loans or commitment fees or other financing charges paid by a Mortgage Lender or the Master Servicer to the Department in connection with a commitment to sell and deliver Mortgage Loans (including Mortgage Certificates) to the Department.

The structure of Program 99 allows Eligible Borrowers to choose between various levels of down payment assistance. All Mortgage Loans are expected to be Assisted Loans, bearing interest at annual rates announced from time to time by the Department. All Assisted Loans are accompanied by a second lien loan ("DPA Loan") with no stated interest in an amount equal to a percentage of the original principal amount of the related first lien Assisted Loan. DPA Loans are due on sale, refinance, or repayment of the first mortgage and may be either forgiven on the 3-year or 5-year anniversary, or have a thirty year term.

**The Series 2022A Bonds are limited obligations of the Department and are payable solely from the Revenues and funds pledged for the payment thereof as more fully described herein. Neither the State nor any agency of the State, other than the Department, nor the United States of America nor any agency, department or other instrumentality thereof, including GNMA, and Fannie Mae, is obligated to pay the principal or Redemption Price of, or interest on, the Series 2022A Bonds. Neither the faith and credit nor the taxing power of the State or the United States of America is pledged, given or loaned to such payment. The Department has no taxing power. GNMA and Fannie Mae guarantee only the payment of the principal of and interest on the GNMA Certificates and Fannie Mae Certificates, respectively, when due and do not guarantee the payment of the Series 2022A Bonds or any other obligations issued by the Department.**

## **Supplemental Mortgage Security**

The Trust Indenture requires that each Mortgage Loan be further secured by Supplemental Mortgage Security, if any, as provided in the Supplemental Indenture authorizing the Series of Bonds used to purchase such Mortgage Loan. Pursuant to the Thirty-Sixth Supplemental Indenture, the Department has determined that the Supplemental Mortgage Security for the 2022A Mortgage Loans shall be the guaranty of timely payment of principal and interest provided by Ginnie Mae pursuant to the Ginnie Mae Certificates.

## **Cashflow Statement and Asset Test**

The Department is required to deliver periodically a "Cashflow Statement" prepared or verified by a nationally-recognized firm experienced in preparing mortgage revenue bond cashflows, comparing estimates of Revenues with the debt service requirements and Department Expenses with respect to Outstanding Bonds, which Cashflow Statement must demonstrate the sufficiency of such Revenues to pay scheduled debt service on the Bonds and Department Expenses at their respective requirements under each of the scenarios required by the Rating Agencies. Under the terms of the Trust Indenture, such Cashflow Statements must incorporate certain assumptions concerning Mortgage Loan Principal Prepayments, reinvestment rates, expenses and certain other assumptions as required by the Rating Agencies. The Cashflow Statement is required to be prepared (i) upon the issuance of a Series of Bonds; (ii) upon the adjustment of the interest rate or rates on a Series of Bonds, unless otherwise required by the applicable Series Supplement; (iii) upon the purchase or redemption of Bonds other than as assumed in the Cashflow Statement most recently filed with the Trustee; (iv) upon the application of Mortgage Loan Principal Payments other than as assumed in the Cashflow Statement most recently filed with the Trustee; (v) upon the application of amounts in the Residual Revenues Fund other than as assumed in the Cashflow Statement most recently filed with the Trustee; (vi) at such times, if any, as may be required by a Supplemental Indenture; and (vii) not later than two and one-half years after the date of filing of the most recent Cashflow Statement. The Department, at its option, may file a revised or amended Cashflow Statement with the Trustee at any time.

The Department has covenanted in the Trust Indenture that it will not make, acquire, refinance or sell Mortgage Loans or Mortgage Certificates or purchase or redeem Bonds, including the Series 2022A Bonds, or take certain other actions permitted under the Trust Indenture, unless such actions are consistent with the assumptions set forth in its most recent Cashflow Statement.

Moneys held under the Trust Indenture in excess of the amounts required by the Asset Test (hereinafter described) may, at the written direction of the Department accompanied by a Cashflow Certificate, be transferred to the Department to be used for any purpose authorized or permitted by the Act, free and clear of the pledge and lien of the Trust Indenture. In general, the Asset Test is deemed satisfied if the outstanding principal balance of the Mortgage Loans and Mortgage Certificates and money and Investment Securities held in all Funds (other than the Cost of Issuance Fund, Expense Fund, Rebate Fund and any mortgage pool self-insurance reserve established by the Department with respect to Mortgage Loans) is at least equal to 102% of the principal amount of Bonds Outstanding. See "THE TRUST INDENTURE – Residual Revenues Fund."

## **Additional Bonds**

Various series of Bonds, including refunding Bonds, may be issued as provided in the Trust Indenture on a parity with the Bonds of all other Series, secured by a pledge of and lien on the Trust Estate. As a condition to the issuance of additional Bonds, including refunding Bonds, the Department must deliver various items to the Trustee including the opinions of Bond Counsel to the effect that, among other things,

the series of Bonds is validly issued in accordance with the Trust Indenture and the Act. The Department must also deliver to the Trustee a Cashflow Statement which gives effect to the issuance of such additional Bonds as described above under "Cashflow Statement and Asset Test" and a written confirmation from each Rating Agency that the issuance of Bonds of each Series will not adversely affect the rating then in effect on any Outstanding Bonds (determined without regard to any Credit Agreement). The Department has reserved the right to adopt one or more other bond indentures and to issue other obligations payable from sources other than the Trust Estate or, payable from the Trust Estate, including the Revenues, if the pledge of and lien on the Trust Estate and the Revenues is junior to or subordinate to the pledge of and lien on the Trust Estate and the Revenues.

### **Outstanding Subordinate Lien Obligation**

The Department entered into a Loan Agreement dated September 28, 2016 (the "Subordinate Loan Agreement"), with Woodforest National Bank ("Woodforest") for a secured draw down credit facility in an aggregate principal amount not to exceed \$10,000,000 as evidenced by the Department's Series 2016 Issuer Note (the "Subordinate Note"). The Department has drawn the full \$10,000,000 authorized amount under the Subordinate Loan Agreement, all of which currently is outstanding. The Subordinate Note bears interest at 1.0% per annum and no scheduled interest or principal payments are payable until the stated maturity date of September 28, 2026. The Subordinate Note is secured by and payable solely from a lien on and pledge of the Trust Estate established by the Trust Indenture, which lien and pledge expressly is subordinate to the lien and pledge of the Trust Estate securing the Series 2022A Bonds and the Outstanding Prior Bonds. Proceeds from the Subordinate Note were used to make down payment assistance loans to qualified borrowers. Upon the occurrence of an event of default under the terms of the Subordinate Loan Agreement (which includes whenever the amount determined pursuant to the Asset Test is less than 102% plus the then outstanding amount of the Subordinate Note), the Subordinate Note will bear interest at a per annum rate of 6.0% and the outstanding principal amount thereof may be declared to be immediately due and payable. Upon the Trustee's receipt of written notice from Woodforest that the Department has failed to pay the Subordinate Note in full when due, the Trustee will transfer the unpaid amount from the Residual Revenues Fund to Woodforest to the extent permitted by the provisions of the Trust Indenture described in the last paragraph under "THE TRUST INDENTURE – Residual Revenues Fund."

### **Sale of Mortgage Certificates and Mortgage Loans**

The Department may, at its election, sell, assign, transfer or otherwise dispose of any Mortgage Loan or Mortgage Certificate, in whole or in part, or any of the rights of the Department with respect to any Mortgage Loan or Mortgage Certificate, in whole or in part, free and clear of the lien of the Trust Indenture, but only if a Cashflow Statement establishes that such sale, assignment, transfer or other disposition will not adversely affect the ability of the Department to pay when due the principal or Redemption Price of and interest on the Bonds and the Rating Agency shall have confirmed that such sale, assignment, transfer or other disposition will not have an adverse effect on the rating then in effect on the Bonds. The Department may also sell any Mortgage Loan, Mortgage Certificate or other obligation evidencing or securing a Mortgage Loan if it is necessary for the Department to take such action in order to maintain the excludability of interest on any of the Bonds from gross income for federal income tax purposes. If proceeds from the sale of the Mortgage Certificates are to be applied to the redemption of Series 2022A Bonds, such Series 2022A Bonds must be redeemed under the applicable redemption provision of the Trust Indenture. See "THE SERIES 2022A BONDS – Redemption Provisions."

### **Certain Information as to Revenues, Investments, Debt Service and Department Expenses**

On the basis of the Cashflow Statement prepared in connection with the issuance of the Series 2022A Bonds, the Department expects that the scheduled payments, together with Mortgage Loan Principal

Prepayments received, if any, of the principal of and interest on the Mortgage Loans and the Mortgage Certificates and amounts held under the Trust Indenture and the earnings thereon, will be sufficient to pay the principal or Redemption Price of and interest on the Series 2022A Bonds and all other Prior Bonds Outstanding when due. In arriving at the foregoing conclusions, the Department has included all Series 2022A Bonds and Prior Bonds but has not considered the issuance of additional Bonds or the application or investment of the proceeds thereof. Since obligations issued under the Trust Indenture, unless subordinated, will rank equally and ratably with the Series 2022A Bonds and the Prior Bonds with respect to the security afforded by the Trust Indenture, the availability of money for repayment thereof could be significantly affected by the issuance, application and investment of proceeds of additional Bonds.

The maturity of and mandatory sinking fund installments of the Series 2022A Bonds have been established on the basis of the consolidated scheduled payments of the Mortgage Loans (including Mortgage Certificates) under the Trust Indenture. The interest rates on the Mortgage Loans acquired with moneys made available from the issuance of the Series 2022A Bonds will be established so that, together with payments of principal of and interest on the Mortgage Loans and the Mortgage Certificates outstanding under the Trust Indenture and moneys on deposit in the various funds and accounts under the Trust Indenture (as well as income derived from investments thereof), sufficient Revenues will be expected to be available to pay on a timely basis the principal of and interest on all Bonds outstanding under the Trust Indenture, including the Series 2022A Bonds and certain other amounts required to be paid under the Trust Indenture. Such expectation is based on, among others, the following assumptions:

- (a) moneys held in the Mortgage Loan Fund, the Revenue Fund and the Residual Revenues Fund will be invested at the rates per annum applicable to each (a portion of the earnings from which may be subject to rebate to the United States Department of Treasury), and timely payments will be made to the Trustee of amounts due under such investments;
- (b) the payments on the Mortgage Loans (including the Mortgage Certificates) will be made in full and received by or on behalf of the Department on the 30<sup>th</sup> day following their scheduled payment dates;
- (c) the Mortgage Lenders, the servicers, and the Master Servicers will perform their duties in a timely manner;
- (d) all future expenses with respect to the Bonds and administering and servicing the Mortgage Loans, including the Trustee's fees and payment of Department Expenses, will be paid in full on a timely basis from interest paid on the Mortgage Loans and the Mortgage Certificates and investment income on funds held by the Trustee;
- (e) all of the lendable proceeds of the Series 2022A Bonds will be used to purchase Mortgage Certificates representing Mortgage Loans with terms of thirty (30) years that will provide for payment of principal and interest in approximately equal monthly installments; and
- (f) the proceeds of the Series 2022A Bonds will be used to provide for the purchase of Mortgage Certificates, all of which are projected to be GNMA Certificates.

The Department makes no assurances that the foregoing assumptions can be realized, particularly in times of market turmoil. In particular, the Department establishes the interest rates on the Mortgage Loans (including Mortgage Certificates) on an ongoing basis as the Department deems necessary and appropriate, subject to the requirements of the Trust Indenture, including the Cashflow Statement. Interest rates are determined by reference to conventional mortgage rates, availability of mortgage funding alternatives, historical interest rate patterns and the Department's cost of funds.



## INVESTMENT CONSIDERATIONS

### COVID-19 [UPDATE]

The outbreak of a new strain of coronavirus ("COVID-19"), an upper respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the United States. The World Health Organization has characterized COVID-19 as a pandemic. The worldwide outbreak of COVID-19 has caused significant disruptions to the world and United States economies.

As a result of the COVID-19 pandemic, the U.S. government, the State of Texas and Texas local governments have imposed restrictions on travel, public gatherings and large group events, ordered residents to stay at home, promoted work-at-home, and ordered closure of schools, restaurants, bars, and other public venues. The President of the United States has declared a state of emergency and the Governor of the State of Texas has declared a state of disaster as a result of the COVID-19 pandemic.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to address the crisis created by the COVID-19 pandemic. Direct aid to citizens was included among the relief measures in the CARES Act. Among other things, the CARES Act provides that (a) lenders are prohibited from foreclosing all mortgage loans which are FHA insured, VA, HUD or Rural Housing guaranteed, or purchased or securitized by Fannie Mae or Freddie Mac (collectively, "Federal Single Family Loans") for a period of 60-days commencing March 18, 2020, and (b) until the sooner of the termination of the pandemic or December 31, 2020, Federal Single Family Loan borrowers directly or indirectly facing economic difficulties as a result of the coronavirus can seek up to 360 days of payment forbearance. The CARES Act does not allow fees, penalties or additional interest to be charged as a result of delayed payments.

The CARES Act also directs the Federal Reserve Bank to provide liquidity to the financial system through a new facility to purchase certain new issuances of securities by eligible issuers, including housing finance agencies and other state and local governments. Such injection of liquidity follows recent actions by the Federal Reserve, including the purchase of U.S. Treasury securities and Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities, facilitating the flow of credit to municipalities by expanding its Money Market Mutual Fund Liquidity Facility to include a wider range of securities, including municipal variable rate demand notes (such as variable rate demand obligations of housing finance agencies).

Separately, Ginnie Mae has announced a program to assist Ginnie Mae seller/servicers which experience financial hardships in meeting their obligations to advance funds and/or repurchase loans due to the forbearance provisions of the CARES Act. Ginnie Mae stated it will implement a "pass-through assistance program" through which Ginnie Mae seller/servicers with payment shortfalls may request that Ginnie Mae advance (subject to Ginnie Mae approval) the difference between available funds and the scheduled payments to investors. Ginnie Mae stated that the program would apply initially to seller/services of single family loans and that it anticipated the program subsequently applying to multifamily loans, as well.

On March 29, 2020, President Trump extended the Coronavirus Guidelines for America, calling upon Americans to take actions to slow the spread of COVID-19 in the United States, through April 30, 2020. On March 31, 2020, the Governor of Texas issued additional executive orders that, among other items, extended his prior order closing schools for in-person classes through May 4, 2020. On April 17, 2020, the Governor issued several executive orders to begin the process of lifting certain restrictions related to COVID-19, including authorizing certain retail and healthcare facilities to open under certain guidelines; however, extended the temporary closure of in-person classes for the remainder of the 2019-20 school year. On March 2, 2021, the Governor issued an executive order which lifted COVID-19 restrictions related to

business openings and the mask mandate. However, the order does not prevent businesses from requiring the use of masks.

On March 11, 2021, President Joe Biden signed into law the American Rescue Plan Act of 2021 ("ARP"). The ARP is a \$1.9 trillion stimulus legislation with the purpose of speeding the economic recovery from the COVID-19 pandemic. Key elements of the ARP include: extending expanded unemployment benefits; \$1,400 direct payments to certain individuals and families; emergency paid leave; extension of 15% increase in food stamps; \$26 billion for rental assistance and \$350 billion in aid to state and local governments.

The pandemic is an ongoing situation. At this time, the Department cannot determine the overall impact the pandemic, including the federal and State responses thereto, will have on its programs, the Trust Estate or the operations of the Department.

