SERIES 2010-108 - NEW ISSUE
SERIES 2009-107A - NOT A NEW ISSUE - CONVERSION OF PREVIOUSLY ISSUED BONDS **(Book-Entry Only)**

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the Series 2010-108 Bonds and Series 2009-107A Bonds will not be included in gross income of the holders thereof for federal income tax purposes on the assumption that the Agency complies with its covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended. Interest on the Series 2010-108 Bonds and Series 2009-107A Bonds will not be treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed with respect to individuals and corporations. In the case of the Series 2010-108A Bonds, however, such interest is included in the adjusted current earnings in calculating the federal alternative minimum tax imposed on certain corporations; but in the case of the Series 2010-108B Bonds and Series 2009-107A Bonds, such interest is not included in adjusted current earnings in calculating the federal alternative minimum tax imposed on corporations.

Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Series 2010-108 Bonds and Series 2009-107A Bonds are exempt from Pennsylvania personal property taxes and interest on the Series 2010-108 Bonds and Series 2009-107A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. For a more complete discussion of federal and Commonwealth of Pennsylvania tax issues, see "Federal Tax Matters" and "State Tax Matters" herein.

PENNSYLVANIA HOUSING FINANCE AGENCY
SINGLE FAMILY MORTGAGE REVENUE BONDS

NEW ISSUE	CONVERSION OF
$140,210,000	**$210,000,000**
SERIES 2010-108 BONDS	**SERIES 2009-107A BONDS**
consisting of:	**(Non-AMT)**
$9,225,000 Series 2010-108A (Non-AMT)	
$130,985,000 Series 2010-108B (Non-AMT)	

Series 2010-108 Bonds Dated: Date of Delivery **Due: as shown on inside cover**

The **Series 2010-108 Bonds**, in the aggregate principal amount of $140,210,000, are comprised of $9,225,000 Series 2010-108A Bonds (Non-AMT) (the "Series 2010-108A Bonds") and $130,985,000 Series 2010-108B Bonds (Non-AMT) (the "Series 2010-108B Bonds", and together with the Series 2010-108A Bonds, the "Series 2010-108 Bonds" or the "Market Bonds".

The Market Bonds are being issued pursuant to a common plan of financing that also includes the Release and Conversion (as such terms are described herein) of a portion of the Agency's Single Family Mortgage Revenue Bonds, Series 2009-107 (Non-AMT) (the "Series 2009-107 Bonds"). $210,000,000 aggregate principal amount of Series 2009-107 Bonds will be so converted, and are referred to as the "Series 2009-107A Bonds" or the "Program Bonds". The Series 2010-108 Bonds and the Series 2009-107A Bonds will be treated as a composite issue for tax purposes. **However, the Series 2009-107A Bonds were previously placed with investors and are not being offered by this Official Statement.**

The Series 2010-108 Bonds and the Series 2009-107A Bonds will mature on the dates and bear interest at the rates shown on the inside cover page. The Series 2010-108 Bonds will be issued as fixed rate securities, in denominations of $5,000 and integral multiples thereof; and upon Conversion (as defined herein), the Series 2009-107A Bonds will be fixed rate securities, in denominations of $10,000 and integral multiples thereof. Interest on the Series 2010-108 Bonds shall be payable on each April 1 and October 1, commencing October 1, 2010. Interest on the Series 2009-107A Bonds shall be payable on the Release Date and the Conversion Date (as described herein) and thereafter on each April 1 and October 1, commencing October 1, 2010.

The Series 2010-108 Bonds and Series 2009-107A Bonds are subject to redemption prior to maturity as described in "REDEMPTION PROVISIONS" herein. The Series 2010-108 Bonds and Series 2009-107A Bonds will be available 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, NY ("DTC"). Individual purchases will be made in book-entry form only. (See "BOOK-ENTRY ONLY SYSTEM" herein.) Interest on the Series 2010-108 Bonds and Series 2009-107A Bonds is payable by check mailed to the registered owner or by wire to the registered owner of $1,000,000 or more in aggregate principal amount of such series of Bonds. Principal of and redemption premium, if any, on the Series 2010-108 Bonds and Series 2009-107A Bonds are payable at the designated corporate trust office of U.S. Bank National Association (the "Trustee").

The Agency has no taxing power. Neither the Commonwealth of Pennsylvania nor any political subdivision thereof is or shall be obligated to pay the principal or redemption price of or interest on the Series 2010-108 Bonds or Series 2009-107A Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

This cover and inside cover page contain information for quick reference only. Such information is not a summary of the issue. Investors must read the entire Official Statement, including all Appendices, to obtain information essential to making an informed decision regarding investment. The Series 2010-108 Bonds are offered when, as and if issued by the Agency subject to prior sale, withdrawal or modification of the offer without any notice, receipt of the approving legal opinion of Ballard Spahr LLP, Philadelphia, PA, Bond Counsel and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Duane Morris LLP, Philadelphia, PA. The Series 2010-108 Bonds are expected to be delivered and the Series 2009-107A Bonds are expected to be released through DTC in New York, NY on or about March 31, 2010.

BofA Merrill Lynch

Barclays Capital
Janney Montgomery Scott
J.P. Morgan
Morgan Stanley
PNC Capital Markets LLC
RBC Capital Markets
Wells Fargo Securities

Dated: March 4, 2010

PENNSYLVANIA HOUSING FINANCE AGENCY
SINGLE FAMILY MORTGAGE REVENUE BONDS

NEW ISSUE OF
$140,210,000 SERIES 2010-108
consisting of
$9,225,000 Series 2010-108A (Non-AMT)
$130,985,000 Series 2010-108B (Non-AMT)

MATURITY SCHEDULE

$9,225,000 Series 2010-108A Serial Bonds (Non-AMT) (Price 100%)

Maturity	Amount	Interest Rate	CUSIP (708796)	Maturity	Amount	Interest Rate	CUSIP # (708796)
April 1, 2014	$2,615,000	1.875%	TW7	April 1, 2015	$3,010,000	2.30%	TY3
October 1, 2014	2,930,000	1.95	TX5	October 1, 2015	670,000	2.35	TZ0

$63,725,000 Series 2010-108B Serial Bonds (Non-AMT) (Price 100%)

Maturity	Amount	Interest Rate	CUSIP (708796)	Maturity	Amount	Interest Rate	CUSIP # (708796)
October 1, 2010	$1,185,000	0.375%	UA3	April 1, 2017	$3,345,000	3.25%	UM7
April 1, 2011	2,435,000	0.50	UB1	October 1, 2017	3,435,000	3.25	UN5
October 1, 2011	2,505,000	0.875	UC9	April 1, 2018	3,525,000	3.50	UP0
April 1, 2012	2,565,000	1.25	UD7	October 1, 2018	3,625,000	3.50	UQ8
October 1, 2012	2,640,000	1.375	UE5	April 1, 2019	3,725,000	3.75	UR6
April 1, 2013	2,705,000	1.50	UF2	October 1, 2019	3,815,000	3.75	US4
October 1, 2013	2,780,000	1.75	UG0	April 1, 2020	3,925,000	3.90	UT2
April 1, 2014	245,000	1.875	UH8	October 1, 2020	4,030,000	3.90	UU9
October 1, 2015	2,420,000	2.35	UJ4	April 1, 2021	4,135,000	4.00	UV7
April 1, 2016	3,175,000	2.875	UK1	October 1, 2021	4,250,000	4.00	UW5
October 1, 2016	3,260,000	3.00	UL9				

$17,725,000 4.50% Series 2010-108B Term Bonds (Non-AMT) due October 1, 2024 (Price 100%) - CUSIP #708796 UZ8

$20,620,000 4.50% Series 2010-108B Term Bonds (Non-AMT) due October 1, 2025 (Price 99.0%) - CUSIP #708796 UX3

$28,915,000 4.75% Series 2010-108B Term Bonds (Non-AMT) due October 1, 2028 (Price 100%) - CUSIP #708796 UY1

CONVERSION OF
$210,000,000
SERIES 2009-107A (Non-AMT)

$210,000,000 Series 2009-107A Term Bonds (Non-AMT) due October 1, 2040 NRO - CUSIP #708796 TV9

Interest Rate Beginning March 31, 2010 ("Release Date") to May 31, 2010 ("Conversion Date"): SHORT-TERM RATE
Interest Rate Commencing on Conversion Date: 3.96%

No dealer, broker, salesperson or other person has been authorized by the Pennsylvania Housing Finance Agency or the Underwriters, to give any information or to make any representations, other than as contained in this Official Statement (consisting of Part 1 and Part 2 and all appendices thereto), and if given or made such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2010-108 Bonds and Series 2009-107A Bonds (as defined herein) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Pennsylvania Housing Finance Agency and by other sources. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any placement made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Pennsylvania Housing Finance Agency since the date hereof (or the date of any specific information provided).

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety.

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

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PART 1

PART 2

Official Statement Part 1

PENNSYLVANIA HOUSING FINANCE AGENCY
Single Family Mortgage Revenue Bonds

This Official Statement Part 1 (sometimes referred to herein as "Part 1") provides information as of its date (except where otherwise expressly stated) concerning the Pennsylvania Housing Finance Agency's Series 2010-108 Bonds and Series 2009-107A Bonds (as defined herein). Part 1 contains only a part of the information to be provided by the Agency in connection with the issuance and sale of the Series 2010-108 Bonds and the conversion of Series 2009-107A Bonds. Additional information concerning Prior Series Bonds (as defined herein), certain sources of payment and security for the Series 2010-108 Bonds, the Series 2009-107A Bonds and the Prior Series Bonds, the Agency and its mortgage loan program is contained in the Official Statement Part 2 (including the Appendices thereto) (sometimes referred to herein as "Part 2") and is subject in all respects to the information contained herein.

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PENNSYLVANIA HOUSING FINANCE AGENCY

211 North Front Street
Harrisburg, PA 17101
(717) 780-3800

Official Statement Part 1

PENNSYLVANIA HOUSING FINANCE AGENCY
SINGLE FAMILY MORTGAGE REVENUE BONDS
Relating to
New Issue $140,210,000 Series 2010-108
consisting of
$9,225,000 Series 2010-108A (Non-AMT)
$130,985,000 Series 2010-108B (Non-AMT‡)
and
Conversion of
$210,000,000 Series 2009-107A Bonds (Non-AMT‡)

INTRODUCTORY STATEMENT

This Official Statement consists of Part 1 and Part 2 (including the Appendices thereto). The purpose of this Part 1, which includes the cover page, inside cover page hereof and the Appendices to this Part 1, is to set forth certain information concerning the Pennsylvania Housing Finance Agency (the "Agency"), a body corporate and politic constituting a public corporation and government instrumentality created by the Pennsylvania Housing Finance Agency Law (35 P.S. § 1680.101 et seq.), as amended (the "Act"), the Agency's Single Family Mortgage Loan Program, the Agency's Single Family Mortgage Revenue Bonds and, more particularly, its $140,210,000 aggregate principal amount Single Family Mortgage Revenue Bonds designated as Series 2010-108, consisting of $9,225,000 Series 2010-108A Bonds (Non-AMT) (the "Series 2010-108A Bonds") and $130,985,000 Series 2010-108B Bonds (Non-AMT‡) (the "Series 2010-108B Bonds"). Collectively, the Series 2010-108A Bonds and the Series 2010-108B Bonds are referred to as the "Series 2010-108 Bonds" or the "Market Bonds."

The Series 2010-108 Bonds are being issued pursuant to the Act and a resolution duly adopted by the Agency on February 2, 2010 as amended and supplemented by action of the Finance Committee of the Agency on March 3, 2010 (the "Series 2010-108 Resolution"). The Series 2010-108 Bonds are secured under the Act and an Indenture of Trust of the Agency dated as of April 1, 1982, as amended (the "Indenture"), by and between the Agency and U.S. Bank National Association, as successor Trustee (the

‡ Interest is exempt from alternative minimum tax on adjusted current earnings of corporations and from treatment as an item of tax preference for individual and corporate alternative minimum tax. See "Federal Tax Matters".

"Trustee"), for the purpose of making monies available for the purchase of mortgage loans for single family residences for persons and families of low and moderate income (the "Mortgage Loans").

Part 1 of this Official Statement includes specific information about the Series 2010-108 Bonds. Part 2 of this Official Statement sets forth additional information concerning the Agency, the Act, the Single Family Mortgage Loan Program, other Agency affordable housing programs, and the Bonds issued under the Indenture. (See Part 2 hereof.) All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings ascribed thereto in Appendix A to Part 2 hereof and in the Indenture.

The Series 2010-108 Bonds are being offered to investors as described in this Official Statement and will be purchased by the Underwriters as described under the heading "Underwriting" herein. The Market Bonds are being issued pursuant to a common plan of financing with certain additional bonds in an aggregate principal amount of $210,000,000 referred to herein as the "Series 2009-107A Bonds" or the "Program Bonds", as described hereinafter. The Series 2010-108 Bonds and the Series 2009-107A Bonds will be treated as a composite issue for tax purposes. Certain information is provided about the Series 2009-107A Bonds herein as it relates to the financing plan for Series 2010-108 Bonds. **However, the Series 2009-107A Bonds were previously placed with certain investors and are not being offered by this Official Statement.**

On December 23, 2009, the Agency issued its Single Family Mortgage Revenue Bonds, Series 2009-107 (the "Series 2009-107 Bonds" or the "Program Bonds") in an aggregate principal amount of $604,260,000 as part of the New Issuance Bond Program ("NIBP") offered by the United States Department of Treasury ("Treasury"). The Series 2009-107 Bonds were issued pursuant to a resolution of the Agency adopted November 12, 2009, as amended and supplemented by action of the Finance Committee on December 2, 2009 and as amended and supplemented by the Executive Director (the "Series 2009-107 Resolution"). Under the NIBP, Fannie Mae ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively, the "GSEs") securitized the Series 2009-107 Bonds. Upon securitization of the Series 2009-107 Bonds, the GSEs issued GSE Securities (as described in the NIBP) evidencing beneficial ownership in the Series 2009-107 Bonds, which GSE Securities were purchased by Treasury. Under the NIBP, the Series 2009-107 Bonds are taxable bonds, the proceeds of which are held in escrow by the Trustee (the "Pre-Conversion Bonds") and bear interest at a variable interest rate. While held in such escrow, the original proceeds are pledged exclusively to the repayment of the Series 2009-107 Bonds whose proceeds have not been released from such escrow and are invested in the investments represented by and provided pursuant to the Global Escrow Agreement by and among the GSEs, the Trustee and U.S. Bank National Association, as escrow agent.

The Agency may, upon satisfaction of certain conditions of the NIBP, as set forth in the Series 2009-107 Resolution, cause all or a portion of the proceeds of the Series 2009-107 Bonds to be released from the escrow and to be converted to bear interest at rates fixed to maturity. "Conversion" means the conversion or the converting of the interest rate on all or a portion of the Pre-Conversion Bonds from a Short-Term Rate to a Permanent Rate as provided herein. The Agency must exercise its election to convert all of its Pre-Conversion Bonds on one or more dates (not to exceed three (3) dates) on or prior to December 31, 2010 and which dates are acceptable to the GSEs. Upon each such date on which Series 2009-107 Bond proceeds are released from escrow in anticipation of a Conversion (a "Release Date"), the Agency must issue and deliver Market Bonds in conjunction with and as a condition to each Release Date, the principal amount of such Market Bonds being not less than two-thirds (2/3) of the principal amount of Pre-Conversion Bonds the proceeds of which are proposed to be released on such Release Date.

Under its plan of financing for the Series 2010-108 Bonds, the Agency is electing to release ("Release") $210,000,000 in principal amount of proceeds from the Series 2009-107 Bonds (the "Series 2009-107A Bonds") on a Release Date of March 31, 2010 for a Conversion on May 31, 2010 (the "Conversion Date"). From the Release Date to the Conversion Date, the Series 2009-107A Bonds will bear interest at the "Short-Term Rate", which is an interest rate equal to the sum of (i) the lesser of (A) the interest rate for Four Week Treasury Bills (as reported by the Federal Reserve on its website, http://federalreserve.gov) as of the business day prior to the Release Date and (B) 3.21% plus (ii) a spread of 75 basis points (the "Spread"). The Spread may increase or decrease if there is a change in the Agency's current long term ratings on the Program Bonds on or prior to the Release Date.

Upon the Conversion Date, the Series 2009-107A Bonds will bear interest at an interest rate per annum equal to the sum of (i) 3.21%, plus (ii) the Spread (the "Permanent Rate"). The Permanent Rate on the Series 2009-107 Bonds was established in December, 2009 at 3.96%, which is equal to the sum of 3.21% and the Spread (assuming the Agency maintains its current long term ratings on the date the Series 2010-108 Bonds are issued and sold). Following the Conversion, the Series 2009-107A Bonds proceeds will become available to finance Mortgage Loans under the Program. From and after the Release Date, the Series 2009-107A Bonds shall bear interest on the basis of a 360-day year consisting of twelve 30-day months.

The Agency expects to issue additional bonds in 2010 under the Indenture that shall constitute the allocable Market Bonds portion required under the NIBP for any further release of the proceeds of the Series 2009-107 Bonds from escrow. Additional information regarding the Series 2009-107 Bonds is available upon request from the Agency. Certain provisions relating to the NIBP will be applicable for as long as the Program Bonds, including the Series 2009-107A Bonds, remain outstanding obligations under the Indenture.

Certain of the proceeds of the Series 2010-108 Bonds and the Series 2009-107A Bonds, together with an Agency contribution, will be used to refund certain outstanding maturities of Prior Agency Bonds, to provide additional funds with which to purchase mortgage loans for single family residences for persons and families of low and moderate income, to provide funds for the capital reserve and to pay certain costs of issuing the Series 2010-108 Bonds. See "THE SERIES 2010-108 BONDS AND SERIES 2009-107A BONDS -- Estimated Sources and Uses of Funds."

Prior to the date hereof, the Agency issued 107 series of Single Family Mortgage Revenue Bonds, designated 1982 Series A through Series 2009-107 under the Indenture; however, certain of these bonds have been redeemed and are no longer outstanding. (See "OUTSTANDING BONDS AND NOTES OF THE AGENCY" in Appendix D to Part 2 hereof.) When referred to individually, each such series of Single Family Mortgage Revenue Bonds is referred to by its respective series designation; collectively, these Single Family Mortgage Revenue Bonds are referred to as "Prior Series Bonds."

The Series 2010-108 Bonds and the Series 2009-107A Bonds are general obligations of the Agency payable from and secured by a pledge of Revenues (defined to include principal and interest due on all Mortgage Loans, exclusive of fees payable for accounting, collection and other services required in connection with servicing of the Mortgage Loans), as well as a pledge of the Mortgage Loans and a pledge of all amounts and investments on deposit in funds and accounts established by the Indenture. Such pledges are subject to the rights of the Trustee and the Agency with respect to rights or the exercise of remedies upon events of default, defeasance, administration of the Mortgage Loans, the use of monies for the making of new Mortgage Loans, the making of investments and the redemption of Bonds, and the release of certain monies to the Agency for its general use, all as set forth in the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS; CERTAIN RELATED PROVISIONS OF THE INDENTURE -- Revenues" in Part 2 hereof.

Although the Series 2010-108 Bonds and Series 2009-107A Bonds are general obligations of the Agency, the Agency has pledged a substantial portion of its monies, assets and revenues held in funds and accounts outside the Indenture to the payment of its other bonds, notes and contractual obligations (including swap obligations) and for other program activities as described herein and as indicated under "CERTAIN GENERAL AGENCY PROGRAM INFORMATION AND OUTSTANDING OBLIGATIONS" in Appendix D to Part 2 hereof and in the financial statements attached to Part 2 hereof as Appendix E.