### **Termination of Mortgage Loans and Mortgage Certificates**

The maturity and sinking fund redemption installments of the Series 2022A Bonds were determined on the basis of the assumption that there will be no early terminations of the Mortgage Loans or the Mortgage Certificates relating to the Series 2022A Bonds. The Department expects Mortgage Loans and Mortgage Certificates relating to the Series 2022A Bonds will be terminated prior to final maturity as a result of Mortgage Loan Principal Prepayments. All Mortgage Loan Principal Prepayments relating to the Series 2022A Bonds will be deposited in the Revenue Fund and transferred to the 2022A Special Redemption Account for use to redeem Series 2022A Bonds or other Bonds in accordance with the Trust Indenture or used to acquire new Mortgage Loans or participations therein. **Accordingly, the Department anticipates that a significant portion of the Series 2022A Bonds will be redeemed prior to their scheduled maturity.**

### **Mortgage Loan Principal Prepayments**

The Department anticipates that the Trustee will receive Mortgage Loan Principal Prepayments on the Mortgage Certificates. Mortgage Loan Principal Prepayments are usually the result of the resale of the premises securing a Mortgage Loan or the refinancing of a Mortgage Loan due to changes in mortgage interest rates. Therefore, economic and financial market conditions may have a significant short-term effect on the rate of prepayments. The Department is not aware of any means which would allow it to accurately predict the actual level of prepayments it will receive from the Mortgage Certificates. Mortgage Loan Principal Prepayments on the Mortgage Certificates may be applied to the prepayment of the Series 2022A Bonds or used to acquire new Mortgage Loans or participations therein. See "THE SERIES 2022A BONDS—Redemption Provisions—Series 2022A Bonds—Special Redemption from 2022A Mortgage Loan Principal Payments."

### **Non-Origination of Mortgage Loans**

One of the principal factors in originating Mortgage Loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford and will find attractive. The Department has determined that there is a shortage of funds in the State to make such loans at interest rates and on terms that a substantial number of potential borrowers within the State can afford. Should mortgage interest rate levels decline, or should one or more alternative governmental programs become available at below market rates, mortgage loans could become available at rates competitive with or lower than the rate specified for the Mortgage Loans, and the total amount of Mortgage Loans anticipated to be originated under the Program may not be so originated.

The failure to originate Mortgage Loans, or the inability to deliver Mortgage Certificates to the Trustee in the amounts contemplated from proceeds of the Series 2022A Bonds, will result in redemption of Series 2022A Bonds prior to their stated maturities. See "THE SERIES 2022A BONDS – Redemption Provisions – Series 2022A Bonds – Special Redemption from Unexpended Proceeds of Series 2022A Bonds."

Over the past year, the Department has averaged over \$60 million per month in GNMA mortgage-backed securities issued that are backed by tax-exempt bond eligible mortgage loans, exclusive of loans for which a mortgage credit certificate was issued. The Department has not had an unexpended proceeds call since November 1, 2010.

### **Availability of Remedies**

The remedies available to the owners of the Series 2022A Bonds upon an Event of Default under the Trust Indenture or other documents described herein are in certain respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy laws, the Trust Indenture and the various Program documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2022A Bonds will, therefore, be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally and by general principles of equity which permit the exercise of judicial discretion, and by principles of sovereign immunity.

## **THE DEPARTMENT**

### **General**

The Department, a public and official agency of the State of Texas (the "State") was created pursuant to and in accordance with Chapter 2306, Texas Government Code, as amended from time to time (together with other laws of the State applicable to the Department, the "Act"). The Department is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and their functions and obligations transferred to the Department. One of the purposes of the Department is to provide for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income in the State. Pursuant to the Act, the Department may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Department or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Department.

The Department is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the "Sunset Act") and its continued existence is subject to a review process that resulted in passage of legislation in the Seventy-Eighth Legislative Session in 2003 which continued the Department in existence until September 1, 2011. House Bill 3361 extended the existence of the Department until September 2025, at which time it will be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State shall designate an appropriate State agency to continue to carry out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

In the Act, the State also pledges and agrees with the holders of any bonds issued under the Act that the State will not limit or alter the rights vested in the Department to fulfill the terms of any agreements made with the holders thereof that would in any way impair the rights and remedies of such holders until such bonds, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses incurred in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

## **Governing Board**

The Department is governed by a governing board (the "Board") consisting of seven public members, appointed by the Governor, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities, and women.

The Governor of the State designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office-holder must be a Board member) to perform the duties prescribed by the Board.

The current members of the Board, their occupations and their terms of office are as follows:

LEO VASQUEZ, Chair and Board Member. Executive Vice President of Cadeco Industries, Houston, Texas. His term expires January 31, 2023.

PAUL A. BRADEN, Board Member. Partner and Head of Public Finance for the United States at Norton Rose Fulbright, Dallas, Texas. His term expires January 31, 2023.

SHARON THOMASON, Board Member. President of S Arthur Services, Lubbock, Texas. Her term expired January 31, 2021.

BRANDON BATCH, Board Member. Business Development Manager for Ventura Management, Midland, Texas. His term expired January 31, 2021.

AJAY THOMAS, Board Member. Executive Vice President and Head of Public Finance for FHN Financial, a division of First Horizon Bank, Austin, Texas. His term expires January 31, 2025.

KENNY MARCHANT, Board Member. Retired U.S. Representative for the 24th Congressional District of Texas, Coppell, Texas. His term expires January 31, 2025.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate. Any Board member whose term has expired or who has tendered his or her resignation continues to serve until his or her successor has been appointed.

## **Administrative Personnel**

The Act provides that the Department is to be administered by an Executive Director to be employed by the Board with the approval of the Governor. The Executive Director serves at the pleasure of the Board, but may also be removed by a newly elected Governor who did not approve the Executive Director's appointment by action taken within 90 days after such Governor takes office. The Executive Director is responsible for administering the Department and its personnel. The Executive Director may, within the limitations established by the General Appropriations Act, employ other employees necessary for the discharge of the duties of the Department, subject to the annual budget and the provisions of any resolution authorizing the issuance of the Department's bonds.

Currently, the Department has 330 employees. The following is a biographical summary of certain of the Department's senior staff members who have responsibility with respect to single-family housing matters.

**ROBERT WILKINSON**, Executive Director. Mr. Wilkinson was hired by the Governing Board to serve as the Executive Director at the Board meeting of July 25, 2019, and he began his tenure on August 15, 2019. Most recently, Mr. Wilkinson served as the Deputy Budget Director to Texas Governor Greg Abbott. Mr. Wilkinson served in the Budget and Policy Division within the Office of the Governor for the first three legislative sessions of Governor Abbott's administration; 2015, 2017, and 2019. His duties included the development of the Governor's proposed budgets, the analysis and tracking hundreds of filed bills including the General Appropriations Act, the development of policy, and the coordination of governance with executive state agencies. Housing and TDHCA were important elements of Mr. Wilkinson's portfolio of responsibility from 2014 (under former Governor Rick Perry) through 2019. Before 2014, Mr. Wilkinson held other positions within the Office of the Governor and worked in the private sector in various capacities including a stint as a project manager at a large commercial electrical contractor. Mr. Wilkinson received his Bachelor of Arts from the University of Texas at Austin.

**MONICA GALUSKI**, Director of Bond Finance and Chief Investment Officer. Ms. Galuski joined the Department in 2014. She has 20 years of experience in municipal housing finance in both the public and private sectors. Ms. Galuski oversees the Department's TBA program, single family bond program, multifamily bond program, and homeownership activities. Ms. Galuski received a Bachelor of Science in Financial Management from Arizona State University.

**CATHY GUTIERREZ**, Director of the Texas Homeownership Division. Cathy began her career at the Texas Department of Housing and Community Affairs in 1992. Her first position was with the Finance and Accounting Division in Loan Administration and progressed through several positions in the Community Affairs, Housing Finance, and HOME Divisions. In 2003 she joined the Texas Homeownership Division. During her 12 year tenure in the Division, Cathy served as the Business Development Officer and Program Manager, assisting in new program structure, marketing, lender and Realtor trainings, business development, lender participation process, and consumer related inquires. In April 2015, Cathy became the Director of the Texas Homeownership Division. She is responsible for the development and administration of the Single Family Homeownership and Mortgage Credit Certificate programs.

**JAMES "BEAU" ECCLES**, General Counsel. J. Beau Eccles joined the Department in June 2015 as its General Counsel and is responsible for coordination of all internal and external legal counsel for the Department. Before joining the Department, Mr. Eccles served as an Assistant Texas Attorney General for thirteen years, including five years as Deputy Chief, then two years as Chief, of the General Litigation Division. Mr. Eccles is a graduate of the Texas Tech School of Law, and received his B.A. from the University of Texas at Austin.

## **Department Usage of Cares Act Funds**

As part of the State's response to the COVID-19 pandemic, the Department has allocated approximately \$105.9 million of the State's CARES Act funds for use in rent and mortgage payments assistance including eviction diversion. These funds are designed to provide short term relief to income eligible renters and homeowners who are behind in their rent or mortgage payments and may be at risk of eviction or foreclosure.

## **THE TRUST INDENTURE**

### **General**

The Trust Indenture, which includes the Master Indenture and each of the Series Supplements and amendments thereto relating to the Bonds, contains various covenants and security provisions, certain of which are summarized below. In addition, the Trust Indenture contains requirements for the purchase of Mortgage Loans and certain covenants with respect to applicable provisions of federal income tax law. See "TAX MATTERS RELATED TO THE SERIES 2022A BONDS." Reference should be made to the Trust Indenture, a copy of which may be obtained from the Department, for a full and complete statement of its provisions.

### **Funds and Accounts**

The following Funds have been established under the Master Indenture: Mortgage Loan Fund; Cost of Issuance Fund; Revenue Fund; Interest Fund; Principal Fund; Special Redemption Fund; Residual Revenues Fund; and Expense Fund and the 1998/1999A Special Mortgage Loan Fund established under the Tenth Series Supplement. The Series Supplements create within each Fund separate accounts for each Series or related Series of Bonds. The Thirty-Sixth Supplemental Indenture creates an account for the Series 2022A Bonds within each listed Fund. The accounts so created do not grant a priority of one Series of Bonds over that of any other Series of Bonds, but are for accounting purposes only. In addition, the Thirty-Sixth Supplemental Indenture establishes a 2022A Rebate Fund.

### **Mortgage Loan Fund**

The Trustee is required to apply amounts in the Mortgage Loan Fund to pay the costs of making, acquiring, or refinancing Mortgage Loans (including the acquisition of Mortgage Certificates), and accrued interest thereon, if so directed in a Letter of Instructions from the Department. Any such disbursements are required to be within the certificate purchase period relating to the particular Series of Bonds. The Trustee is required to transfer amounts in the Mortgage Loan Fund relating to an account established for each Series of the Bonds to the Special Redemption Fund at the end of each Mortgage Loan origination period for such Series to pay the Redemption Price of Bonds of each Series to be redeemed or the purchase price of Bonds to be purchased. To the extent required by the provisions of the Master Indenture summarized below under the subheading "Withdrawals from Funds to Pay Debt Service", amounts in the Mortgage Loan Fund may be applied to the payment of principal or Redemption Price of and interest on the Bonds. See "SECURITY FOR THE BONDS –Sale of Mortgage Certificates and Mortgage Loans" and "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Program and the Mortgage Loans – Mortgage Loans."

### **Cost of Issuance Fund**

Amounts credited to the Cost of Issuance Fund may be applied to pay Costs of Issuance. If at any time amounts on deposit in the Cost of Issuance Fund are in excess of the amounts reasonably required to

pay Costs of Issuance (and do not represent proceeds of the Series 2022A Bonds), the Department may transfer such excess to the Department.

### **Revenue Fund**

All Revenues are required to be deposited into the Revenue Fund promptly upon receipt by the Department. Prior to the transfer of any other amount from the Revenue Fund, the Department may transfer from the Revenue Fund an amount equal to any rebatable arbitrage to the Rebate Fund. On or before each interest payment date on the Bonds, the Trustee will transfer from the Revenue Fund to the Interest Fund an amount which, when added to any amounts already on deposit therein, will equal the amount of interest to become due and payable on the Bonds on such interest payment date.

On or before each maturity date and each date fixed for the redemption of Bonds, the Trustee is required to transfer amounts on deposit in the Revenue Fund representing Mortgage Loan Principal Payments to the Principal Fund, the Mortgage Loan Fund or to the Special Redemption Fund at the Department's direction by a Letter of Instructions accompanied by a Cashflow Certificate or, in the absence of such instructions, as required by the Series Supplements.

On or before each maturity date and each date fixed for redemption of Bonds, the Trustee also must transfer from the Revenue Fund the other amounts on deposit therein in the following order of priority:

- (a) first, to the Interest Fund, an amount, if any, which, when added to any amounts already on deposit therein, will equal the amount of interest to become due and payable on the Bonds on such maturity date or redemption date;
- (b) second, to the Principal Fund, an amount which, when added to any amounts already on deposit therein, will equal the principal amount of all Bonds maturing on such date and the Redemption Price of all Bonds becoming subject to scheduled mandatory redemption on such redemption date;
- (c) third, to the Expense Fund, the amount or amounts specified in the Series Supplements applicable to the Bonds then Outstanding as being necessary to pay Department Expenses consisting of amounts, if any, to be paid to obtain or maintain Supplemental Mortgage Security;
- (d) fourth, to the Expense Fund, the amount then required for the payment of Department Expenses (other than as described in clause (c) above), but not in excess of the maximum amount specified in the applicable Series Supplements applicable to the Bonds then Outstanding;
- (e) fifth, to the Special Mortgage Loan Fund, the amount, if any, specified in the most recent Cashflow Statement as required by the Series Supplement to maintain the tax-exempt status of the Bonds; and
- (f) finally, to the Residual Revenues Fund, the portion, if any, of the amount remaining in the Revenue Fund on such maturity date or redemption date after the foregoing transfers, which the Department directs to be so transferred. Any such amounts transferred to the Residual Revenues Fund constitute "Excess Revenues." See "THE TRUST INDENTURE – Residual Revenues Fund."

### **Interest Fund and Principal Fund**

The Trustee is required to pay out of the Interest Fund by each interest payment date or date fixed for redemption of Bonds, the amount required for the interest payment due on such date. The Trustee is required to pay out of the Principal Fund by each date on which Bonds mature or become subject to

scheduled mandatory redemption, the amount required for the payment of the principal amount of Bonds maturing and the Redemption Price of the Bonds subject to scheduled mandatory redemption on such date.

The Trustee, at any time at the direction of the Department in a Letter of Instructions accompanied by a Cashflow Certificate, is required to apply amounts available in the Principal Fund to pay the purchase price of Bonds.

### **Special Redemption Fund**

Amounts in the Special Redemption Fund are required to be applied by the Trustee to pay the Redemption Price of the Bonds becoming subject to redemption (other than by scheduled mandatory redemption) or, at the direction of the Department, may be transferred to the Revenue Fund if notice of redemption has not been given or such amounts have not been committed to the purchase of Bonds. The Trustee, at any time at the direction of the Department in a Letter of Instructions accompanied by a Cashflow Certificate, is required to apply amounts available in the Special Redemption Fund to pay the purchase price of Bonds.

### **Expense Fund**

Amounts in the Expense Fund may be paid out from time to time by the Department for Department Expenses, taxes, insurance, foreclosure fees, including appraisal and legal fees, security, repairs and other expenses incurred by the Department in connection with the protection and enforcement of its rights in any Mortgage Loan and the preservation of the mortgaged property securing such Mortgage Loans. Excess amounts in the Expense Fund may be transferred to the Revenue Fund at the direction of the Department.

### **Residual Revenues Fund**

During such time as the Department is not meeting the asset test described in the next paragraph (the "Asset Test"), amounts in the Residual Revenues Fund are required to be retained in the Residual Revenues Fund or transferred to the Mortgage Loan Fund or the Special Redemption Fund, as directed by a Letter of Instructions from the Department accompanied by a Cashflow Certificate or, in the absence of such instructions, as may be required by the applicable Series Supplements.