The Agency has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal or redemption price or purchase price of or interest on the Series 2010-108 Bonds or Series 2009-107A Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

To further secure the timely payment of debt service on the Bonds, the Indenture requires the maintenance of a Capital Reserve Fund in an amount equal to 3% of the aggregate outstanding principal amount of Bonds, plus $1,000,000. The Capital Reserve Fund is currently, and upon issuance of the Series 2010-108 Bonds and Series 2009-107A Bonds will continue to be, fully funded. Amounts in the Capital Reserve Fund are permitted to be used for the payment of debt service to the extent that Revenues and other available amounts are insufficient therefor. As set forth in additional detail in Part 2, the General Assembly of the Commonwealth may, but is not required to, appropriate amounts necessary to restore monies withdrawn from the Capital Reserve Fund for the payment of debt service on Bonds, including the Series 2010-108 Bonds and Series 2009-107A Bonds.

The Depository Trust Company ("DTC") will act as securities depository of the Series 2010-108 Bonds and Series 2009-107A Bonds, and the Series 2010-108 Bonds and the Series 2009-107A Bonds will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Individual purchases of the Series 2010-108 Bonds and Series 2009-107A Bonds will be made in book-entry form. The Series 2010-108 Bonds shall be in denominations of $5,000 principal amount and integral multiples thereof. So long as Cede & Co. is the registered owner of the Series 2010-108 Bonds, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Series 2010-108 Bonds. Principal of, premium, if any, and interest on the Series 2010-108 Bonds are payable by the Trustee to Cede & Co., as nominee for DTC, which will, in turn, remit such principal, premium and interest to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY ONLY SYSTEM" in Part 2 hereof.

The Agency, in conjunction with participating lending institutions, will administer a program (the "Program") of purchasing new Mortgage Loans (the "New Mortgage Loans") with certain of the funds made available as a result of the conversion of the Series 2009-107A Bonds and the issuance of Series 2010-108 Bonds. Participating lending institutions will originate and sell to the Agency qualified New Mortgage Loans pursuant to the Seller's Guide. As further described under "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM" in Part 2 hereof, each New Mortgage Loan must meet certain origination, eligibility, and credit underwriting standards. New Mortgage Loans originated with a principal loan balance in excess of 80% of the lesser of appraised value or sales price must qualify for and participate in a primary mortgage insurance program. These primary insurance programs, provided through the Veterans Administration ("VA"), Federal Housing Administration ("FHA"), Rural Housing Services ("RHS") or qualified private mortgage insurers, insure the Agency against financial losses resulting from mortgage loan principal payment defaults with respect to insured New Mortgage Loans. The Agency also requires standard insurance coverage of special hazard losses relating to each New Mortgage Loan.

The Program is structured to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The requirements of Sections 143, 146 and 148 of the Code are collectively referred to herein as the "Federal Tax Requirements." See "FEDERAL TAX MATTERS" in Part 1 and Part 2 below. In accordance with the Federal Tax Requirements, the Agency will set aside a portion of the lendable proceeds of the Series 2010-108 Bonds and Series 2009-107A Bonds for financing the purchase of New Mortgage Loans for residences located in Target Areas. See "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM -- Target Areas" in Part 2 hereof.

In addition to primary mortgage insurance requirements, the Agency has established a Self-Insurance Fund to provide additional financial security to the Mortgage Loan portfolio in the event a loss occurs which is not otherwise covered by primary mortgage insurance or special hazard loss insurance. The Self-Insurance Fund is currently funded in two parts: the Self-Insurance Fund under the Indenture and an additional Agency General Fund restriction (for accounting purposes only). The Indenture provides that the Agency shall deposit and maintain with the Trustee a Self-Insurance Fund in an amount not less than the Self-Insurance Fund Requirement (as defined in the Indenture) for certain Prior Series Bonds. The Agency is not obligated under the Indenture to fund or maintain such Self-Insurance Fund in any amount for any Series of Bonds issued after November, 2006. The Agency may withdraw amounts from such Self-Insurance Fund in excess of the Self-Insurance Fund Requirement upon written request to the Trustee accompanied by a written confirmation from the applicable rating services that such withdrawal will not adversely affect the then current rating on the Bonds. In 2006, the Agency performed an analysis of the Mortgage Loan portfolio and determined that the Self-Insurance Fund held under the Indenture is adequately funded to provide coverage for losses not otherwise covered by primary mortgage insurance or special hazard loss insurance. Therefore, the Agency does not expect to fund or maintain the Self-Insurance Fund under the Indenture in any amount with respect to any Series of Bonds issued after November, 2006. Additionally, the Agency was not legally obligated to establish, nor is it required to maintain, the General Fund restriction for Self-Insurance Fund purposes for any Series of Bonds, and it has determined to discontinue the restriction, based on the low number of actual losses experienced in the program. The Self-Insurance Fund held under the Indenture is funded in an amount equal to the Self-Insurance Fund Requirement. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS; CERTAIN RELATED PROVISIONS OF THE INDENTURE -- Mortgage Insurance" in Part 2 and Appendix B to Part 2 hereof.

As a result of the issuance of the Series 2010-108 Bonds and the occurrence of the Release Date and Conversion of the Series 2009-107A Bonds, an amount equal to approximately $338,000,000 will be available for deposit in the Program Account for the purchase of New Mortgage Loans by the Agency. (See "THE SERIES 2010-108 BONDS AND SERIES 2009-107A BONDS -- Estimated Sources and Uses of Funds.") The Agency expects to purchase substantially all of the New Mortgage Loans before September 30, 2010. New Mortgage Loans are expected to bear interest at rates ranging between approximately 4.50% per annum and 5.625% per annum and to have terms of 30 years. For a description of the origination program applicable to the New Mortgage Loans, see "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM -- Mortgage Eligibility Requirements" in Part 2 hereof.

The Series 2010-108 Bonds and Series 2009-107A Bonds are subject to redemption, prior to maturity, as described under "REDEMPTION PROVISIONS" in Part 1 hereof. Among other things, the Agency must apply certain principal prepayments and repayments of New Mortgage Loans to repay or redeem Series 2010-108 Bonds and Series 2009-107A Bonds to comply with certain Federal Tax Requirements. Generally, borrowers may prepay their Mortgage Loans at any time without penalty and such prepayments may result in the early redemption of certain maturities of Series 2010-108 Bonds and Series 2009-107A Bonds. (See "REDEMPTION PROVISIONS - Special Mandatory Redemptions - Federal Tax Requirements").

In the event that conventional mortgage rates decline or mortgage rates set by the Agency on issues other than the Series 2010-108 Bonds and Series 2009-107A Bonds are lower in the future, participating lending institutions may not be able to originate Mortgage Loans at competitive rates and, consequently, certain of the Series 2010-108 Bonds and Series 2009-107A Bonds may be redeemed. Pursuant to the NIBP Program, certain additional restrictions relating to redemption practices are applicable to the Market Bonds for as long as the Series 2009-107A Bonds are outstanding. See "REDEMPTION PROVISIONS – Special Optional Redemption."

There follows in this Official Statement, Parts 1 and 2 (including the Appendices), descriptions of the Agency, the Agency's programs, and the sources of payment for the Bonds, together with summaries of the terms of the Series 2010-108 Bonds and Series 2009-107A Bonds and the Indenture. All references herein to the Act, the Indenture and the Resolution are qualified in their entirety by reference to such documents, copies of which are available from the Agency. All references to the Series 2010-108 Bonds are qualified in their entirety by reference to the complete definitive forms thereof and the information with respect thereto contained in the Indenture, the Resolution, and Part 1 and Part 2 of this Official Statement (including the Appendices hereto).

SECURITY FOR THE BONDS

Information regarding security for the Bonds is set forth in Part 2 hereof under "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS; CERTAIN RELATED PROVISIONS OF THE INDENTURE." The information set forth below relates primarily to the Series 2010-108 Bonds or is financial information as of a specific date and supplements the general discussion and information with respect to the Bonds contained in Part 2 under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS; CERTAIN RELATED PROVISIONS OF THE INDENTURE." For a listing of outstanding Bonds under the Indenture, see "Outstanding Single Family Mortgage Revenue Bonds – Appendix C" to Part 2 hereof.

The Agency's Self-Insurance Fund

As of December 31, 2009, the total amount of the Self-Insurance Fund held under the Indenture by the Trustee was approximately $48,886,000, which is in excess of the Self-Insurance Fund Requirement. The Agency currently intends to maintain this Self-Insurance Fund with respect only to Series of Bonds issued prior to November, 2006, and funds may be withdrawn as Mortgage Loans are repaid as described in Part 2 under "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS; CERTAIN RELATED PROVISIONS OF THE INDENTURE – The Agency's Self-Insurance Fund."

Capital Reserve Fund

As of December 31, 2009, the amount in the Capital Reserve Fund was approximately $158,351,000, which represents the total Capital Reserve Fund Requirement as of that date of $145,163,000 plus additional funds representing Agency contributions, Bond proceeds and investment income.

THE SERIES 2010-108 BONDS AND SERIES 2009-107A BONDS

Estimated Sources and Uses of Funds

Below is the financing plan for the Series 2010-108 Bonds and Series 2009-107A Bonds:

Sources:	
Principal Amount of Series 2010-108 Bonds	$140,210,000.00
Principal Amount of Series 2009-107A Bonds	210,000,000.00
Original Issue Discount	(206,200.00)
Total Sources of Funds	**$350,003,800.00**
Uses:	
Purchase of New Mortgage Loans♦	$330,446,769.29
Single Family Program Costs	7,553,069.01
Deposit into Capital Reserve Fund	10,000,000.00
Costs of Issuance	750,000.00
Underwriters' Fee	1,253,961.70
Total Uses of Funds	**$350,003,800.00**

General Description

Delivery of the Series 2010-108 Bonds is expected to occur on or about March 31, 2010. Release and Conversion of the Series 2009-107A Bonds is expected to occur on March 31, 2010 and May 31, 2010, respectively.

The Series 2010-108 Bonds may be issued only as fully registered bonds without coupons. The Series 2010-108 Bonds will be available in book-entry only form as described in Part 2. Purchasers of the Series 2010-108 Bonds will not receive certificates representing their interests in such Bonds. The Series 2010-108 Bonds shall be in minimum denominations of $5,000 principal amount and integral multiples thereof, and minimum denominations for purposes of initial issuance and redemption of the Series 2009-107A Bonds shall be $10,000 principal amount and integral multiples thereof.

The principal of and redemption premium, if any, and interest on all Bonds shall be payable at the designated corporate trust office of the Trustee. Interest due on the Series 2010-108 Bonds and Series 2009-107A Bonds will be paid by check mailed by the Trustee to the registered owners. So long as any Series 2010-108 Bonds and Series 2009-107A Bonds are held by DTC, the registered owner will be Cede & Co. and payments on such Bonds will be made pursuant to DTC's book-entry system to Cede & Co. (See "BOOK-ENTRY ONLY SYSTEM" in Part 2.)

Description of the Series 2010-108 Bonds

The Series 2010-108 Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof and are redeemable prior to maturity as described under "REDEMPTION PROVISIONS" below. The Series 2010-108 Bonds will bear interest at fixed rates from their date of delivery, at the rates set forth on the inside cover page hereof, payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2010 (each an "Interest Payment Date"). Calculations of interest on the Series 2010-108 Bonds will be based on a 360-day year consisting of twelve 30-day months.

♦ Includes $140,000,000 in cash that will be made available for the refunding, pursuant to redemptions of certain Single Family Mortgage Revenue Bonds. (Subject to change.)

Description of the Series 2009-107A Bonds

The Series 2009-107A Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof and are redeemable prior to maturity as described under "REDEMPTION PROVISIONS" below. Interest on the Series 2009-107A Bonds shall be payable initially on the Release Date and thereafter on the Conversion Date at the Short-Term Rate. The Series 2009-107A Bonds will bear interest at a fixed rate from the Conversion Date, payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2010 (each of the Release Date, the Conversion Date and each semiannual date, an "Interest Payment Date"). Calculations of interest on the Series 2009-107A Bonds will be based on a 360-day year consisting of twelve 30-day months.

REDEMPTION PROVISIONS

The Market Bonds and the Program Bonds are subject to redemption prior to maturity through optional redemption, special mandatory redemptions, special optional redemption and sinking fund redemptions as described below. Under certain circumstances, the Series 2010-108 Resolution imposes additional limitations with respect to the redemption of particular Series 2010-108 Bonds, as described below. The NIBP imposes certain additional limitations which may affect the redemption of the Series 2010-108 Bonds and Series 2009-107A Bonds as described herein. All redemptions and the availability of monies therefor are subject to the provisions of the Indenture.

Optional Redemption

The Series 2010-108 Bonds maturing on and after April 1, 2020 are subject to redemption from any available moneys on and after October 1, 2019, at the option of the Agency, upon notice as provided in the Indenture, in whole or in part. The Series 2010-108 Bonds shall be redeemed at a Redemption Price equal to 100% of the principal amount of the Series 2010-108 Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

The Series 2009-107A Bonds are subject to redemption at the option of the Agency, in whole or in part (in minimum denominations of $10,000 and integral multiples of $10,000 in excess thereof), from any source of funds, on the first Business Day of any month, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest, if any to the redemption date.

Special Mandatory Redemptions - Federal Tax Requirements

<u>Unexpended Proceeds</u>. The Agency shall redeem Series 2010-108 Bonds and Series 2009-107A Bonds as described herein, as selected by the Agency, no later than 42 months from the date of issuance, from amounts which have not been utilized to purchase New Mortgage Loans prior to that date in an amount equal to 0.0% of the unexpended proceeds allocable to the Series 2010-108 Bonds and 100.0% of the unexpended proceeds allocable to the Series 2009-107A Bonds.

<u>Repayments and Prepayments of Mortgage Loans</u>. Pursuant to Federal Tax Requirements, a certain portion of principal repayments and prepayments of the New Mortgage Loans (the "Tax Restricted Payments") must be used to repay and to redeem the Series 2010-108 Bonds and the Series 2009-107A Bonds, as described herein.

Tax Restricted Payments are comprised of the specified percentages of principal repayments and prepayments funded with the proceeds of the New Mortgage Loans, subject to a *de minimis* exception and to the extent then required by the Code, during each of the time frames set forth below:

From	To	Percentage
3/31/2010	9/27/2010	17.0%
9/28/2010	9/3/2013	18.0%
9/4/2013	11/15/2014	19.0%
11/16/2014	6/1/2015	20.0%
6/2/2015	9/13/2015	21.0%
9/14/2015	3/28/2016	22.0%
3/29/2016	9/6/2016	23.0%
9/7/2016	9/5/2017	24.0%
9/6/2017	12/4/2017	26.0%
12/5/2017	5/28/2018	32.0%
5/29/2018	9/3/2018	39.0%
9/4/2018	3/30/2020	40.0%
3/31/2020	Final maturity of bonds	100.0%

The Agency shall redeem the Series 2010-108 Bonds in accordance with restrictions set forth in the following paragraph for as long as the Series 2009-107A Bonds are outstanding. Subject to the limitation set forth below, the Agency may direct the amounts and maturity (or maturities) of Series 2010-108A Bonds and Series 2010-108B Bonds to be redeemed. The Agency will advise the Trustee of the appropriate redemption date for any redemption pursuant to this provision.

Except as limited by tax law requirements, the Agency shall apply the following exclusively to the redemption of Program Bonds: (i) all proceeds of the Program Bonds, to the extent not used to acquire mortgage loans or mortgage-backed securities issued by either GSE or the Government National Mortgage Association ("MBS"), refund outstanding bond issues as herein provided, pay Program Bond issuance expenses, fund downpayment or closing cost assistance loans (from and to the extent of Premium) or fund related reserve accounts and (ii) so long as any Market Bond remains Outstanding, at least 60%, and after no Market Bonds remain Outstanding, 100%, of all principal prepayments and recoveries of principal received with respect to the mortgage loans or MBS acquired or financed with the proceeds of the Program Bonds and the Market Bonds, to the extent not used to pay scheduled principal, interest or sinking fund redemptions on Program Bonds, Market Bonds or other bonds issued in conjunction with and secured by the Trust Estate on a parity with the Program Bonds. Amounts set forth in clause (ii) are required to be applied to the redemption of Program Bonds promptly as provided above and shall not be recycled into new mortgage loans or MBS.

To the extent not needed or set aside to make regularly scheduled payments on or to make Special Mandatory Redemptions of the Series 2010-108 Bonds and Series 2009-107A Bonds, Tax Restricted Payments received by or on behalf of the Agency shall be applied to repay or to redeem (pursuant to the Agency's right to make Special Optional Redemptions as described below) Series 2010-108 Bonds and Series 2009-107A Bonds of such maturities selected by the Agency on or before the next Interest Payment Date which is at least six months from the date of receipt of such Mortgage Loan principal prepayments and repayments; provided, however, that such redemptions shall not be required: (1) if there is a change in the Code or any temporary, proposed or final Treasury Regulations, or notices or similar announcements from time to time, which have the effect of removing or reducing the requirement of such redemptions for the Series 2010-108 Bonds and Series 2009-107A Bonds; and (2) if there shall be delivered to the Trustee an opinion of Bond Counsel that such changes in these redemption provisions will not adversely affect the exclusion from gross income of the interest on the Series 2010-108 Bonds and Series 2009-107A Bonds.

Special Optional Redemption

The Series 2009-107A Bonds and the Series 2010-108 Bonds may be redeemed prior to maturity at the option of the Agency, in whole or in part as selected by the Agency and by lot within a maturity, at any time, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption without premium, in an amount equal to funds in the Revenue Account from (i) unexpended amounts in the subaccount of the Program Account made available therein as a result of the issuance of the Series 2010-108 Bonds and Conversion of the Series 2009-107A Bonds including the investment income therefrom, if any; (ii) excess capitalized interest, if any; (iii) Mortgage Loan repayments (including prepayments), the principal portion of Mortgage Loan guaranty or insurance payments, and collections resulting from foreclosure proceedings; and (iv) Surplus Revenues (as defined in Appendix A to Part 2 of this Official Statement).

The Agency's right of special optional redemption using available monies described in the preceding paragraph applies to all outstanding series of Bonds. However, in accordance with the NIBP, for as long as the Series 2009-107A Bonds are outstanding, the Agency may be restricted in recycling with the funds described in clause (iii) that are allocable to the Series 2009-107A Bonds. Upon the payment in full of the Series 2009-107A Bonds, the amounts allocable to the Market Bonds that the Agency may use to make special optional redemptions may instead be used by the Agency for any purpose under the Indenture, including to make or purchase additional Mortgage Loans or to redeem Bonds of any outstanding Series as permitted under the terms of such Series. For a discussion of the Agency's current redemption policy and practices, see "AGENCY REDEMPTION PRACTICES" in Part 2 of this Official Statement and Appendix C thereto.

Sinking Fund Redemptions

Series 2010-108B Bonds

The Series 2010-108B Bonds maturing October 1, 2024 are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amount specified in the following table on that date. The particular Series 2010-108B Bonds to be redeemed will be selected as described in "Selection of Series 2010-108 Bonds to be Redeemed" below.

Date	Amount	Date	Amount
April 1, 2022	$2,760,000	October 1, 2023	$2,990,000
October 1, 2022	2,835,000	April 1, 2024	3,070,000
April 1, 2023	2,915,000	October 1, 2024†	3,155,000

The Series 2010-108B Bonds maturing October 1, 2025 are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amount specified in the following table on that date. The particular Series 2010-108B Bonds to be redeemed will be selected as described in "Selection of Series 2010-108 Bonds to be Redeemed" below.

† Stated Maturity.

Date	Amount	Date	Amount
April 1, 2022	$1,600,000	April 1, 2024	$1,780,000
October 1, 2022	1,640,000	October 1, 2024	1,825,000
April 1, 2023	1,685,000	April 1, 2025	5,115,000
October 1, 2023	1,730,000	October 1, 2025†	5,245,000

The Series 2010-108B Bonds maturing October 1, 2028 are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amount specified in the following table on that date. The particular Series 2010-108B Bonds to be redeemed will be selected as described in "Selection of Series 2010-108 Bonds to be Redeemed" below.