The Department will be deemed to have met the Asset Test if: (i) the Department has on file with the Trustee a Cashflow Statement giving effect to a transfer and release proposed as described in the next paragraph; and (ii) as of the date of such Cashflow Statement, the sum of the outstanding principal balance of the Mortgage Loans and the Mortgage Certificates, and the money and Investment Securities (valued at their amortized values as required by the Trust Indenture) held in all Funds (other than the Cost of Issuance Fund, the Expense Fund and any mortgage pool self-insurance reserve established by the Department with respect to the Mortgage Loans) is at least equal to 102% of the aggregate principal amount of Bonds then Outstanding.

If at any time the Department meets the Asset Test, the Trustee is required to apply amounts in the Residual Revenues Fund (in excess of those required to be maintained under the Trust Indenture in order to permit the Department to continue to meet the Asset Test) as follows: (i) the Trustee is required to transfer such amounts to the Mortgage Loan Fund or the Special Redemption Fund or remit such amounts to the Department to be used for any purpose authorized or permitted by the Act, free and clear of the pledge and lien of the Trust Indenture, if so directed by a Letter of Instructions from the Department; or (ii) in the absence of such instructions, the Trustee is required to retain such amounts in the Residual Revenues Fund.



## **Rebate Fund**

Funds on deposit in the Rebate Fund are required to be withdrawn periodically by the Department and set aside to pay any amounts required to be rebated to the United States under applicable provisions of federal income tax law.

## **Withdrawals from Funds to Pay Debt Service**

If on any interest payment date on the Bonds, after giving effect to the transfers from the Revenue Fund described above, the amount in the Interest Fund or the Principal Fund is less than the amount required to make interest and principal payments then due, the Trustee shall transfer from the following Funds in the following order of priority the amount of such deficit and apply such amount to pay interest and principal as necessary: (i) Residual Revenues Fund; (ii) Special Redemption Fund; and (iii) Mortgage Loan Fund.

None of the following are deemed available under the Trust Indenture for the payment of debt service on the Bonds: (i) the moneys in the Special Redemption Fund which are to be used to redeem Bonds as to which notice of redemption has been given or committed to the purchase of Bonds; (ii) moneys in the Mortgage Loan Fund which are to be used to make, acquire, or refinance Mortgage Loans with respect to which the Department has entered into commitments with borrowers, Mortgage Lenders or others; or (iii) Mortgage Loans credited to the Mortgage Loan Fund.

## **Investments**

Moneys held in the Mortgage Loan Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Special Redemption Fund, and the Residual Revenues Fund are required to be invested and reinvested by the Trustee or by any Depository holding all or a portion of the moneys in such Funds, in accordance with instructions from the Department and moneys held in the Cost of Issuance Fund and the Expense Fund are required to be invested and reinvested by the Department or by any Depository holding all or a portion of the moneys in such Funds, in accordance with instructions from the Department, to the fullest extent practicable and if permitted by the Act, in Investment Securities the principal of which the Department estimates will be received not later than such times as will be necessary to provide moneys when needed for payments to be made from each such Fund. See "SECURITY FOR THE BONDS – Investment of Funds" and "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – Texas Treasury Safekeeping Trust Company."

Interest earned from investing any moneys in any Fund or profits realized from any investments in any Fund are required to be retained in such Fund until it contains the amount required by the Trust Indenture to be deposited therein; thereafter such earnings and profits, net of any losses (except that which represents a return of accrued interest paid in connection with the purchase by the Department, the Trustee or any Depository of any investment), are required to be transferred to the Revenue Fund.

## **Other Department Covenants**

The Department is required to keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries must be made of its transactions in accordance with generally accepted accounting principles. The Department is required to file annually, within 180 days after the close of each Bond Year, with the Trustee, and otherwise as provided by law, a copy of an annual report for such year, accompanied by an accountant's certificate, including the following statements in reasonable detail: a statement of financial position as of the end of such Bond Year; and a statement of Revenues and Department Expenses for such Bond Year. The Department at all times is required to appoint, retain and employ competent personnel for the purpose of carrying out its programs and must

establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges, and all persons employed by the Department must be qualified for their respective positions.

### **Events of Default**

Each of the following events is an "Event of Default" under the Trust Indenture: (i) default in the due and punctual payment of the principal or Redemption Price of any Bond when due; (ii) default in the due and punctual payment of any installment of interest on any Bond when due; (iii) default by the Department in the performance or observance of any other of its covenants, agreements, or conditions in the Trust Indenture or in the Bonds, and the continuance of such default for a period of 60 days after written notice thereof to the Department by the Trustee or to the Department and to the Trustee by the owners of not less than 10% in principal amount of the Bonds then Outstanding; or (iv) the commencement of various proceedings involving the Department in bankruptcy or seeking reorganization, arrangement, readjustment or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, state or federal, now or hereafter existing, or seeking the involuntary appointment of a receiver or trustee of the Department or for all or a substantial part of its property, and unless commenced by or consented to by the Department, their continuation for 90 days undismissed or undischarged.

### **Bondholders' Rights in the Event of Default**

If an Event of Default occurs and is continuing, then the Trustee may and, upon the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, must, by written notice delivered to the Department, declare the principal of the Bonds then Outstanding and the interest accrued thereon immediately due and payable; subject, however, to the right of the owners of more than 50% in aggregate principal amount of the Bonds then Outstanding, by written notice to the Department and to the Trustee, to annul such declaration and destroy its effect at any time if all Events of Default, other than those arising from nonpayment of principal or interest due solely as a result of such acceleration, have been cured. Such annulment will not extend to nor affect any subsequent Event of Default nor impair or exhaust any right or power consequent thereon.

If any Event of Default occurs and is continuing, then the Trustee may and, upon the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, must: (i) by mandamus or other suit, action or proceeding at law or in equity require the Department to perform its covenants, representations and duties under the Trust Indenture; (ii) bring suit upon the Bonds; (iii) by action or suit in equity require the Department to account as if it were the trustee of a trust for the owners of the Bonds; (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; or (v) take such other steps to protect and enforce its rights and the rights of the owners of the Bonds, whether by action, suit or proceeding in aid of the execution of any power granted in the Trust Indenture or for the enforcement of any other appropriate legal or equitable remedy.

If any Event of Default occurs and is continuing, then the Trustee may, and upon written request by the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, must, proceed by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal of and interest on the Bonds under a judgment or decree of a court or courts of competent jurisdiction or by the enforcement of any other appropriate legal or equitable remedy, as the Trustee deems most effectual to protect and enforce any of its rights or the rights of the Bondholders under the Trust Indenture.

## **Application of Proceeds**

The proceeds received by the Trustee in case of an Event of Default, together with all securities and other moneys which may then be held by the Trustee as a part of the Trust Estate, are required to be applied in order, as follows:

- (a) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee;
- (b) to the payment of the interest and principal then due on the Bonds, as follows:
  - (i) unless the principal of all the Bonds has become or has been declared due and payable, to the payment to the persons entitled thereto of: first, all installments of interest then due, in order of maturity, and, if the amount available is not sufficient to pay in full any installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference; and second, the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amount or Redemption Price due on such date, without any discrimination or preference; and
  - (ii) if the principal of all the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and
- (c) to the payment of the amounts required for reasonable and necessary Department Expenses.

## **Trustee**

The Bank of New York Mellon Trust Company, N.A., is currently the Trustee for all Series of Bonds issued under the Trust Indenture.

The Department is required to pay reasonable compensation to the Trustee, any Depositories and any paying agent (other than the GNMA Paying Agent) for all services rendered under the Trust Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and for the performance of their powers and duties under the Trust Indenture.

The Trustee may be removed, with or without cause, if so requested by the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding. In addition, the Trustee may be removed, with or without cause, at any time (unless an Event of Default has occurred and is continuing) by resolution of the Governing Board of the Department; provided, that all holders of Bonds be given notice of such action and the Department shall not have received, within 60 days after such notice, written objections to such action by the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding. The Trustee may also resign, upon appropriate notice. In either event, a successor is required to be appointed. Any successor Trustee must be a bank or trust company organized under the laws of the United States of America or any state thereof or a national banking association doing business, and

having capital stock and surplus aggregating at least \$75,000,000, which is willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all the duties imposed on it by the Trust Indenture.

## **Depositories**

The Department may appoint one or more depositories to hold all or a designated portion of the moneys and investments subject to the lien and pledge of the Trust Indenture (other than moneys and securities required to be held in the Interest Fund, the Principal Fund and the Special Redemption Fund). Any depository appointed by the Department must be: (i) the State Comptroller, acting by and through the Texas Treasury Safekeeping Trust Company, a special-purpose corporate trust company organized under the laws of the State of Texas; or (ii) a bank or trust company organized under the laws of the United States or any state thereof and having capital stock and surplus of at least \$50,000,000 which the Department determines to be capable of properly discharging its duties in such capacity and which is acceptable to the Trustee. See " APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – Texas Treasury Safekeeping Trust Company."

All moneys and securities deposited with any Depository under the provisions of the Trust Indenture are required to be held in trust for the Trustee or the Department, as applicable, and the Bondholders, and may not be applied in any manner that is inconsistent with the provisions of the Trust Indenture.

Any Depository may at any time resign and be discharged of its duties and obligations under the Trust Indenture by giving at least 60 days' written notice to the Department and the Trustee. Any Depository may be removed at any time by the Department by resolution of the Governing Board of the Department.

## **Supplemental Indentures without Consent of Bondholders**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be executed and delivered by the Department and the Trustee, without the consent of any Bondholders: (i) to authorize Bonds of a Series and to specify the matters relative to such Bonds which are not contrary to or inconsistent with the Trust Indenture; (ii) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Trust Indenture; (iii) to insert such provisions clarifying matters or questions arising under the Trust Indenture as are necessary or desirable and are not contrary to or inconsistent with the Trust Indenture as theretofore in effect; (iv) to grant to or confer upon the Trustee for the benefit of the Bondholder any additional rights, remedies, powers, authority or security that may be lawfully granted to or conferred upon the Trustee; (v) to close the Trust Indenture against, or provide limitations on, the delivery of Bonds; (vi) to add to the covenants of the Department in the Trust Indenture other covenants which are not inconsistent with the Trust Indenture; (vii) to add to the restrictions in the Trust Indenture other restrictions to be observed by the Department which are not inconsistent with the Trust Indenture; (viii) to surrender any right, power or privilege reserved to or conferred upon the Department by the terms of the Trust Indenture that is not inconsistent with the Trust Indenture; (ix) to confirm the subjection to any lien or pledge created by the Trust Indenture of the Trust Estate or any other moneys; (x) to modify any of the provisions of the Trust Indenture in any other respect, effective only after all Bonds of any Series Outstanding at the date of adoption of such Supplemental Indentures shall cease to be outstanding; (xi) to amend the Trust Indenture to permit its qualification under the Trust Indenture Act of 1939 or any state blue sky law; (xii) to add to the definition of Investment Securities in accordance with the provisions of such definition; or (xiii) to make any other change in the Trust Indenture which does not, in the opinion of the Trustee, materially and adversely affect the rights of the holders of the Bonds.

## **Amendment of Trust Indenture with Consent of Bondholders**

The Department and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to the Trust Indenture, but only with the prior written consent of the holders of at least 2/3 in aggregate principal amount of the Bonds then Outstanding at the time such consent is given, and in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least 2/3 in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, the consent of the holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Trust Indenture. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture may permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (i) a change in the terms of maturity or redemption of any Bond or of any installment of interest thereon; (ii) a reduction in the principal amount or Redemption Price of any Bond or in the rate of interest thereon; (iii) the creation of a lien on or a pledge of the Revenues or any part thereof, other than the lien and pledge of the Trust Indenture or as permitted by the Trust Indenture; (iv) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; or (v) a reduction in the aggregate principal amount or classes of Bonds of which the consent of the holders is required to effect any such modification or amendment. For the purposes of the Trust Indenture, a Series is deemed to be affected by a modification or amendment of the Trust Indenture if the same adversely affects or diminishes the rights of the owners of Bonds of such Series. The Trustee is required to determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series would be affected by any modification or amendment of the Trust Indenture and any such determination will be binding and conclusive on the Department and all holders of Bonds.

## **Defeasance**

If the Department pays irrevocably or causes to be paid irrevocably, or there otherwise is paid, to the owners of all Bonds the principal amount or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Trust Indenture, then the pledge of the Trust Estate under the Trust Indenture and all covenants, agreements and other obligations of the Department to the Bondholders, will thereupon terminate. Bonds or interest installments for the payment or redemption of which moneys are held in trust by the Trustee or any paying agent at the maturity or redemption date thereof will be deemed to have been paid within the meaning of the Trust Indenture. In addition, all Outstanding Bonds of any Series will be deemed to have been paid within the meaning of the Trust Indenture if: (i) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Department has given to the Trustee irrevocable instructions to give notice of redemption of such Bonds on said date; (ii) there has been deposited with the Trustee or any paying agent either moneys in an amount which are sufficient, or Government Obligations not subject to redemption prior to the maturity thereof, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or any paying agent at the same time, are sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and (iii) in the event said Bonds are not to be redeemed within the next succeeding 60 days, the Department has given the Trustee irrevocable instructions to give a notice to the owners of such Bonds that the deposit required by (ii) above has been made with the Trustee or paying agent and that said Bonds are deemed to have been paid in accordance with the Trust Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

Any moneys held for the payment of any of the Bonds which remain unclaimed for three years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption must, at the written request of the Department, be repaid to the Department, free from trust, and the Bondholders thereafter may look only to the Department for the payment of such Bonds.

## **TAX MATTERS RELATING TO THE SERIES 2022A BONDS**

**The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Series 2022A Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Series 2022A Bonds.**

### **Tax Exemption**

In the opinion of Bracewell LLP, Bond Counsel, subject to certain conditions set forth in the opinion and under existing law, (i) interest on the Series 2022A Bonds is excludable from gross income for federal income tax purposes and (ii) interest on the Series 2022A Bonds is not a specific preference item subject to the alternative minimum tax. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Series 2022A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include the various mortgage eligibility, arbitrage, targeted area, recapture, use of proceeds and information reporting requirements discussed more fully below under the caption "Federal Income Tax Requirements." The Department has covenanted in the Trust Indenture that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the procedures, safeguards and covenants of the Master Servicer and the covenants of the Department in the Trust Indenture and the Program Agreements pertaining to those sections of the Code that affect the excludability of the interest on the Series 2022A Bonds from gross income for federal income tax purposes, and in addition, will rely on representations by the Department, the Department's Financial Advisor, the Master Servicer, the Mortgage Lenders and the Underwriters with respect to matters solely within the knowledge of the Department, the Department's Financial Advisor, the Master Servicer, the Mortgage Lenders and the Underwriters, respectively, which representations Bond Counsel has not independently verified. If the Department, a Mortgage Lender, or the Master Servicer fails to comply with such procedures, safeguards and covenants or if such representations should be determined to be inaccurate or incomplete, interest on the Series 2022A Bonds could become includable in gross income from the date of original delivery thereof, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest on the Series 2022A Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, acquisition, ownership or disposition of the Series 2022A Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant

to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series 2022A Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Department as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Series 2022A Bonds could adversely affect the value and liquidity of the Series 2022A Bonds, regardless of the ultimate outcome of the audit.

### **Collateral Tax Consequences**

Prospective purchasers of the Series 2022A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Series 2022A Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Series 2022A Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series 2022A Bonds, received or accrued during the year.

### **Tax Accounting Treatment of Original Issue Premium**

The issue price of the Series 2022A Bonds may exceed the stated Redemption Price payable at maturity of such Series 2022A Bonds. Such Series 2022A Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

### **Tax Accounting Treatment of Original Issue Discount**

The issue price of all or a portion of the Series 2022A Bonds may be less than the stated Redemption Price payable at maturity of such Series 2022A Bonds (the "OID Bonds"). In such case, the difference

between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Series 2022A Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Series 2022A Bonds under the captions "TAX MATTERS RELATING TO THE SERIES 2022A BONDS – Tax Exemption,"– Collateral Tax Consequences" and "– Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Series 2022A Bonds for contemporaneous sale to the public and (ii) all of the Series 2022A Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Department nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2022A Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Series 2022A Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

### **Tax Legislative Changes**

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Series 2022A Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Series 2022A Bonds. Prospective purchasers of the Series 2022A Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.



## **Federal Income Tax Requirements**

### ***General***

Sections 103 and 143 of the Code and applicable regulations thereunder provide that the interest on bonds the proceeds of which are used directly or indirectly to finance owner-occupied residences, will not be excludable from gross income for federal income tax purposes unless such bonds are part of a "qualified mortgage issue." A "qualified mortgage issue" must meet the following requirements: (i) all proceeds of the issue (exclusive of issuance costs and a reasonably required reserve fund) are to be used to finance owner-occupied residences, (ii) the mortgages financed by the issue satisfy certain mortgage eligibility requirements, as set forth more fully below under the subheading "Mortgage Eligibility Requirements," (iii) certain arbitrage limitations described more fully below under the subheading "Requirements Related to Arbitrage" must be satisfied, (iv) a specified portion of the lendable proceeds of such issue must be made available for a minimum period of time for owner financing of residences located within certain targeted areas, as described more fully below under the subheading "Targeted Area Requirement," (v) mortgagors must be informed regarding the recapture of a portion of the proceeds from the disposition of certain residences, as described more fully below under the subheading "Recapture Requirements," (vi) the issue must not meet the private business tests, as described more fully below under the subheading "Private Business Use Limitations," (vii) amounts received as repayment of principal on the Mortgage Loans ten years after the date of issuance of the bonds must be used to redeem bonds that are part of the issue, as described more fully under the subheading "Redemption Requirements" below and (viii) the issue must meet certain reporting requirements, as set forth more fully below under the subheading "Reporting Requirements."

In addition, to be "qualified mortgage bonds," the bonds must be approved by (i) the Governing Board of the Department and (ii) an "applicable elected representative" of the State after a public hearing following reasonable public notice. Further, the costs of issuance financed by an issue of bonds cannot exceed two percent of the proceeds of such issue. Additionally, the amount of such an issue of bonds, other than certain refunding bonds, when added to the amount of all other private activity bonds issued within the State during calendar year of issuance must not exceed the unified volume cap for private activity bonds imposed by the Code and applicable regulations.

### ***Mortgage Eligibility Requirements***

The Code contains six basic mortgage eligibility requirements that must be met at the time a mortgage is executed or assumed.

*Residence Requirement.* The Code requires that each home financed by a mortgage loan is a single family residence (i) that can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after financing is provided and (ii) located in the jurisdiction of the Department.

*First-time Homebuyer Requirement.* The Code requires that at least 95% of the net proceeds of an issue be used to finance residences of mortgagors who have not had a present ownership interest in their principal residences at any time during the three-year period prior to execution of the mortgage loan; provided, however, that the three-year requirement does not apply (i) to financings with respect to Targeted Area Residences, (ii) in the case of land possessed under a "contract for deed" by a mortgagor whose principal residence is located on such land and whose family income is not more than 50% of the area median family income (the "Contract for Deed Exception"), or (iii) financing of any residence of a qualified veteran, if such veteran has not previously qualified for and received such financing by reason of this exception. For purposes of the Contract for Deed Exception, the term "contract for deed" means a seller-financed contract for the conveyance of land under which legal title does not pass to the purchaser until the

consideration under the contract is fully paid to the seller, and the seller's remedy for nonpayment is forfeiture rather than judicial or nonjudicial foreclosure.

*Purchase Price Limitations.* The Code requires that the acquisition cost of the residence may not exceed 90% of the "average area purchase price" applicable to such residence, or, in the case of Targeted Area Residences, 110% of the applicable "average area purchase price." The Service has published "safe harbor rules" identifying purchase price limitations in the State that are considered to be in compliance with the requirements of the Code. The Department has determined to rely on the safe harbor figures for purposes of the Series 2022A Bonds.

*Income Requirements.* The Code requires that all the mortgage loans financed with the proceeds of an issue be provided to borrowers whose family income does not exceed 115% (100% in the case of individuals or families of two) of the greater of the statewide median income or the median income of the area in which the residence is located. For Targeted Area Residences, the percentages in the foregoing sentence are 140% and 120%, respectively, and one-third of the financings may be provided without regard to such limits.

*Requirements as to Assumptions of Mortgages.* The Code provides that a mortgage loan may be assumed only if the assuming mortgagor complies with the residence requirement, first-time homebuyer requirement, purchase price limitations and income requirements, as if the loan were being made to the assuming mortgagor for the first time.

*New Mortgage Requirement.* The Code requires that no part of the proceeds of an issue of qualified mortgage bonds may be used to acquire or replace an existing mortgage (whether or not paid off) on the residence at any time prior to the execution of the new mortgage. An exception from the new mortgage requirement is provided for (i) the replacement of construction period loans, bridge loans or other similar temporary initial financing having a term not exceeding 24 months and (ii) certain residences described within the Contract for Deed Exception.

#### ***Requirements Related to Arbitrage and Rebate***

Sections 143 and 148 of the Code provide that: (i) the effective interest rate on the mortgage loans financed with the proceeds of an issue of qualified mortgage bonds may not exceed the yield on such bonds by more than 1.125 percentage points; provided that, the Department may meet this requirement by the payment of yield reduction payments as set forth in the regulations promulgated under the Code; (ii) no more than 10% of the proceeds of an issue of bonds may be invested in any reserve or replacement fund; (iii) no more than the lesser of 5% of the proceeds of an issue of bonds or \$100,000 (other than amounts invested for certain temporary periods or in a "reasonably required reserve fund") may be invested at a yield materially higher than the yield on such bonds; and (iv) the amount of funds held in certain accounts (other than amounts held for certain temporary periods) for an issue of bonds invested at a yield greater than the yield on such bonds may not exceed 150% of the current year's debt service on such bonds appropriately reduced as mortgage loans are prepaid. In calculating the effective interest rate on the mortgages, all amounts borne by the mortgagor either directly or indirectly must be taken into account.

The Code also requires the issuer to make rebate payments to the federal government in connection with certain investment earnings on non-mortgage investments, to the extent that such investment earnings exceed the amount that would have been earned on such investments if the investments were earning a return equal to the yield on the tax-exempt bonds to which such non-mortgage investments relate.

### ***Targeted Area Requirement***

The Code requires that either an amount equal to (a) at least 20% of the lendable proceeds of an issue of qualified mortgage bonds or (b) 40% of the average annual aggregate principal amount of mortgages executed during the immediately preceding three calendar years for single family, owner-occupied residences in targeted areas within the Department's jurisdiction, if such amount is less, must be reserved, for at least one year from the date on which owner-financing is first made available with respect to residences located within one or more targeted areas ("Targeted Area Residences"). Targeted Areas consist of (i) census tracts identified by the United States Treasury Department as having a substantial concentration of lower-income persons or (ii) areas of chronic economic distress designated by the State and approved by HUD. The State, at the request of the Department, has designated and HUD and the Secretary of the Treasury have approved, certain "areas of chronic economic distress" within the State. In addition, the Department has determined that there are "qualified census tracts" within the State.

### ***Recapture Requirements***

The Code subjects to a tax any mortgagor who disposes of an interest in a residence with respect to which there is or was any federally-subsidized indebtedness (i.e., a mortgage loan), the payment for which the mortgagor was liable in whole or in part. Specifically, such a mortgagor is subject to the payment of an additional tax reflecting the "recapture amount" with respect to such indebtedness. This recapture amount is determined pursuant to a formula established in the Code based on the "federally-subsidized amount," the time of disposition and certain family income limits applicable to the mortgagor. This recapture provision does not apply to any disposition of an interest in a residence by reason of death or any such disposition that is more than nine years after the date the mortgage loan is made.

In order to facilitate the collection of the recapture amount from mortgagors, the Code requires that the issuer of any issue of qualified mortgage bonds, at the time of settlement of a mortgage loan, provide a written statement informing the mortgagor of the potential recapture under the Code. Furthermore, the Code requires that the issuer, not later than 90 days after the date each such mortgage is closed, provide a written statement to the mortgagor specifying the federally-subsidized amount with respect to such mortgage loan and the applicable income limits.

### ***Private Business Use Limitations***

The Code provides that an issue of qualified mortgage bonds must not meet the private business use test and the private security or payment tests set out in sections 141(b)(1) and (2) of the Code. The private business use test limits, subject to certain exceptions, the amounts of proceeds that can be used, directly or indirectly, in a trade or business carried on by any person (other than a natural person) that is not a state or local governmental unit to no more than 10% of the proceeds of the issue. The private security or payment test provides that, subject to certain exceptions, the payment of principal of, or the interest on, more than 10% of the proceeds of an issue be, directly or indirectly, (i) secured by any interest in property used or to be used for a private business use or payments in respect of such property or (ii) be derived from payments in respect of such property.

### ***Redemption Requirements***

The Code contains two redemption requirements that must be satisfied in order for an issue of bonds to be treated as "qualified mortgage bonds." The Code requires that all proceeds of an issue of qualified mortgage bonds in an amount of \$250,000 or more that are not expended to finance residences within 42 months of the date of issuance of such bonds must be used within such 42-month period to redeem bonds that are part of such issue of bonds. The Code also requires that all amounts of \$250,000 or more

that are received by the issuer and representing complete repayments of mortgage loans or prepayments of principal of mortgage loans must be used to redeem bonds of the same issue not later than the close of the first semiannual period beginning after the date the prepayment or complete repayment is received; provided that, such requirement does not apply to amounts received within 10 years after the date of issuance of the original bonds.

### ***Reporting Requirements***

An issuer of qualified mortgage bonds is required to file with the Secretary of the Treasury an informational report containing various data regarding such bonds and the mortgages financed with the proceeds thereof.

### ***Compliance with Tax Requirements***

With respect to the mortgage eligibility requirements described above, the Code provides that such requirements will be treated as having been met if: (i) the issuer attempts in good faith to meet such requirements before the mortgage loans are executed; (ii) 95% or more of the lendable proceeds were used for mortgage loans that met all the mortgage eligibility requirements at the time of execution or assumption; and (iii) any failure to meet such requirements is corrected within a reasonable period of time after such failure is discovered. In determining whether or not 95% of the mortgage loans satisfy the mortgage eligibility requirements, the issuer is entitled to rely upon affidavits of the mortgagors and sellers of residences financed with the mortgage loans and upon federal income tax returns of the mortgagors, even if the relevant information in such affidavits and returns ultimately proves to be false, unless the issuer knows or has reason to know that such information is false.

The Code provides that the requirements related to arbitrage, Targeted Area Residences and recapture will be treated as having been met if: (i) the issuer attempts in good faith to meet such requirements and (ii) any failure to meet such requirements is due to inadvertent error after having taken reasonable steps to comply with such requirements.

The Department has covenanted in the Trust Indenture and the Mortgage Lenders and the Master Servicer have covenanted in the Program Agreements to (i) comply with the above-described requirements of the Code with respect to the proceeds of the Series 2022A Bonds and (ii) establish and follow procedures and safeguards sufficient to ensure compliance with such requirements. Nevertheless, if the Department, a Mortgage Lender, or the Master Servicer should fail to comply with such covenants, interest on the Series 2022A Bonds could become includable in gross income for federal income tax purposes from the date of issuance thereof, regardless of the date on which the event causing such inclusion occurs.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Continuing Disclosure Agreement, dated as of \_\_\_\_\_, 2022 (the "Disclosure Agreement"), between the Trustee and the Department, the Department has made the following agreement for the benefit of the holders and beneficial owners of the Series 2022A Bonds. The Department is required to observe the Disclosure Agreement for so long as it remains obligated to advance funds to pay the Series 2022A Bonds. Under the Disclosure Agreement, the Department will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

No Eligible Borrower is an "obligated person" (as defined in Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Rule")) for whom financial information or operating data would be presented in this

Official Statement had such Eligible Borrower been known at the time of the offering of the Series 2022A Bonds.

The Department's Bond Finance Division has policies and procedures in place to assist the Department in complying with continuing disclosure undertakings such as the Disclosure Agreement. The Department's policies and procedures and the Disclosure Agreement were amended in response to the two notice events added, effective February 27, 2019, to the list of events for which notice is required by the Rule. See "—Event Notices."

### **Annual Reports**

The Department will provide certain updated financial information and operating data to the MSRB annually within six months after the end of its Fiscal Year. The information to be updated includes all quantitative financial information and operating data with respect to the Department of the general type included in this Official Statement in "APPENDIX D-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES" and "APPENDIX D-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS" and the annual financial statements of the Texas Department of Housing and Community Affairs – Revenue Bond Enterprise Fund for the Fiscal Year ended August 31, 2021 and for each subsequent Fiscal Year (financial statements for the last completed Fiscal Year will be unaudited, unless an audit is performed in which event the audited financial statements will be made available). The Department will update and provide this information within six months after the end of each Fiscal Year ending on or after August 31, 2022. The Department will provide the updated information to the MSRB.

The Department may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the Department commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Department will provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described herein under "FINANCIAL STATEMENTS" or such other accounting principles as the Department may be required to employ from time to time pursuant to state law or regulation.

The Department's current Fiscal Year ends on August 31, 2022. Accordingly, it will provide updated information to the MSRB in the electronic format prescribed by the MSRB, if any, by the last day of February in the year 2023 and will be required to provide updated information to the MSRB by the last day of February in each year thereafter, unless the Department changes its Fiscal Year. If the Department changes its Fiscal Year, it will notify the MSRB of the change.

The Department determined in 2017 that the annual disclosure of information regarding the Residential Mortgage Revenue Bond Program ("RMRB Program") would no longer include certain annual information since the RMRB Program has no whole mortgage loans and over 99% of the mortgage-backed certificates are Ginnie Mae Certificates. As such, information related to: (i) whole mortgage loans and (ii) mortgage-backed certificate type and delinquency data are immaterial to the current RMRB Program and were and will be omitted in its annual disclosure. Based on the changing make-up of the pledged assets under the Department's various indentures, the Department will determine materiality of disclosure items and may modify its disclosure accordingly in the future.

## **Event Notices**

The Department will provide notice to the MSRB of any of the following events with respect to the Series 2022A Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of securities holders; (3) Series 2022A Bond calls, if material, and tender offers; (4) release, substitution, or sale of property securing repayment of the Series 2022A Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; (6) appointment of a successor or additional trustee or the change of name of a trustee; and (7) incurrence of a financial obligation of the Department, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Department, any of which affect security holders.

The Department will also provide notice to the MSRB of any of the following events with respect to the Series 2022A Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2022A Bonds, or other events affecting the tax-exempt status of the Series 2022A Bonds; (6) defeasances; (7) rating changes; and (8) bankruptcy, insolvency, receivership or similar event of an obligated person; and (9) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Department, any of which reflect financial difficulties.

For the purposes of the above described event notices, the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule The Department has expressed its intent in the Disclosure Agreement that the words used in (7) in the first paragraph of this subcaption and item (9) immediately above and the definition of "financial obligation" to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

The Department will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The Department will also provide timely notice of any failure by the Department to provide annual financial information in accordance with their agreement described above under "Annual Reports."

### **Availability of Information from MSRB**

The Department has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Series 2022A Bonds only if the holders comply with the procedures and pay any charges that may be established by the MSRB such information vendors or obtain the information through securities brokers who do so. Such information is available at no charge at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

The Department has agreed to update information and to provide notices of material events only as described above. The Department has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Department makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2022A Bonds at any future date. The Department disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its Disclosure Agreement or from any statement made pursuant to its Disclosure Agreement, although holders of Series 2022A Bonds may seek a writ of mandamus to compel the Department to comply with its Disclosure Agreement.

The Disclosure Agreement may be amended by the Department and the Trustee from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell any Series 2022A Bonds in the primary offering of the Series 2022A Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Disclosure Agreement that authorizes such an amendment) of the Outstanding Series 2022A Bonds consent to such amendment or (b) a person that is unaffiliated with the Department (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Series 2022A Bonds. If the Department so amends the Disclosure Agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of any change in the type of financial information and operating data so provided. The Department may also amend or repeal the provisions of the Disclosure Agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling any Series 2022A Bonds in the primary offering of such Series 2022A Bonds.