Date	Amount	Date	Amount
April 1, 2026	$5,390,000	October 1, 2027	$5,840,000
October 1, 2026	5,535,000	April 1, 2028	5,990,000
April 1, 2027	5,680,000	October 1, 2028†	480,000

Series 2009-107A Bonds

The Series 2009-107A Bonds maturing October 1, 2040 are subject to redemption in part by lot commencing on the date set forth below at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption, from mandatory sinking fund payments which are required to be made in amounts sufficient to redeem the principal amount specified in the following table on that date.

Date	Amount	Date	Amount
October 1, 2028	$5,670,000	April 1, 2035	$8,680,000
April 1, 2029	6,320,000	October 1, 2035	8,920,000
October 1, 2029	6,490,000	April 1, 2036	9,150,000
April 1, 2030	6,660,000	October 1, 2036	9,410,000
October 1, 2030	6,840,000	April 1, 2037	9,650,000
April 1, 2031	7,030,000	October 1, 2037	9,910,000
October 1, 2031	7,210,000	April 1, 2038	10,180,000
April 1, 2032	7,400,000	October 1, 2038	10,460,000
October 1, 2032	7,600,000	April 1, 2039	10,730,000
April 1, 2033	7,810,000	October 1, 2039	11,020,000
October 1, 2033	8,020,000	April 1, 2040	11,310,000
April 1, 2034	8,230,000	October 1, 2040†	6,850,000
October 1, 2034	8,450,000		

Credits Against Sinking Fund Payments

In satisfaction, in whole or in part, of any sinking fund payment, the Agency may deliver to the Trustee, at least 45 days prior to the due date of such sinking fund installment, Series 2009-107A Bonds or Series 2010-108 Bonds of the maturity for which such sinking fund payment was established. Upon any purchase or redemption of any Series 2009-107A Bonds or Series 2010-108 Bonds other than by application of sinking fund payments, an amount equal to the applicable redemption prices thereof shall be credited pro rata toward all such sinking fund payments, unless otherwise directed by the Agency in accordance with the Indenture.

† Stated Maturity.

Selection of Series 2010-108 Bonds to be Redeemed

Regardless of the type of redemption, selection of Series 2010-108 Bonds within a maturity shall be by lot. The Series 2010-108 Bonds may be redeemed only in $5,000 principal amounts or integral multiples thereof.

Regulations with Respect to Transfers

The Series 2010-108 Bonds will be transferable as described in "BOOK-ENTRY ONLY SYSTEM" in Part 2 hereof to the extent such Bonds are registered in the name of Cede & Co., as nominee of DTC.

Notice to Bondholders of Redemption

Notice of any redemption will be mailed to DTC, as the registered owner of any Series 2010-108 Bonds, all or a portion of which is to be redeemed, but such mailing shall not be a condition precedent to such redemption and failure to mail any such notice shall not affect the validity of any proceedings for the redemption of Series 2010-108 Bonds. If less than all of the Series 2010-108 Bonds of one maturity shall be called for redemption, the Trustee at the direction of the Agency shall notify DTC not less than 20 days prior to the date fixed for redemption of the particular amount of such maturity to be redeemed. DTC shall determine by lot the amount of each DTC Participant's interest in such maturity to be redeemed. If notice of redemption shall have been given as provided in the Indenture and the Resolution and as described herein, and if on the date fixed for redemption monies for the redemption of all of the Series 2010-108 Bonds or portions thereof to be redeemed, together with interest accrued and unpaid thereon to the date fixed for redemption, shall be available for such payment, then from and after the date fixed for redemption, interest on such Series 2010-108 Bonds or portions thereof shall cease to accrue. In addition, notice of any proposed modification or amendment of the Indenture by means of a Supplemental Indenture to be effective with consent of Bondholders will be mailed to DTC as the registered owner of any Bonds then outstanding.

UNDERWRITING

The Series 2010-108 Bonds are being offered by the Series 2010-108 Underwriters (for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative) at the initial offering prices set forth on the inside cover page hereof. The Series 2010-108 Underwriters will be paid an aggregate fee of $1,253,961.70 with respect to the offering and sale of the Series 2010-108 Bonds. The Series 2010-108 Underwriters were engaged pursuant to a contract of purchase with the Agency (the "Series 2010-108 Contract of Purchase") pursuant to which the Series 2010-108 Underwriters will be obligated to purchase all of the Series 2010-108 Bonds if any such Bonds are purchased by the Series 2010-108 Underwriters and if certain other conditions are fulfilled. **The Series 2010-108 Underwriters were not involved in the placement of the Series 2009-107A Bonds**.

The Series 2010-108 Bonds may be offered and sold to certain dealers (including the Series 2010-108 Underwriters and other dealers depositing such Series 2010-108 Bonds into investment trusts) at prices lower than the initial public offering price set forth on the inside cover page, and such public offering prices may be changed from time to time by the Series 2010-108 Underwriters.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2010-108 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2010-108 Bonds, at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2010-108 Bonds with UBS Financial Services Inc.

One of the members of the underwriting team, Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010-108 Bonds.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wachovia Bank, National Association. It is anticipated that on or around March 20, 2010, Wachovia Bank, N.A., will merge into its affiliate, Wells Fargo Bank, N.A.

RATINGS

Moody's and Standard & Poor's are expected to provide ratings for the Series 2010-108 Bonds and Series 2009-107A Bonds. An explanation of the significance of the ratings may be obtained directly from the appropriate rating agency. The Agency furnished to such rating agencies certain information and materials, and certain analyses, studies and assumptions were made by the rating agencies. **There is no assurance that such ratings will apply for any given period of time or that they may not be lowered or withdrawn entirely by either or both rating agencies, if in the judgment of either or both circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Bonds including the Series 2010-108 Bonds and the Series 2009-107A Bonds. Neither the Agency nor the Series 2010-108 Underwriters have assumed any responsibility to maintain any particular rating on the Series 2010-108 Bonds or Series 2009-107A Bonds**.

ABSENCE OF LITIGATION

At the time of issuance of the Series 2010-108 Bonds, an officer of the Agency will deliver a certificate to the effect that there is no controversy or litigation of any nature, known to be pending or, to the knowledge of such officer, threatened against or affecting the Agency, to restrain or enjoin such issuance, or in any way contesting or affecting the validity of the Series 2010-108 Bonds, respectively, the Indenture, the Resolution, the Mortgage Loans, or any proceedings of the Agency taken with respect to the issuance of Series 2010-108 Bonds, as applicable or with respect to the Indenture, the Resolution, the Mortgage Loans, or the pledge or application of any monies or security provided for the payment of Series 2010-108 Bonds, as applicable, or the existence or powers of the Agency.

FEDERAL TAX MATTERS

General

A general discussion of tax treatment of interest on, and the mortgage eligibility requirements with respect to, the Series 2010-108 Bonds and Series 2009-107A Bonds is set forth in Part 2 of this Official Statement under "TAX MATTERS."

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the Series 2010-108 Bonds and on the Series 2009-107A Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Series 2010-108 Bonds and Series

2009-107A Bonds is not treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed under the Code with respect to individuals and corporations. In the case of the Series 2010-108A Bonds, however, such interest is included in adjusted current earnings in calculating the federal alternative minimum tax imposed on certain corporations. In the case of the Series 2010-108B Bonds and the Series 2009-107A Bonds, such interest is not included in adjusted current earnings in calculating the federal alternative minimum tax imposed on corporations. Interest on the Series 2010-108 Bonds and the Series 2009-107A Bonds is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

The Series 2010-108B Bonds maturing October 1, 2025 are offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Series 2010-108B Bond accrues periodically over the term of the Series 2010-108B Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Series 2010-108B Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.

In rendering its opinion, Bond Counsel has assumed compliance by the Agency with the covenants contained in the Indenture and the Resolution that are intended to comply with the requirements of the Code relating to actions to be taken by the Agency in respect of the Series 2010-108 Bonds and Series 2009-107A Bonds after the issuance thereof to the extent necessary to effect or maintain the federal exclusion from gross income of the interest on the Series 2010-108 Bonds and Series 2009-107A Bonds. These covenants relate to, inter alia, the use of and investment of proceeds of the Series 2010-108 Bonds and Series 2009-107A Bonds and the rebate to the Treasury of specified arbitrage earnings, if any. Failure of the Agency to comply with such covenants could result in the interest on the Series 2010-108 Bonds and Series 2009-107A Bonds becoming included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010-108 Bonds and to the Release Date of the Series 2009-107A Bonds.

The proposed form of opinion of Bond Counsel in connection with the issuance of Series 2010-108 Bonds and the Series 2009-107A Bonds is contained in Appendix A to this Part 1.

STATE TAX MATTERS

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date of issuance of the Series 2010-108 Bonds, the Series 2010-108 Bonds and the Series 2009-107A Bonds are exempt from Pennsylvania personal property tax and interest on the Series 2010-108 Bonds and Series 2009-107A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. However, under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, any profits, gains or income derived from the sale, exchange or other disposition of obligations of the Agency, such as the Series 2010-108 Bonds and Series 2009-107A Bonds, will be subject to Pennsylvania taxes within the Commonwealth. The Series 2010-108 Bonds and the Series 2009-107A Bonds and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth of Pennsylvania under applicable state or local tax laws.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2010-108 Bonds are subject to the approval of Ballard Spahr LLP, Philadelphia, Pennsylvania, as Bond Counsel to the Agency for the issuance of the Series 2010-108 Bonds. The approving legal opinions of Bond Counsel with respect to the Series 2010-108 Bonds and the Series 2009-107A Bonds, in substantially the proposed forms which appear in Appendix A to Part 1 of this Official Statement, will be printed on or annexed to the Series 2010-108 Bonds and the Series 2009-107A Bonds, respectively, and delivered with such Bonds.

Certain legal matters relating to the Series 2010-108 Underwriters will be passed upon by their counsel, Duane Morris LLP, Philadelphia, Pennsylvania.

Certain legal matters relating to the Agency will be passed upon by Rebecca L. Peace, Esquire, Chief Counsel to the Agency.

Pursuant to the provisions of the Commonwealth Attorneys Act (71 P.S. § 732-101 et seq.) the Offices of General Counsel and Attorney General of the Commonwealth of Pennsylvania must approve certain legal matters in connection with the issuance of the Series 2010-108 Bonds.