Notwithstanding the foregoing, under current state law, the Department is required to have an audit performed annually by independent accountants, which audit is available to any person who makes a request to the Department and upon payment of the cost of copying thereof.

## **Duties, Immunities, and Liabilities of Trustee**

The Trust Indenture is made applicable to the Disclosure Agreement as if the Disclosure Agreement were (solely for this purpose) contained in the Trust Indenture. The Trustee shall have only such duties as are specifically set forth in the Disclosure Agreement, and no implied covenants shall be read into the Disclosure Agreement against the Trustee.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of S&P Global, Inc. ("S&P"), have assigned ratings to the Series 2022A Bonds of "Aaa" and "AA+," respectively. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings do not represent recommendations to buy, sell, or hold the Series 2022A Bonds. The ratings

reflect only the respective views of such organizations at the time such ratings were assigned and the Department makes no representation as to the appropriateness of the ratings.

There is no assurance that any ratings assigned to the Series 2022A Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2022A Bonds.

## UNDERWRITING

The Series 2022A Bonds are being purchased from the Department by the Underwriters listed on the cover page of this Official Statement. Pursuant to the bond purchase agreement for the Series 2022A Bonds (the "Bond Purchase Agreement"), the Underwriters have agreed to purchase the Series 2022A Bonds at a total purchase price of \$\_\_\_\_\_ (including \$\_\_\_\_\_ of net premium). The Underwriters will receive a fee of \$\_\_\_\_\_ in connection with the purchase of the Series 2022A Bonds. The Bond Purchase Agreement provides, among other things, that the Underwriters' obligations to make their respective purchases are subject to certain terms and conditions set forth in such Bond Purchase Agreement, including the approval of certain legal matters by their counsel and certain other conditions. The initial public offering prices of the Series 2022A Bonds may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Series 2022A Bonds to certain dealers (including dealers depositing the Series 2022A Bonds into unit investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices other than the public offering prices stated on the inside front cover hereof.

### [UPDATE]

Jefferies LLC, an Underwriter of the Series 2022A Bonds, has entered into a distribution agreement with 280 Securities LLC ("280 Securities") for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells Series 2022A Bonds to 280 Securities, it will share a portion of its selling concession compensation with 280 Securities.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2022A Bonds, has entered into a retail distribution agreement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution agreement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2022A Bonds.

Piper Sandler & Co., one of the Underwriters of the Series 2022A Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings [*if it is certain Schwab will participate add* – including the Bonds,] at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase [Bonds] from Piper Sandler at the original issue price less a negotiated portion of the selling concession applicable to any [Bonds] that CS&Co. sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Department and to



persons and entities with relationships with the Department, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Department (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Department.

The Underwriters and their respective 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

#### **FINANCIAL ADVISOR**

Stifel, Nicolaus & Co., Inc. (the "Financial Advisor") has served as financial advisor to the Department for purposes of assisting the Department with the development and implementation of the bond program in connection with the Series 2022A Bonds. The Financial Advisor has not been engaged by the Department to compile, create or interpret any information in this Official Statement relating to the Department, including (without limitation) any of the Department's financial and operating data, whether historical or projected. Any information contained in this Official Statement concerning the Department, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not and should not be construed as a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm, and has not been engaged by the Department to review or audit any information in this Official Statement in accordance with accounting standards.

The Financial Advisor does not assume any responsibility for the covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2022A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

#### **FINANCIAL STATEMENTS**

The financial statements of the Texas Department of Housing and Community Affairs-Revenue Bond Enterprise Fund as of and for the fiscal year ended August 31, 2021, have been audited

by the Texas State Auditor's Office, independent auditors, as stated in their report rendered in connection therewith and are incorporated by reference in this Official Statement.

The financial data as of and for the one month ended September 30, 2021 which is incorporated by reference in this Official Statement, has been derived from the unaudited internal records of the Department. The Department's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

The TDHCA FY2021 Audited Financial Statements (Revenue Bond Enterprise Fund) as of August 31, 2021 are available for inspection at the Department's offices, upon request, or at:

**[UPDATE]**

<https://www.tdhca.state.tx.us/finan.htm>

The TDHCA Interim Financial Statements as of September 30, 2021 are available for inspection at the Department's offices, upon request, or at:

**[TO BE UPDATED]**

<http://www.tdhca.state.tx.us/bond-finance/docs/210131-InterimFinancialStatements.pdf>

THE SERIES 2022A BONDS ARE SECURED ONLY BY THE ASSETS AND REVENUES DESCRIBED UNDER THE CAPTION "SECURITY FOR THE BONDS" AND NOT BY ANY OTHER SOURCE.

## **LITIGATION MATTERS**

The Department is expected to deliver a certificate upon the delivery of the Series 2022A Bonds stating that there is no controversy or litigation of any nature pending or, to its knowledge, threatened to restrain or enjoin the delivery of the Series 2022A Bonds, or in any way contesting or affecting the validity of the Series 2022A Bonds, the Trust Indenture, or any proceedings of the Department taken with respect to the delivery of the Series 2022A Bonds, or the existence or powers of the Department insofar as they relate to the delivery of the Series 2022A Bonds or such pledge or application of moneys and security.

## **APPROVAL OF LEGALITY**

Legal matters incident to the delivery of the Series 2022A Bonds are subject to the approving opinion of Bracewell LLP, Bond Counsel. Certain legal matters will be passed upon for the Department by its General Counsel, James "Beau" Eccles, Esq., and by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P. Certain legal matters will be passed upon for the Underwriters by their counsel Chapman and Cutler LLP.

In its capacity as Bond Counsel, Bracewell LLP has reviewed the information appearing in this Official Statement describing the Series 2022A Bonds, the security therefor and the federal income tax status thereof, appearing under "THE SERIES 2022A BONDS" (but excluding the information contained therein under the subheading "Average Life and Prepayment Speeds"), "SECURITY FOR THE BONDS" (but excluding the information set forth under the subheading "Certain Information as to Revenues, Investments, Debt Service and Department Expenses"), "THE TRUST INDENTURE," "TAX MATTERS RELATING TO THE SERIES 2022A BONDS" and "APPROVAL OF LEGALITY," APPENDIX A,

APPENDIX C and APPENDIX H — "Texas Treasury Safekeeping Trust Company," APPENDIX H — "Legality for Investment" and APPENDIX H — "The Program and the Mortgage Loans" (but excluding the information under the subheadings "—Servicing," "—The Master Servicers" and "—Investment of Funds"), to this Official Statement solely to determine whether such information fairly and accurately describes or summarizes the provisions of the Act, the laws of the State, the Trust Indenture, the Thirty-Sixth Supplemental Indenture, the Depository Agreement, the Series 2022A Bonds and the federal tax implications with respect to the Series 2022A Bonds. Bond Counsel was not requested to participate and did not take part in the preparation of any other information contained herein and did not assume responsibility with respect thereto or undertake independently to verify the accuracy of any of such information. Except as set forth above, Bond Counsel does not pass upon the fairness, accuracy or completeness of this Official Statement, and no person is entitled to rely upon such firm's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of the information contained herein.

#### **ADDITIONAL INFORMATION**

Certain provisions of the Act and the Trust Indenture are summarized in this Official Statement. Such summaries do not purport to be comprehensive or definitive. The information contained above is subject to change without notice and no implication is to be derived therefrom or from the sale of the Series 2022A Bonds that there has been no change in the affairs of the Department from the date hereof.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Department and the purchasers or owners of any of the Series 2022A Bonds.

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TEXAS DEPARTMENT OF HOUSING AND  
COMMUNITY AFFAIRS

By: \_\_\_\_\_  
Chair and Member  
Governing Board

By: \_\_\_\_\_  
Executive Director

[Remainder of Page Intentionally Left Blank]

## APPENDIX A

### GLOSSARY

Unless otherwise provided in the text of this Official Statement, capitalized terms used in this Official Statement shall have the following definitions:

"Act" shall mean the Chapter 2306, Government Code, as amended from time to time (together with other laws of the State applicable to the Department).

"Assisted Loan" shall mean a Mortgage Loan that includes a DPA Loan.

"Authorized Denominations" shall mean \$5,000 and integral multiples thereof.

"Authorized Representative of the Department" shall mean the Chair or Vice Chair of the Board, the Executive Director of the Department, the Director of Administration of the Department, the Director of Bond Finance and Chief Investment Officer of the Department, the Director of Texas Homeownership of the Department and the Secretary or any Assistant Secretary to the Board or any other employee or officer or member of the Department authorized to perform specific acts or duties by resolution duly adopted by the Board and as evidenced by a written certificate delivered to the Trustee containing the specimen signature of such person.

"Board" shall mean the Governing Board of the Department.

"Bond Counsel" shall mean nationally recognized bond counsel selected by the Department.

"Bond Year" shall mean each twelve-month period that ends on December 31.

"Bonds" shall mean, unless subordinated, any bond or bonds, as the case may be, authenticated and delivered pursuant to the Trust Indenture.

"Business Day" shall mean any day other than a (i) Saturday or Sunday, (ii) day on which banking institutions in New York, New York, the State, or the city in which the payment office of the Paying Agent is located are authorized or obligated by law or executive order to be closed for business, or (iii) day on which the New York Stock Exchange is closed.

"Cashflow Certificate" shall mean a written certificate signed by an Authorized Representative of the Department stating that the action described in the Letter of Instructions to which such certificate pertains is consistent with the assumptions used in the Cashflow Statement most recently filed with the Trustee.

"Cashflow Statement" shall mean a cashflow statement conforming to the requirements of the Trust Indenture.

"Certificate Purchase Period" shall mean the period from the date of initial delivery of the Series 2022A Bonds to and including \_\_\_\_\_, but which may be extended to a date no later than \_\_\_\_\_, in accordance with the Thirty-Sixth Supplemental Indenture.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any

subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in clauses (b) and (c).

"Costs of Issuance" shall mean the items of expense payable or reimbursable directly or indirectly by the Department and related to the authorization, sale, issuance and remarketing of Bonds, which items of expense shall include without limiting the generality of the foregoing: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Fiduciaries; bond discounts; underwriting fees and remarketing fees; legal fees and charges; consulting fees and charges; auditing fees and expense; financial advisory fees; credit rating fees; initial amounts paid to obtain Supplemental Mortgage Security or a Credit Agreement; fees and charges for execution, transportation and safekeeping of Bonds; and other administrative or other costs of issuing, carrying, repaying, and remarketing Bonds and investing the Bond proceeds and costs incurred in marketing or advertising the Program.

"Credit Agreement" shall mean (i) any agreement of the Department entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a Series of Bonds or (B) providing liquidity with respect to Bonds which by their terms are subject to tender for purchase, and (ii) a Swap Agreement. A determination by the Department that an agreement constitutes a Credit Agreement under this definition shall be conclusive.

"Credit Agreement Obligations" shall mean any amounts payable by the Department under and pursuant to a Credit Agreement other than amounts payable as a Termination Payment.

"Department" shall mean the Texas Department of Housing and Community Affairs and its successors and assigns.

"Department Expenses" shall mean the Department's expenses of carrying out and administering its powers, duties and functions in connection with mortgage loans and shall include without limiting the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; expenses for data processing, insurance premiums, legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Fiduciaries; mortgage loan servicing fees; costs of issuance not paid from proceeds of bonds; payments to pension, retirement, health and hospitalization funds; amounts paid to obtain and maintain Supplemental Mortgage Security; Credit Agreement Obligations; and any other expenses required or permitted to be paid by the Department under the provisions of the Act, the Master Indenture and any Supplemental Indenture.

"Depository" shall mean the Texas Treasury Safekeeping Trust Company, acting in accordance with the Depository Agreement, and any bank or trust company appointed pursuant to the Trust Indenture to act as depository of certain moneys and investments.

"DPA Loan" means a subordinated, no stated interest, loan for down payment and closing costs made to a Mortgagor under the Program in an amount as identified in the commitment lot notice applicable to the 2022A Mortgage Loan, subject to adjustment from time to time at the direction of the Department. DPA Loans are due on sale, refinance, or repayment of the first mortgage and may be either forgiven on the 3-year or 5-year anniversary, or have a thirty year term.

"Eligible Borrower" shall mean eligible borrowers who meet the criteria described under "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Program and the Mortgage Loans – Eligible Borrowers."

"Excess Revenues" shall mean any moneys remaining in the Revenue Fund and transferred to the Residual Revenues Fund after all other transfers required by the Trust Indenture on any maturity date or redemption date for the Bonds.

"Fannie Mae" shall mean the Federal National Mortgage Association, a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq.

"Fannie Mae Certificate" shall mean a guaranteed mortgage pass-through Fannie Mae Mortgage-Backed Security bearing interest at the applicable Pass-Through Rate, issued by Fannie Mae in book-entry form, transferred to the account of the Trustee or its nominee (or any successor or transferee), guaranteed as to timely payment of principal and interest by Fannie Mae and backed by conventional Mortgage Loans in the related Fannie Mae pool.

"FDIC" shall mean the Federal Deposit Insurance Corporation or any successor agency or instrumentality of the United States of America.

"FHA" shall mean the Federal Housing Administration or its successors.

"Fiduciaries" shall mean the Trustee, the Depository, and any bond depository and any paying agent.

"Freddie Mac" shall mean the Federal Home Loan Mortgage Corporation, a corporation organized and existing under the laws of the United States of America, or its successor.

"Fund" shall mean the Mortgage Loan Fund, the Cost of Issuance Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Special Redemption Fund, the Rebate Fund, the Expense Fund, the Residual Revenues Fund and the Special Mortgage Loan Fund established under the Trust Indenture.

"Ginnie Mae" or "GNMA" shall mean the Government National Mortgage Association, a government sponsored enterprise organized and existing under the laws of the United States.

"Ginnie Mae Certificate" or "GNMA Certificate" shall mean a fully-modified, mortgage-backed, pass-through security (a GNMA I Mortgage Pass-Through Certificate or a GNMA II Mortgage Pass-Through Certificate) issued by the Master Servicer in accordance with the applicable GNMA Guide bearing interest at the applicable Pass-Through Rate and representing the beneficial ownership interest in a GNMA pool, registered in the name of the Trustee and guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and regulations promulgated thereunder backed by Mortgage Loans originated by Mortgage Lenders under the Program and packaged by the Master Servicer into a GNMA pool.

"Ginnie Mae Guide" means the GNMA II Mortgage Backed Securities Guide (Ginnie Mae 5500.3), as supplemented from time to time.

"Ginnie Mae Paying Agent" shall mean JPMorgan Chase Bank, New York, New York, in its capacity as the central transfer and paying agent pursuant to the Ginnie Mae Guide, or its successors or assigns.

"Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are guaranteed by the full faith and credit of, the United States of America.

"Investment Securities" shall mean and include any one or more of the following securities, if and to the extent the same are at the time legal for investment of Department funds:

- (a) Government Obligations;
- (b) FHA debentures;

(c) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the United States of America acting pursuant to authority granted by the Congress of the United States, including, without limitation the following: Fannie Mae (excluding mortgage-backed securities valued at greater than par on the portion of unpaid principal and mortgage-backed securities representing payment of principal only or interest only with respect to the underlying loans); Freddie Mac, GNMA, Student Loan Marketing Association, or other successor agencies;

(d) 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, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(e) Debt obligations (excluding obligations that do not have a fixed par value and/or the terms of which do not provide for payment of a fixed dollar amount at maturity or redemption) of any person, but only if such debt obligations are rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency;

(f) Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances (in each case, having maturities not in excess of one year) of any bank the short-term unsecured debt obligations of which are rated by each Rating Agency in the highest category for short-term obligations.

(g) Certificates of deposit and time deposits which are fully insured as to principal and interest by the FDIC;

(h) Commercial paper having maturities not in excess of one year rated by each Rating Agency in the highest category for short-term obligations;

(i) Money market funds rated by each Rating Agency in the highest category for money market funds;

(j) Repurchase agreements the subject of which are obligations described in clauses (a), (b), (c) or (d) above, with: (i) any Person whose long-term unsecured general indebtedness is rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency, or if the term of such repurchase agreement does not exceed one year, whose short-term unsecured general indebtedness is rated by each Rating Agency in the highest category for short-term obligations; and (ii) with any member of the Association of Primary Dealers;

(k) Investment agreements secured or unsecured as required by the Department, with any Person whose long-term unsecured general indebtedness is rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency or, if the term of such investment agreement does not exceed one year, whose short-term unsecured general indebtedness is rated by each Rating Agency in the highest category for short-term obligations<sup>(1)</sup>; and

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(1) The Department may enter into other investment agreements if the requirements of paragraph (1) of this definition of "Investment Securities" are satisfied.



(l) Investment securities described in any Supplemental Indenture the inclusion of which in the definition of Investment Securities for purposes of the Trust Indenture will not adversely affect, in and of itself, any rating then assigned to the Bonds by a Rating Agency, as evidenced by a letter from each such Rating Agency.

"Letter of Instructions" shall mean, with respect to the Series 2022A Bonds, a written directive and authorization to the Trustee or any Depository specifying the period of time for which such directive and authorization shall remain in effect, executed by two Authorized Representatives of the Department.

"Master Servicer" shall mean, with respect to Program 99, the Idaho Housing Finance Association, or any successor thereto as a servicer for such program, including any designee to act on its behalf.

"Master Indenture" shall mean the Amended and Restated Residential Mortgage Revenue Bond Trust Indenture, dated as of July 1, 2019, between the Department and the Trustee, which amended and restated the Residential Mortgage Revenue Bond Trust Indenture, dated as of November 1, 1987, as previously amended and supplemented, pursuant to which the Bonds of each Series are authorized to be issued.

"Mortgage" shall mean any mortgage or deed of trust securing a Mortgage Loan.

"Mortgage Certificate" shall mean a mortgage-backed security that evidences beneficial ownership of a mortgage pool, that satisfies the requirements of the applicable Series Supplement and that is purchased from amounts identified in the applicable Series Supplement and pledged by the Department to the Trustee pursuant to the Trust Indenture.

"Mortgage Lender" shall mean any bank or trust company, mortgage banker approved by Fannie Mae or Freddie Mac, national banking association, savings bank, savings and loan association, non-profit corporation, mortgage company, the Department, any financial institution or governmental agency and any other entity approved by the Department; provided such mortgage lender is authorized to make mortgage loans satisfying the requirements of the Trust Indenture.

"Mortgage Loan" shall mean (i) any loan evidenced by a Mortgage Note and secured by a Mortgage which satisfies the requirements of the Trust Indenture, which is made, acquired or refinanced, directly or indirectly, from amounts in the Mortgage Loan Fund or other moneys of the Department (including amounts derived from temporary indebtedness incurred in anticipation of the issuance of Bonds), and which is pledged by the Department to the Trustee pursuant to the Trust Indenture; and (ii) any evidence of a participation in a loan described above, including a Mortgage Certificate. In the proper context, Mortgage Loan may mean and include a Mortgage Certificate.

"Mortgage Loan Principal Payment" shall mean, with respect to any Mortgage Loan, all amounts representing (i) scheduled payments of principal thereof and (ii) Mortgage Loan Principal Prepayments other than portions, if any, of Mortgage Loan Principal Prepayments representing any penalty, fee, premium or other additional charge for the prepayment of principal which may be paid pursuant to the terms of a Mortgage Loan.

"Mortgage Loan Principal Prepayment" shall mean any moneys received or recovered by the Department from any payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan) on any Mortgage Loan other than the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the borrower, (ii) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof (other than insurance moneys received or recovered and used in accordance with the provisions of the Trust Indenture to repair or reconstruct the mortgaged premises which were the subject of insurance proceeds), (iii) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department, (iv) in the event of a default thereon by the

borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department or by any other proceedings take by the Department, (v) from any special hazard insurance policy or standard hazard insurance policy covering mortgaged premises, (vi) from any Supplemental Mortgage Security, or (vii) from any proceeds received from any private mortgage insurer, the FHA, the VA, the RDA or any other agency or instrumentality of the United States of America in respect of any primary mortgage insurance or guaranty of a Mortgage Loan.

"Mortgage Note" shall mean any note, bond or other instrument evidencing borrower's obligation to repay a Mortgage Loan.

"Mortgage Pool" shall mean, with respect to a Mortgage Certificate, the pool of Mortgage Loans the beneficial ownership of which is represented by such Mortgage Certificate, as described in the schedule of pooled Mortgage Loans pertaining to such Mortgage Certificate.

"Outstanding" shall mean, when used with reference to Bonds, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Trust Indenture except:

- (a) Bonds canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;
- (b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Trust Indenture; and
- (c) Bonds deemed to have been paid as provided in the Trust Indenture.

"Pass-Through Rate" shall mean the interest rate accruing each month on a 2022A Mortgage Certificate, which will equal the mortgage rate of the 2022A Mortgage Loans backing the 2022A Mortgage Certificate less servicing and guaranty fees, which fees are retained by the Master Servicer.

"Person" shall mean an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Premium PAC Term Bonds" shall mean the Series 2022A Bonds maturing on \_\_\_\_\_, which were sold at a premium as shown on the inside cover page.

"Premium Serial Bonds" shall mean the Series 2022A Bonds maturing in the years \_\_\_\_ through \_\_\_\_, inclusive, which were sold at a premium as shown on the inside cover page.

"Program 99" shall mean the program established by the Department pursuant to which the Department makes, acquires or refinances, directly or indirectly, Mortgage Loans or Mortgage Certificates related to the Series 2022A Bonds.

"Rating Agency" shall mean: (i) S&P Global Ratings, and any successor thereto; and (ii) Moody's Investors Service Inc., and any successor thereto to the extent either agency then has a rating on the Bonds in effect at the request of the Department.

"RDA" shall mean the Rural Development Agency of the United States Department of Agriculture or its successors.

"Rebate Fund" shall mean, collectively, the Rebate Funds established pursuant to the Series Supplements into which amounts to be paid to the United States of America will be deposited until disbursed.

"Regulations" shall mean the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"RHS" shall mean the United States Department of Agriculture, Rural Housing Service, formerly known as Farmers Home Administration, and any successor thereto.

"Serial Bonds" shall mean the Series 2022A Bonds titled as such on the inside cover page of this Official Statement.

"Series" shall mean all Bonds designated as a Series in a Series Supplement and which are authenticated and delivered on original issuance in a simultaneous transaction, and all Bonds delivered in exchange for or in lieu of such Bonds.

"Series Supplement" shall mean the Supplemental Indenture providing for the issuance of a Series of Bonds, as the same may be amended from time to time.

"Series 2022A Bonds" shall mean the Department's Residential Mortgage Revenue Bonds, Series 2022A (Social Bonds) issued under the Master Indenture and the Thirty-Sixth Supplemental Indenture.

"State" shall mean the State of Texas.

"Supplemental Indenture" shall mean any trust indenture supplemental to or amendatory of the Trust Indenture, executed and delivered by the Agency or the Department and the Trustee in accordance with the Master Indenture.

"Swap Agreement" shall mean an agreement with respect to a Series of Bonds providing for an interest rate exchange or other interest rate hedge for the purpose of converting in whole or in part the Department's fixed or variable interest rate liability on all or a portion of such Bonds to a fixed or variable rate liability, including converting a variable rate liability to a different variable rate liability.

"Tenth Series Supplement" shall mean the Tenth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1988 between the Department and the Trustee.

"Term Bonds" shall mean the Series 2022A Bonds titled as such on the inside cover page of this Official Statement.

"Termination Payment" shall mean an amount owed by the Department to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of the Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly-scheduled payment under the Swap Agreement.

"Thirty-Sixth Supplemental Indenture" shall mean the Thirty-Sixth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of \_\_\_\_\_, 2022, by and between the Department and the Trustee, together with any amendments.

"Trust Indenture" shall mean the Master Indenture, as supplemented and amended from time to time.

"2022A Mortgage Certificates" shall mean the Ginnie Mae Certificates that evidence beneficial ownership of and a participation in a Mortgage Pool, that satisfy the requirements of the Thirty-Sixth

Supplemental Indenture which are purchased by the Trustee from amounts available in the 2022A Mortgage Loan Account and pledged by the Department to the Trustee pursuant to the Trust Indenture.

"2022A Mortgage Loan Account" shall mean the 2022A Mortgage Loan Account of the Mortgage Loan Fund.

"2022A Mortgage Loans" shall mean the loans included in each Mortgage Pool represented by a 2022A Mortgage Certificate.

"2022A Principal Account" shall mean the 2022A Principal Account of the Principal Fund.

"2022A Revenue Account" shall mean the 2022A Revenue Account of the Revenue Fund.

"2022A Special Redemption Account" shall mean the 2022A Special Redemption Account of the Redemption Fund.

"Treasury" shall mean the United States Department of the Treasury.

"VA" shall mean the United States Department of Veterans Affairs or its successors.

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## APPENDIX B-1 GNMA AND THE GNMA CERTIFICATES

*This summary of the GNMA Mortgage Backed Securities Program, the GNMA Certificates and the 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 published by GNMA and to said documents for full and complete statement of their provisions. The following summary is of the GNMA I Program and the GNMA II Program, as amended.*

Government National Mortgage Association ("GNMA") is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development ("HUD") with its principal office in Washington, D.C.

To issue GNMA Certificates, the Master Servicer must first apply to and receive from GNMA the Commitment to Guarantee Mortgage Backed Securities (the "MBS Agreement"). The MBS Agreement authorizes the Master Servicer to apply to GNMA for the issuance of Mortgage-Backed Securities to be eligible for guaranty by GNMA up to a stated date and issue GNMA Certificates up to a stated amount during a one-year period following the date of the MBS Agreement. Each MBS Agreement is valid for a 12-month period from the date of commitment.

Each GNMA Certificate is to be backed by a mortgage pool consisting of Mortgage Loans in a minimum aggregate amount of \$250,000 (or such lesser amount as may be approved by GNMA). Each GNMA I Certificate will be a "mortgage loan pass-through" certificate which will require the Master Servicer to pass through to the paying and transfer agent therefor (the "GNMA Paying Agent") by the fifteenth day of each month (or the sixteenth day, if such day is not a business day, provided that, if neither the fifteenth nor the sixteenth day is a business day, the first business day prior to the fifteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA Guaranty Fee and the Master Servicer's servicing fee, more fully described herein), whether or not the Master Servicer receives such payments, plus any prepayments of principal of the Mortgage Loans received by the Master Servicer in the previous month. Each GNMA II Certificate will require the Master Servicer to pass through to the GNMA Paying Agent for the GNMA II Program, by the nineteenth day of each month (or the twentieth day, if such day is not a business day; provided that, if neither the nineteenth nor the twentieth day is a business day, then the first business day prior to the nineteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA Guaranty Fee and the Master Servicer's servicing fee, more fully described herein), whether or not the Master Servicer received such payments, plus any prepayments on the Mortgage Loan received by the Master Servicer in the previous month. The GNMA Paying Agent is then required to pass through to the Trustee on or before the third business day following the nineteenth day of each month the scheduled payments received from the Master Servicer. GNMA guarantees timely payment of principal of and interest with respect to the GNMA Certificate.

GNMA is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act"), to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by a pool of mortgage loans insured by FHA under the Housing Act, or guaranteed by RDA under Title V of the Housing Act of 1949, or guaranteed by VA under the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code. 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 October 12, 1969, of an Assistant Attorney General of the United States, states that such guarantees under Section 306(g) of mortgage backed certificates of the type

being delivered to the Trustee on behalf of the Department are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

GNMA, upon execution of the GNMA Guaranty appended to the GNMA Certificate and upon delivery of the GNMA Certificate to the Master Servicer, will have guaranteed to the Trustee as holder of the GNMA Certificate the timely payment of principal of and interest on the GNMA Certificate. In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(g) of Title III of the Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one 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 Certificate. The Treasury is authorized to purchase any obligation so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty.

GNMA is required to warrant to the Trustee as the holder of the GNMA Certificate, that, in the event it is called upon at any time to make payment on its guaranty of the principal of and interest on the GNMA Certificate, it will, if necessary, in accordance with Section 306(d) of Title III of the Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

The Master Servicer will be responsible for servicing and otherwise administering the Mortgage Loans in accordance with generally accepted practices of the mortgage banking industry and the GNMA Mortgage Backed Securities Guide (the "Guide").

It is expected that interest and principal payments on the Mortgage Loans received by the Master Servicer will be the source of payments on the GNMA Certificates. If such payments are less than what is due the Master Servicer is obligated to advance its own funds to ensure timely payment of all amounts coming due on the GNMA Certificates. GNMA guarantees such timely payment in the event of the failure of the Master Servicer to pay an amount equal to the scheduled payments (whether or not made).

The Master 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 on the third business day following the twentieth day of each month. If, however, such payments are not received as scheduled, the Trustee has recourse directly to GNMA.

The GNMA Guaranty Agreement to be entered into by GNMA and the Master Servicer upon issuance of the GNMA Certificates (the "GNMA Guaranty Agreement") will provide that, in the event of a default by the Master Servicer, GNMA will have the right, by letter to the Master Servicer, to effect and complete the extinguishment of the Master Servicer's interest in the Mortgage Loans, and the Mortgage Loans are to thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the GNMA Certificate. In such event, the GNMA Guaranty Agreement will provide that GNMA will be the successor in all respects to the Master Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein. At any time, GNMA may enter into an agreement with an institution approved by GNMA under which such institution undertakes and agrees to assume any part or all of such duties, and no such agreement will detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor.

Payment of principal and interest on the GNMA Certificate is required to be made in monthly installments on or before the third business day following the twentieth of each month commencing the month following the date of issue of the GNMA Certificate.

Each installment on the GNMA Certificate is required to be applied first to interest and then in reduction of the principal balance then outstanding on the GNMA Certificate. Interest is to be paid at the specified rate on the unpaid portion of the principal of the GNMA Certificate. The amount of principal due on the GNMA Certificate is to be in an amount at least equal to the scheduled principal amortization currently due on the Mortgage Loans subject to adjustment by reason of unscheduled recoveries of principal on the Mortgage Loans. In any event, the Master Servicer is required to pay to the Trustee, as holder of the GNMA Certificate, monthly installments of not less than the interest due on the GNMA Certificate at the rate specified in the GNMA Certificate, together with any scheduled installments of principal, whether or not such interest or principal is collected from the Mortgagor, and any prepayments or early recovery of principal. Final payment is to be made upon surrender of the outstanding GNMA Certificate.

The Office of Inspector General (OIG) is required to conduct an annual audit of GNMA under the provisions of the Chief Financial Officers (CFO) Act of 1990 ("CFO Act"). The complete OIG report is included in the separate management report of GNMA prepared pursuant to the CFO Act which is available upon request from GNMA at Government National Mortgage Association, 451 Seventh Street, SW, Washington, D.C. 20410-9000.

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**APPENDIX B-2**  
**FANNIE MAE AND THE FANNIE MAE CERTIFICATES**

**General**

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the "SEC"). The SEC filings are available at the SEC's website at <http://www.sec.gov>. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's website at <http://www.fanniemae.com/portal/about-fm/investor-relations/quarterly-annual-results.html> or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

Fannie Mae is incorporating by reference in this Official Statement the documents listed below that Fannie Mae publishes from time to time. This means that Fannie Mae is disclosing information to you by referring you to those documents. Those documents are considered part of this Reoffering Circular, so you should read this Reoffering Circular, and any applicable supplements or amendments, together with those documents before making an investment decision.