ONGOING SECONDARY MARKET DISCLOSURE

Continuing Disclosure Undertaking

In order to enable the Series 2010-108 Underwriters to comply with the requirements of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated under the Securities Exchange Act of 1934, as amended, the Agency has agreed in the Contract of Purchase that it will enter into a written undertaking for the benefit of holders and owners of certain of the Series 2010-108 Bonds pursuant to which it will, either directly or through an agent or the Trustee, provide certain annual financial information and operating data regarding the Agency not later than eight months after the close of each fiscal year and provide for the disclosure of the occurrence, if any, of certain events material to the applicable Series 2010-108 Bonds (the "Disclosure Undertaking").

Additional Information

The Agency currently disseminates information relating to its financing programs on a voluntary basis in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies.

Additional program and financial information, including Agency audited financial statements for prior fiscal periods, is generally available through the Agency's website at ***www.phfa.org.***

All information included thereon, including program descriptions, references to other sources and hyperlinks to websites sponsored by other entities, is provided as a public service only, is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2010-108 Bonds. The Agency's policy of voluntarily disseminating such information is not a contractual obligation to anyone and the Agency may discontinue this practice at any time in its discretion without notice.

SUPPLEMENTAL FINANCIAL INFORMATION

The Agency has entered into various interest rate agreements to manage interest rate risks associated with certain of its variable rate debt obligations. Certain information regarding these obligations is included in Appendix D to Part 2 of this Official Statement.

AVAILABLE INFORMATION

The Agency is required by the Indenture to file with the Trustee within 150 days after each fiscal year its annual report, including audited financial statements, and to mail a copy of each such annual report to each holder of Bonds who files his name and address with the Agency for such purpose. The Indenture further provides that all documents received by the Trustee shall, upon written request of not less than 25% in principal amount of the holders of the Outstanding Bonds, be subject to inspection and copying at all reasonable times by such Bondholders and their agents and representatives.

RECENT EVENTS AND POTENTIAL RISK

A broad range of factors affecting credit markets, currency markets, debt markets and the broader financial markets, both nationally and globally, should be considered by investors in making any investment decision. Some of these factors impact the Agency and its Single Family Mortgage Revenue Bond Program.

Since mid-2007, markets have been subject to substantial disruption, stress, and volatility and investments of all kinds have unexpectedly become illiquid, have been subject to extraordinary call and redemption pressures. Certain interest rate benchmarks, including SIFMA and LIBOR, have been subject to enormous volatility. The Agency continues to examine restructuring options in connection with its interest rate swap arrangements. (See Appendix D for information about the Agency's outstanding interest rate swap agreements.)

Financial difficulties of underlying market participants in the Single Family Mortgage Revenue Bond Program, such as primary insurance companies, have affected the origination practices of the Agency, resulting in more loans being insured through the Agency's risk retention program and in certain federally insured mortgage programs. (See Appendix B for additional information regarding primary insurance coverage in the Program.) While concerns about mortgage delinquencies, default rates, and foreclosures and risk performance within various private and federal mortgage insurance programs remain heightened at a national level, the Agency has generally not experienced dramatic changes in the performance of its own loan portfolio. The Agency regularly participates in foreclosure mitigation programs and assists qualified homebuyers with refinancing opportunities. (See Appendix C, specifically page C-18, for additional information on delinquencies in the Program.)

Recent credit market conditions resulted in disruption of the remarketing of some of the Agency's variable rate demand obligations, resulting in the temporary purchase of such VRDOs by certain liquidity providers under existing standby bond purchase agreements. None of these VRDOs are currently held by any of the liquidity providers and the Agency has taken numerous steps to ensure that none of these bonds will become subject to accelerated repayment schedules that are generally triggered by such temporary purchases. The Agency is actively engaged in pursuing options to mitigate long term risks and impact of this variable rate debt exposure and is exploring strategies to reposition, remarket or refund these securities, including, but not limited to, selling some of the Mortgage Loans originated with Prior Series Bonds, securing contracts with alternative liquidity providers (including the GSEs), and transferring collateral. As part of its strategy, on December 1, 2009, the Agency secured credit and liquidity for $582,540,000 of its outstanding variable rate debt through the Temporary Credit and Liquidity Program announced by Treasury and the GSEs. (See information in Appendix D regarding the Agency's outstanding Liquidity Provider Status.)

MISCELLANEOUS

This Official Statement is not to be construed as a contract with the owners of the Series 2010-108 Bonds and such owners are specifically referred to the resolutions authorizing the issuance of the Series 2010-108 Bonds and to the Indenture for information regarding specific rights and agreements of the Agency. Any summaries of information are provided for convenience only and all statements made herein involving matters of opinions or estimates are intended merely as such and are not representations of fact. Any information set forth in this Official Statement is subject to change without notice.

The distribution of this Official Statement has been duly authorized by the Agency.

Pennsylvania Housing Finance Agency

By: *_/s/ Brian A. Hudson_*
Executive Director

Dated: March 4, 2010

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APPENDIX A-1

Upon delivery of the Series 2010-108 Bonds, Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel, will issue an opinion in substantially the following form:

We have acted as Bond Counsel to the Pennsylvania Housing Finance Agency (the "Agency") in connection with the issuance of the Agency's Single Family Mortgage Revenue Bonds, Series 2010-108A (Non-AMT) in the aggregate principal amount of $9,225,000 (the "Series 2010-108A Bonds") and Series 2010-108B (Non-AMT) in the aggregate principal amount of $130,985,000 (the "Series 2010-108B Bonds" and together with the Series 2010-108A Bonds, the "Series 2010-108 Bonds"). The Agency is a public corporation and government instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") created by and existing under the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended (35 P.S. §§ 1680.101 *et seq.*) (the "Act"). The Series 2010-108 Bonds are being issued to provide funds, together with certain funds made available by the Agency, (i) to refund certain of the Agency's outstanding Single Family Mortgage Revenue Bonds, (ii) to provide funds for the capital reserve and (iii) to pay certain costs of issuance.

The Series 2010-108 Bonds are authorized and issued by the Agency pursuant to the Act, resolutions of the Agency duly adopted on February 2, 2010, as amended and supplemented by action of the Finance Committee of the Agency on March 3, 2010 (the "Resolution"), and an Indenture of Trust, dated as of April 1, 1982, as amended and supplemented (the "Indenture"), by and between the Agency and U.S. Bank National Association, as successor trustee (the "Trustee"). The capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Indenture and the Resolution.

The Series 2010-108 Bonds mature in the years and amounts, and accrue and bear interest at the rates set forth in the Resolution. The Series 2010-108 Bonds are issuable in the form of fully registered bonds in denominations of $5,000 and integral multiples thereof. The Series 2010-108 Bonds are exchangeable for bonds of any authorized denominations of the same series and maturity. The Series 2010-108 Bonds are subject to redemption prior to maturity as provided in the Indenture and in the Resolution. Interest on the Series 2010-108 Bonds is payable on April 1 and October 1 of each year, commencing on October 1, 2010, until maturity or earlier redemption.

The Agency reserves the right to issue additional bonds on the terms and conditions and for the purposes stated in the Indenture and any applicable resolution. Under the provisions of the Indenture, such additional bonds will rank equally and ratably as to security and payment with all previously issued Bonds.

As the basis for this opinion, we have examined such matters of law and such documents, certifications, instruments and records as we deemed necessary to enable us to render the same, consisting of the Pennsylvania Constitution, the Act, the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or made applicable with respect thereto (collectively, the "Code"), and original counterparts or certified copies of the Resolution, the Indenture, a certification of certain Agency officials having responsibility for issuing the Series 2010-108 Bonds, documents adopted by the Agency establishing procedures with respect to the loan program, opinions as to various matters delivered by the Chief Counsel, as counsel to the Agency (the "Agency Counsel Opinion"), and the other documents, certifications, instruments and records listed in the Index of Closing Documents in respect of the Series 2010-108 Bonds filed this date with the Trustee. We also have examined one fully executed and authenticated Series 2010-108A Bond and Series 2010-108B Bond. We assume all other Series 2010-108 Bonds are in such forms and are similarly executed and authenticated. In rendering this opinion, we have relied on the genuineness, truthfulness and completeness of all documentation examined as referred to above and on the Agency Counsel Opinion as to all matters of fact and law set forth therein.

Based on the foregoing, we are of the opinion that:

1. The Agency has lawful authority to issue and sell the Series 2010-108 Bonds pursuant to the Act, the Resolution and the Indenture.

2. The Indenture and the Series 2010-108 Bonds have been duly authorized, executed and delivered by the Agency, and the Resolution has been duly adopted by the Agency and is in full force and effect as of the date hereof. The Indenture and the Resolution are valid and legally binding obligations of the Agency enforceable against the Agency in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights or remedies ("Creditors' Rights Limitations").

3. The Series 2010-108 Bonds are valid and legally binding general obligations of the Agency, enforceable against the Agency in accordance with their terms, except as enforcement may be affected by Creditors' Rights Limitations. In accordance with the terms of the Series 2010-108 Bonds and the terms of the Indenture, the principal and redemption price thereof and interest thereon are payable out of any moneys or revenues of the Agency, including the proceeds of Mortgage Loans, reserve funds created therefor by the Agency, mortgage insurance policies pertaining thereto and other lawfully available funds, subject, however, to the provisions of resolutions, agreements or indentures of the Agency pledging particular moneys, assets, proceeds, receipts or revenues to the payment of notes and bonds other than the Series 2010-108 Bonds. The Series 2010-108 Bonds, together with all other Bonds heretofore issued by the Agency under the terms, restrictions and conditions of the Indenture, are secured by a pledge and assignment of all Mortgage Loans made by the Agency from the proceeds of all series of Bonds issued under the Indenture, by a pledge of and lien on the Revenues, and by a pledge of and lien on the moneys and securities in certain accounts and in the Capital Reserve Fund established under the Indenture, all as provided therein.