You should rely only on the information provided or incorporated by reference in this Official Statement and any applicable supplement, and you should rely only on the most current information.

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any program, or compliance with any securities, tax or other laws or regulations.

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 website (<http://www.sec.gov>) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac requires Freddie Mac to provide the Treasury with annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. The Department makes no representation regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae or Freddie Mac with the SEC, or any information provided at such website. The SEC's website is not part of this Official Statement.



## **Mortgage-backed Securities Program**

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. Section 1716 et seq.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market, and was transferred into a stockholder-owned and privately managed corporation by legislation enacted in 1968. The Secretary of Housing and Urban Development exercises general regulatory power over Fannie Mae. Fannie Mae provides funds to the mortgage market by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. In addition, Fannie Mae issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders.

Although the Secretary of the Treasury of the United States has certain discretionary authority to purchase obligations of Fannie Mae, neither the United States nor any agency or instrumentality thereof is obligated to finance Fannie Mae's obligations or assist Fannie Mae in any manner.

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities (the "Fannie Mae Certificates") backed by pools of mortgage loans (the "MBS Program"). The obligations of Fannie Mae, including its obligations under the Fannie Mae Certificates, are obligations solely of Fannie Mae and are not backed by, or entitled to, the full faith and credit of the United States.

The terms of the MBS Program are governed by the Fannie Mae Selling and Servicing Guides (the "Fannie Mae Guides") published by Fannie Mae, as modified by the Pool Purchase Contract (as hereinafter described), and, in the case of mortgage loans such as the Mortgage Loans, a Trust Indenture dated as of November 1, 1981, as amended (the "Fannie Mae Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool.

The summary of the MBS Program set forth herein does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Guides, the Fannie Mae prospectus and the other documents referred to herein.

### **Pool Purchase Contract**

It is expected that Fannie Mae and the Master Servicer will enter into a Pool Purchase Contract, pursuant to which the Servicer will be permitted to deliver, and Fannie Mae will agree to purchase mortgage loans in exchange for Fannie Mae Certificates. The purpose of the Pool Purchase Contract is to provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the purchase of mortgage loans. In the event of a conflict between the Pool Purchase Contract and the Fannie Mae Guides, the Pool Purchase Contract will control. The description set forth below assumes that the Pool Purchase Contract will be executed substantially in the form presented by Fannie Mae to the Master Servicer as of the date hereof.

The Pool Purchase Contract obligates the Servicer to service the mortgage loans in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

### **Fannie Mae Certificates**

Each Fannie Mae Certificate 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.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Certificates that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the Mortgage Loans in the pools represented by such Fannie Mae Certificates, whether or not received, and the full balance of any foreclosed or other finally liquidated Mortgage Loan, whether or not such principal balance is actually received. 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 Fannie Mae Certificates, would consist solely of payments and other recoveries on the underlying Mortgage Loans and, accordingly, monthly distributions to the Trustee, as the holder of Fannie Mae Certificates, would be affected by delinquent payments and defaults on such Mortgage Loans.

### **Payments on Mortgage Loans; Distributions on Fannie Mae Certificates**

Payments on a Fannie Mae Certificate will be made on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate 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 Certificate, 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 mortgage pool underlying such Fannie Mae Certificate 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 second month next preceding the month of such distribution (including as prepaid for this purpose at Fannie Mae's election any Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest), (iii) the amount of any partial prepayment of a Mortgage Loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Certificate 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 Certificate on its issue date).

For purposes of distributions, a Mortgage Loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the stated principal balance of the Mortgage Loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

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**APPENDIX C**

**FORM OF PROPOSED OPINION OF BOND COUNSEL**

## APPENDIX D-1

### ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES

The Texas Department of Housing and Community Affairs (the “Department”) owns an extensive portfolio of GNMA/FNMA/Freddie Mac Certificates (Mortgage Certificates) acquired with the proceeds of the Department’s Single Family Mortgage Revenue Bonds, Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds), Residential Mortgage Revenue Bonds, GNMA Collateralized Home Mortgage Revenue Bonds and Collateralized Home Mortgage Revenue Bonds. The following tables summarize certain information regarding the Residential Mortgage Revenue Bond Trust Indenture as of September 30, 2021.

### Residential Mortgage Revenue Bond (RMRB) Trust Indenture

Series	Original Issue Amount	Bonds Outstanding	Average Weighted Mortgage Rates for Outstanding Mortgage Certificates (%)	Mortgage Certificates Outstanding
Surplus	\$ -	\$ -	4.24	\$ 8,452,759
2019 A	166,350,000	143,755,000	4.91	137,991,778
2021 A/B	161,369,927	155,027,785	3.94	146,800,198
<b>TOTAL</b>	<b>\$ 327,719,927</b>	<b>\$ 298,782,785</b>		<b>\$ 293,244,735</b>

Note 1: In addition to the RMRB Bonds Outstanding shown above, the Department has issued one subordinate Note Payable with an outstanding balance of \$10,000,000.

### RMRB Mortgage Certificate Loan Type

Loan Type	Number of Outstanding Mortgage Loans	Outstanding Principal Amount	Percent of Mortgage Certificates Outstanding
GNMA Certificates	1,989	\$ 286,130,993	97.57%
FNMA Certificates	44	7,113,742	2.43%
<b>TOTAL</b>	<b>2,033</b>	<b>\$ 293,244,735</b>	<b>100.00%</b>

### RMRB Mortgage Certificates Servicers

Servicers	Number of Outstanding Mortgage Loans	Percent of Mortgage Certificates Outstanding
Idaho	1,336	65.72%
Bank of America	659	32.42%
US Bank	38	1.87%
<b>TOTAL</b>	<b>2,033</b>	<b>100.00%</b>

### Other Information

## **Mortgage Loan Information Management System**

All Mortgage Loans made with proceeds of the Department's mortgage revenue bonds permit partial or complete prepayment without penalty. Mortgage Loans, in general, may also be terminated prior to their respective maturities as a result of events such as default, sale, condemnation or casualty loss. A number of factors, including general economic conditions, homeowner mobility and mortgage market interest rates, will affect the rate of actual prepayments for a particular portfolio of mortgage loans.

The Department does not service the Mortgage Loans backing Mortgage Certificates; however, the Department monitors the origination and payment of such Mortgage Loans.

### **DISCLAIMER**

“All information contained herein is obtained from sources believed to be accurate and reliable. Refer to the Official Statement and operative documents of each series for complete information on that issue. Because of the possibility of human and mechanical error as well as other factors, such information is provided “as is” without warranty of any kind and, in particular, no representation or warranty, expressed or implied, is made nor to be inferred as to the accuracy, timeliness or completeness, of any such information. Under no circumstances shall the Texas Department of Housing and Community Affairs have any liability to any person or entity for (a) any loss or damage in whole or part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstances involved in procuring, collecting, compiling, interpreting, analyzing, editing, transcribing, transmitting, communicating or delivering any such information, or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if the Texas Department of Housing and Community Affairs is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, any such information.”

## APPENDIX D-2

### BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

General - Single Family Since 1979, the year of creation of the Texas Housing Agency (the Agency), a predecessor to the Department, through September 30, 2021, there have been issued by the Agency or the Department, sixty-five series of Single Family Mortgage Revenue Bonds, five series of Junior Lien Single Family Mortgage Revenue Refunding Bonds, thirty-nine series of Residential Mortgage Revenue Bonds, eleven series of Collateralized Home Mortgage Revenue Bonds, ten series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, and two series of Government National Mortgage Association Collateralized Home Mortgage Revenue Bonds. As of September 30, 2021, the aggregate outstanding principal amount of bonded indebtedness of the Department for single family housing purposes was \$1,110,643,994. In addition, the Department has issued four subordinate Notes. As of September 30, 2021, the aggregate outstanding principal balance of the subordinate Notes was \$10,000,000.

Single Family Mortgage Revenue Bonds (SFMRBs) The Department has issued sixty-five series of Single Family Mortgage Revenue and Refunding Bonds under a Single Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, which was amended and restated on June 1, 2017. These bonds are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of September 30, 2021, fifteen series were outstanding with an aggregate outstanding principal amount of \$781,861,209. On September 16, 2020, all outstanding Loan Agreements were paid in full and are no longer outstanding.

Junior Lien Bonds The Department has issued five series of its Junior Lien Single Family Mortgage Revenue Refunding Bonds (the Junior Lien Bonds) pursuant to a Junior Lien Trust Indenture, dated as of May 1, 1994. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the Single Family Mortgage Revenue Bonds by the trust estate held under the SFMRB Indenture. As of September 30, 2021, one series was outstanding with an aggregate outstanding principal amount of \$30,000,000.

Residential Mortgage Revenue Bonds (RMRBs) The Department has issued thirty-nine series of Residential Mortgage Revenue and Refunding Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture. These bonds are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of September 30, 2021, three series were outstanding with an aggregate outstanding principal amount of \$298,782,785. In addition, the Department has issued one subordinate Note under the RMRB Indenture. As of September 30, 2021, the aggregate outstanding principal balance of the subordinate Note was \$10,000,000.

General - Multifamily The Department is a conduit issuer for the State of Texas with authority to issue tax-exempt and taxable Multifamily Mortgage Revenue Bonds statewide. The Department and the Agency have issued two hundred and fifty-four Multifamily Mortgage Revenue Bonds which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other. As of September 30, 2021, seventy-four series were outstanding with an aggregate outstanding principal amount of \$967,361,142. In addition, the Department has issued twelve Multifamily Notes. As of September 30, 2021, the aggregate outstanding principal balance of the Multifamily Notes was \$306,940,823.

**APPENDIX E**

**APPLICABLE MEDIAN FAMILY INCOMES AND MAXIMUM ACQUISITION  
COST LIMITATIONS**

**APPENDIX F**

**TABLE OF PROJECTED WEIGHTED AVERAGE LIFE DATA  
AT VARIOUS PREPAYMENT SPEEDS**



**APPENDIX G**

**UNEXPENDED PROCEEDS REDEMPTION PRICE FOR  
PREMIUM SERIAL BONDS  
AND PREMIUM PAC TERM BONDS**

**APPENDIX H**

**SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS  
AND OTHER MATTERS**

## **DTC AND BOOK-ENTRY**

DTC will act as securities depository for the Series 2022A Bonds. The Series 2022A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2022A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2022A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022A 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 Series 2022A 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 Series 2022A Bonds, except in the event that use of the book-entry system for the Series 2022A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2022A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022A 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 Series 2022A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2022A Bonds may wish to ascertain that the nominee holding the Series 2022A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2022A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2022A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2022A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2022A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2022A Bonds at any time by giving reasonable notice to the Department or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Department may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Department, or the Trustee.

The Department, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2022A Bonds (i) payments of principal of or interest and premium, if any, on the Series 2022A Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership

interest in Series 2022A Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2022A Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

NEITHER THE DEPARTMENT, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE SERIES 2022A BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2022A BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE TRUST INDENTURE TO BE GIVEN TO OWNERS OF SERIES 2022A BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF SERIES 2022A BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A BONDHOLDER.

#### **Discontinuation of Book-Entry-Only System**

In the event that the book-entry-only system is discontinued by DTC or the Department, the following provisions will be applicable to the Series 2022A Bonds. Series 2022A Bonds may be exchanged for an equal aggregate principal amount of Series 2022A Bonds in other Authorized Denominations of the same Series and maturity upon surrender thereof at the applicable corporate trust office of the Trustee with a duly executed assignment in form satisfactory to the Trustee. The transfer of any Series 2022A Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender of such Series 2022A Bond to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or transfer of registration of Series 2022A Bonds, the Department or the Trustee may make a charge sufficient to reimburse it or them for any tax, fee, or other governmental charge required to be paid with respect to such exchange or registration of transfer, as well as the administrative expenses, if any, charged by the Trustee for the transfer or exchange. The Trustee will not be required to transfer or exchange any Series 2022A Bond for a period of 20 days next preceding an interest payment date on such Series 2022A Bonds or next preceding any selection of Series 2022A Bonds to be redeemed or thereafter until after mailing of any notice of redemption on any Series 2022A Bonds called for redemption, or transfer or exchange any Series 2022A Bonds called for redemption. The Department and the Trustee may treat the Person in whose name a Series 2022A Bond is registered as the absolute owner thereof for all purposes, whether such Series 2022A Bond is overdue or not, for the purpose of receiving payment of, or on account of the principal of, interest on, such Series 2022A Bond. If any Series 2022A Bond is not presented for payment when the principal or the Redemption Price therefor becomes due, and if moneys sufficient to pay such Series 2022A Bond (or the portion thereof called for redemption) or such interest, as is applicable, have been deposited under the Trust Indenture, all liability of the Department to the owner thereof for the payment of such Series 2022A Bonds (or portion thereof) or such interest, as applicable, will be discharged, and thereupon it shall be the duty of the Trustee to hold such money for the benefit of the owner of the applicable Series 2022A Bond, who will thereafter be restricted exclusively to such money, for any claim on his part under the Trust Indenture or on or with respect to, such principal, Redemption Price and/or interest. Money not claimed within three years will be turned over to the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), in accordance with Title 6, Texas Property Code.

### THE PRIOR BONDS

In addition to the Series 2022A Bonds to be issued, thirty-nine series of Prior Bonds have been issued pursuant to the Master Indenture. As of September 30, 2021, \$298,782,785 in aggregate principal amount of such Prior Bonds were Outstanding in the following principal amounts:

Series	Original Issue Amount	Bonds Outstanding
2019A	166,350,000	143,755,000
2021A/B	161,369,927	155,027,785
<b>TOTAL</b>	<b>327,719,927</b>	<b>298,782,785</b>

For a more detailed description of the Prior Bonds, please refer to "APPENDIX D-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES."

### Mortgage Loans and Mortgage Certificates

Mortgage Loans and Mortgage Certificates held under the Residential Mortgage Revenue Bond Program as of September 30, 2021 were as follows:

Prior Mortgage Certificates	Outstanding Principal Amount
Ginnie Mae	286,130,993
Fannie Mae	7,113,742
<b>TOTAL</b>	<b>293,244,735</b>

For a detailed examination of the Mortgage Loans and Mortgage Certificates acquired with proceeds of the Prior Bonds, please refer to "APPENDIX D-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES." Unless otherwise specified, all information is as of September 30, 2021.

### TEXAS TREASURY SAFEKEEPING TRUST COMPANY

The Department has entered into a Depository Agreement relating to the Bonds (as amended and supplemented, the "Depository Agreement"), by and among the Department, the Trustee, and the Texas Treasury Safekeeping Trust Company, a special-purpose trust company organized under the laws of the State of Texas (the "Trust Company"). Pursuant to the Depository Agreement, the Trust Company will hold all moneys and securities required to be credited to all Funds (other than the Special Mortgage Loan Fund). All money and securities required by the Trust Indenture to be credited to such Funds and Accounts are required to be remitted to the Trust Company from time to time by the Department and the Trustee. The Trust Company is required to remit amounts from the appropriate accounts held by it to the Trustee at such times as are necessary to pay the principal or Redemption Price of and interest on the Bonds when due. Moneys held in the accounts held by the Trust Company are required to be invested by the Trust Company pursuant to instruction from the Department as described herein under "THE TRUST INDENTURE – Investments." The Trust Company is required to hold all moneys and securities delivered to it under the Depository Agreement in trust for the benefit of the Department, the Trustee and the owners of the Bonds.

The Department has agreed to pay the Trust Company a fee for performing its duties under the Depository Agreement. The Department has the right to remove the Trust Company as Depository under

the Depository Agreement at any time by filing a written notice with the Trustee and the Trust Company to that effect. The Trust Company may resign as Depository under the Depository Agreement by giving at least 60 days' written notice to the Department and the Trustee of its determination to resign. Upon any such removal or resignation, the Trust Company is required to deliver all moneys and securities held by it under the Depository Agreement to its successor thereunder, or, if there is no successor, to the Trustee.