4. Under existing law, interest on the Series 2010-108 Bonds (including original issue discount) is not included in the gross income of the holders thereof for federal income tax purposes. Interest on the Series 2010-108 Bonds is not a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2010-108A Bonds is included in adjusted current earnings in calculating the federal alternative minimum tax imposed on certain corporations. In the case of the Series 2010-108B Bonds, such interest is not included in adjusted current earnings in calculating the federal alternative minimum tax imposed on corporations. Interest on the Series 2010-108 Bonds is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Ownership of the Series 2010-108 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement Benefits, S corporations with "excess passive income" and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2010-108 Bonds. We express no opinion as to such consequences. Prospective purchasers of the Series 2010-108 Bonds should consult their own tax advisors as to such consequences.

In rendering this opinion, we have assumed compliance by the Agency with the covenants contained in the Indenture and the Resolution that are intended to comply with the requirements of the Code relating to actions to be taken by the Agency in respect of the Series 2010-108 Bonds after issuance thereof to the extent necessary to effect or maintain the federal exclusion from gross income of the interest on the Series 2010-108 Bonds These covenants relate to, *inter alia*, the use of proceeds of the Series 2010-108 Bonds and the rebating to the United States Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could cause the interest on the Series 2010-108 Bonds to be includible in gross income retroactively to the date of issuance of the Series 2010-108 Bonds.

5. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the Series 2010-108 Bonds are exempt from Pennsylvania personal property taxes and interest on the Series 2010-108 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

This opinion is rendered on the basis of federal law and the laws of the Commonwealth as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs herein, including, without limitation, the accuracy or completeness of the preliminary or final official statement prepared in respect to the offering of the Series 2010-108 Bonds, and make no representation that we have independently verified the contents thereof.

Attention is called to the facts that the Series 2010-108 Bonds are not secured by a pledge of the faith or credit of the Commonwealth, or of any agency or instrumentality thereof other than the Agency to the extent referred to above, and that the Agency has no taxing power.

Very truly yours,

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APPENDIX A-2

Upon delivery of the Series 2009-107A Bonds, Ballard Spahr LLP, Philadelphia, Pennsylvania, Bond Counsel, will issue an opinion in substantially the following form:

We have acted as Bond Counsel to the Pennsylvania Housing Finance Agency (the "Agency"), a public corporation and government instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") created by and existing under the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended (35 P.S. §§ 1680.101 *et seq.*) (the "Act"), in connection with the release and conversion (as hereafter described) by the Agency of a portion of the its Single Family Mortgage Revenue Bonds, Series 2009-107 (the "Series 2009-107 Bonds") in the aggregate principal amount of $210,000,000, which portion constitutes the Agency's Single Family Mortgage Revenue Bonds, Series 2009-107A (the "Series 2009-107A Bonds"). The proceeds of the Series 2009-107A Bonds are being used to provide funds for the purchase of new single family mortgage loans, to fund the Capital Reserve Fund and to pay certain costs of issuing the Series 2009-107A Bonds.

Under the authority of Housing and Economic Recovery Act of 2008, the Emergency and Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009 and other legislation, the United States Department of the Treasury ("Treasury"), the Federal Housing Finance Agency, and Fannie Mae ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac" and together with Fannie Mae, the "GSEs" and each a "GSE") entered into a Memorandum of Understanding dated October 19, 2009, setting forth the mutual understandings and intentions of such parties with respect to the establishment of a program pursuant to which (i) state and local housing finance agencies have issued single-family and multifamily bonds, (ii) the GSEs have securitized such bonds and issued its "GSE Securities" evidencing beneficial ownership of such bonds and (iii) Treasury has purchased the GSE Securities to provide payment for the purchase of such bonds (collectively, the "New Issue Bond Program"), including the Series 2009-107 Bonds, which constitute "Program Bonds" under the New Issue Bond Program.

The Series 2009-107 Bonds were issued pursuant to the Act and a resolution of the Agency adopted on November 12, 2009, as amended and supplemented by action of the Finance Committee on December 2, 2009, as further amended and supplemented by a resolution of the Executive Director of the Pennsylvania Housing Finance Agency and a Supplement to Resolution adopted by action of the Finance Committee of the Agency on March 3, 2010 (collectively, the "Resolution"), and are secured under the Indenture of Trust dated as of April 1, 1982, as amended and supplemented (the "Indenture"), by and between the Agency and U.S. Bank National Association, as successor trustee (the "Trustee").

Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Indenture and the Resolution.

Upon the issuance of the Series 2009-107 Bonds, the proceeds thereof received from Treasury less GSE securitization and legal fees and together with funds made available by the Agency in an amount equal to such GSE securitization and legal fees (the "Escrowed Proceeds") were placed into escrow. The Escrowed Proceeds were deposited by the Trustee into certain accounts under the Indenture pursuant to the Resolution, and invested pursuant to a Global Escrow Agreement among the GSEs, the Trustee and U.S. Bank National Association, as escrow agent.

In accordance with the New Issue Bond Program and pursuant to the Resolution, the Agency has determined to cause a portion of the Escrowed Proceeds in principal amount corresponding to the Series 2009-107A Bonds to be released from escrow on March 31, 2010 (the "Release Date"). Beginning on the Release Date, the Series 2009-107A Bonds will bear interest at the Short-Term Rate (as defined in the Resolution) subject to their Conversion (as defined in the Resolution) on May 31, 2010 (the "Conversion Date"). Beginning on the Conversion Date, the Series 2009-107A Bonds will bear interest at a fixed rate to maturity determined pursuant to the Resolution (the "Permanent Rate").

In connection with the release and Conversion of the Series 2009-107A Bonds and in accordance with the New Issue Bond Program, the Agency is issuing its Single Family Mortgage Revenue Bonds, Series 2010-108 in the aggregate principal amount of $140,210,000 on the Release Date.

The Series 2009-107A Bonds are issuable in the form of fully registered bonds in Authorized Denominations as set forth in the Resolution. The Series 2009-107A Bonds are exchangeable for bonds of any authorized denominations of the same series and maturity. The Series 2009-107A Bonds are subject to redemption prior to maturity as provided in the Indenture and in the Resolution.

The Agency reserves the right to issue additional bonds on the terms and conditions, and for the purposes stated in the Indenture and any applicable resolution. Under the provisions of the Indenture, such additional bonds will rank equally and ratably as to security and payment with all previously issued Bonds.

As the basis for this opinion, we have examined such matters of law and such documents, certifications, instruments and records as we deemed necessary to enable us to render the same, consisting of the Pennsylvania Constitution, the Act, the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or made applicable with respect thereto (collectively, the "Code"), and original counterparts or certified copies of the Resolution, the Indenture, a certification of certain Agency officials having responsibility for issuing the Series 2009-107A Bonds, documents adopted by the Agency establishing procedures with respect to the loan program, opinions as to various matters delivered by the Chief Counsel, as counsel to the Agency (the "Agency Counsel Opinion"), and the other documents, certifications, instruments and records listed in the Index of Closing Documents in respect of the Series 2009-107A Bonds filed this date with the Trustee. We also have examined one fully executed and authenticated Series 2009-107A Bond. We assume all other Series 2009-107A Bonds are in such forms and are similarly executed and authenticated. In rendering this opinion, we have relied on the genuineness, truthfulness and completeness of all documentation examined as referred to above and on the Agency Counsel Opinion as to all matters of fact and law set forth therein.

Based on the foregoing, we are of the opinion that:

1. The Agency has lawful authority to issue and sell the Series 2009-107A Bonds pursuant to the Act, the Resolution and the Indenture.

2. The Indenture and the Series 2009-107A Bonds have been duly authorized, executed and delivered by the Agency, and the Resolution has been duly adopted by the Agency and is in full force and effect as of the date hereof. The Indenture and the Resolution are valid and legally binding obligations of the Agency enforceable against the Agency in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights or remedies ("Creditors' Rights Limitations").

3. The Series 2009-107A Bonds are valid and legally binding general obligations of the Agency, enforceable against the Agency in accordance with their terms, except as enforcement may be affected by Creditors' Rights Limitations. In accordance with the terms of the Series 2009-107A Bonds and the terms of the Indenture, the principal and redemption price thereof and interest thereon are payable out of any moneys or revenues of the Agency, the proceeds of Mortgage Loans, reserve funds created therefor by the Agency, mortgage insurance policies pertaining thereto and other lawfully available funds, subject, however, to the provisions of resolutions, agreements or indentures of the Agency pledging particular moneys, assets, proceeds, receipts or revenues to the payment of notes and bonds other than the Series 2009-107A Bonds. The Series 2009-107A Bonds, together with all other Bonds heretofore issued by the Agency under the terms, restrictions and conditions of the Indenture, are secured by a pledge and assignment of all Mortgage Loans made by the Agency from the proceeds of all series of Bonds issued under the Indenture, by a pledge of and lien on the Revenues, and by a pledge of and lien on the moneys and securities in certain accounts and in the Capital Reserve Fund established under the Indenture, all as provided therein.

4. Under existing law, interest on the Series 2009-107A Bonds is not included in the gross income of the holders thereof for federal income tax purposes. Interest on the Series 2009-107A Bonds is not a specific preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and such interest is not included in adjusted current earnings in calculating the federal alternative minimum tax imposed on corporations. Interest on the Series 2009-107A Bonds is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Ownership of the Series 2009-107A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement Benefits, S corporations with "excess passive income" and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2009-107A Bonds. We express no opinion as to such consequences. Prospective purchasers of the Series 2009-107A Bonds should consult their own tax advisors as to such consequences.

In rendering this opinion, we have assumed compliance by the Agency with the covenants contained in the Indenture and the Resolution that are intended to comply with the requirements of the Code relating to actions to be taken by the Agency in respect of the Series 2009-107A Bonds after issuance thereof to the extent necessary to effect or maintain the federal exclusion from gross income of the interest on the Series 2009-107A Bonds These covenants relate to, *inter alia*, the use of proceeds of the Series 2009-107A Bonds and the rebating to the United States Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could cause the interest on the Series 2009-107A Bonds to be includible in gross income retroactively to the date of issuance of the Series 2009-107A Bonds.

5. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the Series 2009-107A Bonds are exempt from Pennsylvania personal property taxes and interest on the Series 2009-107A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

This opinion is rendered on the basis of federal law and the laws of the Commonwealth as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs herein, including, without limitation, the accuracy or completeness of the preliminary or final Official Statement prepared in respect to the private placement of the Series 2009-107A Bonds, and make no representation that we have independently verified the contents thereof.