## **LEGALITY FOR INVESTMENT**

The Act provides that all obligations issued by the Department are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees, guardians, and the sinking and other public funds of the State, municipalities, counties, school districts, and other political subdivisions and public agencies of the State.

The Act also provides that all obligations issued by the Department are eligible and lawful security for all deposits of public funds of the State and all public agencies to the extent of the par or market value thereof, whichever is greater.

To the extent that the Series 2022A Bonds constitute "collateralized mortgage obligations that have a stated final maturity of greater than 10 years" within the meaning of the Texas Public Funds Investment Act, the Series 2022A Bonds are not an "authorized investment" for a state agency, a local government, or other investing entity subject to the provisions of the Public Funds Investment Act.

No representation is made that the Series 2022A Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Department has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Series 2022A Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Series 2022A Bonds for such purposes.

## **THE PROGRAM AND THE MORTGAGE LOANS**

### **The Program**

The Department has established a single family mortgage purchase program ("Program") pursuant to the Act for the purpose of assisting in financing the costs of acquisition of residences within the State of Texas by Eligible Borrowers (as described below). The component of the Program relating to the Series 2022A Bonds has been designated as the Department's Bond Program No. 99 ("Program 99"). In connection with the issuance of the Series 2022A Bonds and the Prior Bonds and any additional Bonds, the Department purchased or shall purchase certain qualified Mortgage Loans (or participations therein) or Mortgage Certificates backed by Mortgage Loans originated by commercial banks, savings and loan associations, mortgage companies, non-profit corporations, and other qualified financial institutions (the "Mortgage Lenders"). As a result of the issuance of the Series 2022A Bonds, the Trustee, on behalf of the Department, has agreed to purchase 2022A Mortgage Certificates.

Mortgage Loans evidenced by the 2022A Mortgage Certificates will bear interest at rates established from time to time by the Department pursuant to the provisions of the Trust Indenture. 2022A Mortgage Certificates are expected to be comprised of GNMA Certificates. The purchase price for such GNMA Certificates will be 100% of par (plus accrued interest).

The guidelines adopted by the Department from time to time in connection with the Program establish the eligibility of lenders to participate in the Program, time limitations with respect to

commitments for and originations of Mortgage Loans, the types of Mortgage Loans eligible for purchase by the Servicer, the eligibility of mortgagors, the requirements for dwellings which secure Mortgage Loans, the fees which a Mortgage Lender may charge to originate a Mortgage Loan, the fees which a lending institution may charge for servicing a Mortgage Loan, as well as other aspects of the Program. In connection with each phase of the Program, the Department executed or will execute origination, sale and servicing agreements or mortgage origination agreements and program supplements (collectively, the "Agreement") with the respective Mortgage Lenders. The Agreement obligated or will obligate the Mortgage Lenders to use their best efforts to originate and sell to the Department Mortgage Loans in conformity with the guidelines. Each Mortgage Loan was or will be reviewed prior to acquisition by the Compliance Agent designated by the Department for compliance with applicable provisions of the Program as set forth in the guidelines and with applicable provisions of federal income tax laws. The procedures set forth in the Agreement are established by the Department after consideration of standards and requirements customary in the secondary mortgage market. The Department anticipates that it may revise its procedures from time to time to conform with changes in the procedures followed by Fannie Mae, RHS, Ginnie Mae, VA or other major secondary mortgage market institutions.

### **Mortgage Lender Reservations – First-Come, First-Served**

No funds made available through Program 99 will be allocated to any specific Mortgage Lenders. All funds will be made available to Mortgage Lenders on a controlled first-come, first-served basis.

### **Low Income Reservation**

For the first one-year period of Program 99, the Department is requiring that 30% of the funds made available through the issuance of the Series 2022A Bonds be reserved for Mortgage Loans for individuals and families of low income (not exceeding 80% of applicable median family income ("AMFI")).

Since October 1, 2016, over 69% of Mortgage Loans originated by the Department that were eligible for inclusion in a tax-exempt bond issue and securitized into GNMA Certificates were made to borrowers at or below 80% of AMFI.

### **Low and Moderate Income Reservation**

The remaining lendable funds will be made available for Mortgage Loans to Eligible Borrowers of low and moderate incomes whose family income does not exceed, for families of three persons or more, one hundred fifteen percent (115%) (one hundred forty percent (140%) in targeted areas) of AMFI, and, for individuals and families of two persons, one hundred percent (100%) (one hundred twenty percent (120%) in targeted areas) of AMFI.

### **Eligible Borrowers**

Each Mortgage Loan is required to be made to a person whose family income does not exceed certain income limits. In addition, to be eligible for a Mortgage Loan an applicant must be a person: (i) who intends to occupy the residence to be financed with such Mortgage Loan as his or her principal residence within a reasonable period after financing is provided; (ii) who, except in the case of certain targeted area loans, certain qualified veterans, certain exception loans hereinafter described, and certain homes falling into the Contract for Deed Exception, has not had a present ownership interest in a principal residence at any time during the three-year period preceding the date of execution of the Mortgage; and (iii) who has not had an existing mortgage on the residence (other than a mortgage falling into the Contract for Deed Exception) to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than certain permitted temporary financing mortgages. The Department, subject to the



requirements of applicable provisions of federal income tax law and applicable regulations, may approve a limited number of exception loans that do not satisfy the requirement described in clause (ii) in the immediately preceding sentence. The maximum income for Eligible Borrowers varies according to family size and location.

### **Eligible Property**

Each residence financed with a Mortgage Loan must consist of real property and improvements permanently affixed thereon which is located within the State of Texas. Each residence must be a single-family, owner-occupied attached or detached structure, a single-family condominium unit or a single unit in a planned unit development or a qualifying duplex, triplex, or four-plex. Each residence financed with a Mortgage Loan must have an acquisition cost (the "Maximum Acquisition Cost") not exceeding certain acquisition cost limits established by the Department from time to time. The Maximum Acquisition Cost varies according to location.

### **Mortgage Loans**

The Department may, at its election, sell, assign, transfer or otherwise dispose of any Mortgage Loan or Mortgage Certificate in accordance with the terms and provisions of the Trust Indenture, as more particularly described in "SECURITY FOR THE BONDS – Sale of Mortgage Certificates and Mortgage Loans." The Department shall not consent or agree to or permit any amendment or modification of any Mortgage Loan which will in any manner materially impair or materially adversely affect the rights or security of the Bondholders under the Trust Indenture in such Mortgage Loan except for amendments and modifications made in connection with settling any default on any Mortgage Loan which are consistent with the Cashflow Statement most recently filed with the Trustee, or in connection with a refinancing of a Mortgage Loan. See "SECURITY FOR THE BONDS – Cashflow Statement and Asset Test."

### **Compliance with Tax Law and Program Guidelines**

Each Mortgage Lender was required or will be required to follow certain procedures in the origination of Mortgage Loans to insure compliance with the mortgage eligibility requirements of applicable federal income tax laws and other requirements applicable to the Mortgage Loans. These procedures will include, but may not be limited to, the following: (i) obtaining affidavits of the borrower and seller and certificates of the real estate agent, if any, providing and certifying certain information regarding borrower income, home acquisition cost, and other loan information; (ii) reviewing the contents of the affidavits and certificates with the persons executing them prior to the execution thereof; (iii) except in the case of certain targeted area loans or certain other exception loans, obtaining signed or certified copies of the borrower's federal income tax returns for the preceding three years to verify that the borrower did not claim deductions for taxes or interest on indebtedness with respect to real property constituting his or her principal residence or a borrower's affidavit that he or she was not required to file such a return during one or more of the preceding three years; (iv) performing such additional investigations as may be appropriate under the circumstances to verify that the requirements of applicable federal income tax laws are satisfied as of the date of the execution of the Mortgage; (v) reviewing the draft settlement statement to assure that all fees and charges and settlement and financing costs comply with the applicable requirements; (vi) preparing, executing, and delivering a certificate relating to compliance with the requirements set forth immediately above; and (vii) carrying out such additional verification procedures as may be reasonably requested by the Department, its designated compliance agent, or the Trustee. If any Mortgage Loan fails to meet the guidelines established by the Department, the originating Mortgage Lender will be required to correct such failure within a reasonable time after such failure is discovered by either repurchasing the non-

qualifying Mortgage Loan in full or by replacing the non-qualifying Mortgage Loan with a Mortgage Loan which meets the applicable requirements.

## **Servicing**

The Master Servicer may deduct its servicing fees directly from amounts received on such Mortgage Loans. As compensation for its duties as servicer of Mortgage Loans, the Master Servicer will be entitled to receive a monthly servicing fee.

Servicing of the Mortgage Loans is required to be carried out in accordance with generally accepted practices in the mortgage lending industry and in accordance with the servicing standards set forth in the GNMA Guide or the Fannie Mae Guides, as applicable. In particular, the Master Servicer will be required to pursue collection on the applicable Mortgage Loans with prudence and diligence, manage foreclosure or assignment procedures, and file, process and receive the proceeds from FHA mortgage insurance, VA or RHS guaranty claims, or private mortgage insurance.

The Master Servicer, as servicer of the Mortgage Loans, must provide to the Department and such other person specified in a Supplemental Indenture, audited financial statements on an annual basis and monthly reports relating to Mortgage Loan originations and purchases. The Master Servicer may not resign from its servicing duties unless it is determined that its duties are no longer permissible under applicable laws and then only upon the assumption of the servicing duties by a successor servicer acceptable to FHA, VA, Ginnie Mae, Fannie Mae and the Department. In the event the Master Servicer is in material breach of its servicing obligations imposed by Ginnie Mae, Fannie Mae or the Department or a material adverse change has occurred in the financial condition of the Master Servicer, the Department, with the approval of Ginnie Mae, and Fannie Mae, may terminate the Master Servicer's servicing rights and transfer and assign those rights to another Fannie Mae-, and Ginnie Mae-approved servicer.

## **The Master Servicers**

Idaho Housing and Finance Association ("Idaho HFA") will serve as Master Servicer of Mortgage Loans related to the Series 2022A Bonds.

Under the terms of the servicing agreement relating to the Series 2022A Bonds (the "Servicing Agreement"), the Department may terminate the Servicing Agreement without cause upon 120 days advance written notice to the Idaho HFA. The Department may terminate the Servicing Agreement (subject to any applicable cure period) upon the occurrence of certain events. The Servicing Agreement has an approximately one-year initial term with up to three one-year extensions as mutually agreed. If the Department terminates the Servicing Agreement for cause, then all power of the Idaho HFA under the Servicing Agreement shall be vested in the substitute Master Servicer.

If the Department terminates the Servicing Agreement for cause pursuant to its terms, the Idaho HFA shall, consistent with GNMA and Fannie Mae standards, make a full accounting and transfer and deliver to the Department, or its designee, all documents and moneys relating to the eligible mortgage loans which are then in the Idaho HFA's possession or under its custody or control, and thereupon all rights and duties of the Idaho HFA and its rights to further compensation shall cease.

Bank of America, N.A. ("Bank of America") is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of September 30, 2021, Bank of America participates as Master Servicer for the Department for approximately 659 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$59,158,981.

US Bank National Association ("US Bank") is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of September 30, 2021, US Bank participates as Master Servicer for the Department for approximately 38 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$3,551,533.

Idaho HFA is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of September 30, 2021, Idaho HFA services approximately 1336 Mortgage Loans financed with the proceeds of the Prior Bonds, which Mortgage Loans had an outstanding principal balance of \$230,534,221.

## Investment of Funds

Moneys in all Funds established pursuant to the Trust Indenture will be invested in Investment Securities pursuant to the Depository Agreement with the Texas Treasury Safekeeping Trust Company. See "APPENDIX H – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – Texas Treasury Safekeeping Trust Company." Moneys held or invested in all Funds and accounts (except for the Rebate Fund) under the Trust Indenture are for the equal and ratable benefit of all owners of the Bonds.

The following table summarizes certain information as of September 30, 2021, regarding yields (calculated on the basis of stated maturity) on existing investments (valued at par) within particular Trust Indenture funds relating to Prior Bonds:

Fund or Account	Approximate Amount Invested (Par Value)	Rate	Date	Provider
RMRB 1998A/B	\$22,852,288	.02%	Short Term	Natwest
RMRB 1999B/C/D	315,207	.02%	Short Term	Natwest
RMRB 2009C3	6,810	.02%	Short Term	Natwest
RMRB 2019A	8,268,244	.02%	Short Term	Natwest
RMRB 2021A/B	9,563,315	.02%	Short Term	Natwest
	\$41,005,864			

Proceeds of the Series 2022A Bonds deposited into the 2022A Mortgage Loan Account will be invested in Investment Securities.

The ability of the Department to make timely payments of principal of and interest on the Series 2022A Bonds and the Prior Bonds could be affected if the parties to the various investment agreements for the Series 2022A Bonds or the Prior Bonds do not honor their obligations thereunder to repay such moneys and the interest thereon at the times and rates set forth in the respective investment agreements.

The Department has adopted an investment policy (the "Investment Policy") which applies to all financial assets of the Department. The Investment Policy's objectives, in the order of priority, are as follows: (1) safety of principal, (2) sufficient liquidity to meet Department cashflow needs, (3) achievement of a market rate of return on investments, and (4) conformance with all applicable State statutes, particularly the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. With respect to bond proceeds, the Investment Policy provides that such proceeds should be invested as permitted by the applicable trust indenture.

## OTHER DEPARTMENT PROGRAMS

The Department administers a variety of programs, in addition to its single family mortgage revenue bond program, that also fulfill its goals of providing safe and affordable housing throughout the State. Some of these programs may overlap or compete with the Program.

### **Taxable Mortgage Program**

In addition to the Program, the Department offers mortgage loan financing options through its Taxable Mortgage Program (the "TBA Program"). Currently, all mortgage loans originated through the TBA Program are accompanied by a DPA Loan through which the mortgagor receives funds for down payment and closing cost assistance in the form of a 0%, non-amortizing, three year forgivable or 30-year second loan that is due on sale or refinance. Mortgage loans originated through the TBA Program are pooled into mortgage-backed securities that are sold to third-party investors. *Neither the mortgage loans nor the mortgage-backed securities originated through the TBA Program are pledged to the Indenture.* Below is a description of current loan options available through the TBA Program.

***Bond Eligible Loans.*** Provided through the Department's My First Texas Home program, these loans typically offer the lowest mortgage rates available through the TBA Program. Borrowers must be Eligible Borrowers (including meeting the first-time homebuyer requirement). Income qualification is performed in accordance with IRS requirements for tax exempt mortgage revenue bonds, and loan documents include standard tax exempt loan documentation (such as tax exempt riders and recapture disclosure). Typically, mortgage loans may be originated as Bond Eligible Loans when the Department has no bond proceeds available. When bond proceeds are available, mortgage loans are typically reserved and originated through the Single Family Mortgage Revenue Bond Program.

***Combo Loans.*** Offered through the Department's My First Texas Home program, these loans include a Mortgage Credit Certificate (MCC) issued by the Department to the borrower. Borrowers must be Eligible Borrowers and must meet the first-time homebuyer requirement; income qualification is performed in accordance with IRS requirements for tax exempt mortgage revenue bonds. Combo Loans are not eligible for inclusion in a tax-exempt bond program.

***Taxable Loans.*** Offered through the Department's My Choice Texas Home program, these loans provide the most qualification flexibility. Borrowers must meet the requirements for an Eligible Borrower except that there is no first-time homebuyer requirement and income qualification is performed using standard 1003 credit qualifying income. Taxable Loans are not eligible for inclusion in a tax-exempt bond program.

### **Single Family Mortgage Revenue Bond Program**

The Department administers a single family mortgage revenue bond program that finances mortgage loans to certain qualified first-time homebuyers, which is similar to the Program. For information regarding this program see "APPENDIX D-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS."

**APPENDIX I**

**KESTREL VERIFIERS' SECOND PARTY OPINION**

**APPENDIX J**

**USE OF PROCEEDS REPORT**