Attention is called to the facts that the Series 2009-107A Bonds are not secured by a pledge of the faith or credit of the Commonwealth, or of any agency or instrumentality thereof other than the Agency to the extent referred to above, and that the Agency has no taxing power.

Very truly yours,

PENNSYLVANIA HOUSING FINANCE AGENCY

Official Statement Part 2

Relating to
Single Family Mortgage Revenue Bonds

This Part 2 of this Official Statement (the "Official Statement") provides certain information concerning the Prior Series Bonds, certain sources of payment and security for the Single Family Mortgage Revenue Bonds being offered, the Pennsylvania Housing Finance Agency (the "Agency") and the Single Family Mortgage Loan Program financed with the proceeds of Bonds. It contains only a part of the information to be provided by the Agency in connection with the issuance and remarketing of certain series of the Agency's Single Family Mortgage Revenue Bonds. The terms of the Bonds being offered, including the designation, principal amount, authorized denominations, price, maturity, interest rate and time of payment of interest, redemption provisions and any other terms of information relating thereto are set forth in Part 1 of this Official Statement. Additional information concerning sources of payment and security for the Bonds and the Agency is contained in Part 1 of this Official Statement. The information contained herein may be supplemented or otherwise modified by Part 1 of this Official Statement and is subject in all respects to the information contained therein. In addition, the Agency has provided certain information concerning its programs and operations and certain financial data in Appendices to this Part 2, which are an integral part hereof and which may be supplemented, amended or modified by the Agency from time to time.

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PENNSYLVANIA HOUSING FINANCE AGENCY

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The purpose of this Part 2 of this Official Statement, which includes the cover (and any related inside cover) page and appendices hereto, is to set forth information concerning the Pennsylvania Housing Finance Agency (the "Agency"), the Agency's Single Family Mortgage Loan Program, and the Agency's Single Family Mortgage Revenue Bonds in connection with the issuance and remarketing of certain series of the Agency's Single Family Mortgage Revenue Bonds (the "Offered Bonds").

INTRODUCTORY STATEMENT

The Agency is a body corporate and politic constituting a public corporation and government instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"). In order to assist the citizens of the Commonwealth in acquiring safe, affordable shelter, the Agency has implemented its Single Family Mortgage Loan Program (as described herein) whereby Single Family Mortgage Revenue Bonds of the Agency are issued to provide funds for the purchase of Mortgage Loans.

Each series of the Agency's Single Family Mortgage Revenue Bonds is issued pursuant to Pennsylvania Housing Finance Agency Law (35 P.S. Section 1680.101 *et seq*.), as amended (the "Act"), a resolution duly adopted by the Agency authorizing the issuance of such series of Bonds (each a "Series Resolution") and the Single Family Mortgage Revenue Bond Indenture of Trust of the Agency dated as of April 1, 1982, as amended (the "Indenture"), by and between the Agency and U.S. Bank National Association, as successor trustee (the "Trustee").

Pursuant to the Indenture, Additional Bonds may be issued from time to time thereunder and all bonds issued thereunder are and will be equally and ratably secured by the pledges and covenants contained therein. All such bonds issued under the Indenture are herein called the "Bonds." See "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM" herein and Appendix C hereto. Certain terms used in this Official Statement have the meanings set forth in Appendix A hereto.

The Mortgage Loans financed by the Agency including Mortgage Loans to be made with monies made available through issuance of Additional Bonds under the Indenture are made pursuant to the Agency's Single Family Mortgage Loan Program, which is described below under "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM." Mortgage Loans are expected to have the terms and conditions described below under "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM -- Mortgage Loans." Monies made available as the result of issuance of Additional Bonds are generally used to finance the purchase of Mortgage Loans as reserved and subscribed through lenders throughout Pennsylvania.

The Program (as hereinafter defined) is structured to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The requirements of Sections 143, 146, and 148 of the Code are collectively referred to herein as the "Federal Tax Requirements." See "TAX MATTERS" in Part 1 and Part 2.

The Indenture requires the maintenance of the Capital Reserve Fund to further secure the timely payment of debt service on the Bonds in an amount equal to 3% of the aggregate outstanding principal amount of Bonds, plus $1,000,000. Amounts in the Capital Reserve Fund are permitted to be used for the payment of debt service to the extent that revenues and other available amounts are insufficient therefor. As more fully described herein, the General Assembly of the Commonwealth may, but is not required to, appropriate amounts necessary to restore monies withdrawn from the Capital Reserve Fund for the payment of Bonds, including Additional Bonds.

The Bonds are general obligations of the Agency payable from and secured by a pledge of Revenues, defined to include principal and interest due on all Mortgage Loans, exclusive of fees payable for accounting, collection and other services required in connection with servicing of the Mortgage Loans, as well as a pledge of the Mortgage Loans and a pledge of all amounts and investments on deposit in funds and accounts established by the Indenture. Such pledges are subject to the rights of the Trustee and the Agency with respect to rights and the exercise of remedies upon events of default, defeasance, administration of the Mortgage Loans, the use of monies for the making of new Mortgage Loans, the making of investments and the redemption of Bonds, and the release of certain monies to the Agency for its general use, all as set forth in the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS; CERTAIN RELATED PROVISIONS OF THE INDENTURE -- Revenues" below. Although the Bonds are general obligations of the Agency, the sources of payments thereof may be limited by the fact that the Agency has pledged a substantial portion of its monies, assets and revenues held in funds and accounts outside the Indenture to the payment of its other bonds and notes (including obligations pursuant to swap contracts) and for other program activities as indicated under "OTHER PROGRAMS OF THE AGENCY" below and in Appendix D hereto and in the financial statements attached hereto as Appendices E and F, as applicable.

The Agency has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal or redemption price of or interest on the Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

There follow in this Official Statement a description of the Agency, the Agency's programs, and the sources of payment for the Bonds, together with summaries of the Indenture. All references herein to the Indenture are qualified in their entirety by reference to such document, copies of which are available from the Agency. All references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture, the Series Resolution and Part 1 and Part 2 of this Official Statement (including the Appendices hereto).

THE PENNSYLVANIA HOUSING FINANCE AGENCY

Purposes and Powers

The Agency is a body corporate and politic constituting a public corporation and government instrumentality created to promote the financing of housing for persons and families of low and moderate income and the elderly in the Commonwealth. Pursuant to the Act, the Agency has the power to issue bonds to provide Mortgage Loans and to enter into agreements and perform other functions in furtherance of its public purposes. The Act provides that the Commonwealth will not limit or alter the rights or powers vested in the Agency to perform the terms of any agreement with the holders of any bonds issued by the Agency or in any way impair the rights or remedies of such holders until the bonds have been paid in full or provision for such payment has been made.

Membership

The members of the Agency (the "Board") are the Secretaries of Community and Economic Development, Banking, and Public Welfare* of the Commonwealth, and the State Treasurer, six additional members whom the Governor appoints, subject to the advice and consent of the Senate, each of whom serves for a term of six years and thereafter until a successor is appointed and qualified, and four additional members who serve by appointment and at the pleasure of each of the majority and minority leaders of each of the House and Senate. The current Board members, their terms of office, and principal occupations are as follows:

HON. STEVEN KAPLAN (Chairperson), Harrisburg, Pennsylvania – Secretary of Banking (Ex Officio).

GARY E. LENKER (Vice Chairperson), Harrisburg, Pennsylvania – Vice President and Director of Operations, Donco Construction, Inc., Dauphin County, Pennsylvania, former President, Pennsylvania Builders Association (Appointed through House Majority Leader).

HON. GEORGE E. CORNELIUS, Harrisburg, Pennsylvania – Secretary, Department of Community and Economic Development (Ex Officio).

MORRIS J. DEAN, ESQUIRE, Philadelphia, Pennsylvania – Partner, Blank Rome LLP (Appointed through House Minority Leader).

HON. HARRIETT DICHTER, Harrisburg, Pennsylvania – Secretary, Department of Public Welfare (Ex Officio).

NOEL EISENSTAT, Philadelphia, Pennsylvania – Noel Eisenstat, LLC (Expiration of term – July, 2009).

LISA R. GAFFNEY, Chester County, Pennsylvania – Housing Director, Chester Economic Development Authority (Appointed through Senate Majority Leader).

THOMAS B. HAGEN, Erie, Pennsylvania – Chairman, Custom Group Industries (Expiration of term – July, 2012).

HON. ROB McCORD, Harrisburg, Pennsylvania – State Treasurer (Ex Officio).

JAMES J. MELLOW, Lackawanna County, Pennsylvania – Retired Lt. Col. (USMCR) and Business Manager (Appointed through Senate Minority Leader).

JOHN A. PAONE, Philadelphia, Pennsylvania – President, Thomas Mill Associates, Inc. (Expiration of term – July, 2011).

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* Act 58 of 1996, signed by Governor Ridge on June 27, 1996, restructured the Departments of Commerce and Community Affairs and affected the Ex-Officio membership of the Agency.

STUART E. PRICE, Horsham, Pennsylvania – Partner, Granor Price Homes (Expiration of term – July, 2008).

MARK SCHWARTZ, ESQUIRE, Huntingdon Valley, Pennsylvania – Executive Director, Regional Housing Legal Services (Expiration of term – July, 2010).

HOWARD B. SLAUGHTER, Jr., D.Sc., Pittsburgh, Pennsylvania – Chief Executive Officer, Landmarks Community Capital Corporation (Expiration of term- July, 2013).

Staff and Organization

The staff of the Agency consists of persons who have responsibilities in various fields including financing, accounting, law, housing development, housing and property management, data processing, mortgage loan underwriting and servicing and construction loan servicing. The Agency's staff is organized into eleven divisions including: the Executive Division, responsible for the overall management of the Agency; the Legal Division, responsible for general legal matters related to the operation of the Agency; the Single Family Programs Division, which administers the Single Family Mortgage Loan Program; the Information Technology Division, which provides computer services to all Agency divisions; and the Finance Division, which provides financial and accounting services for the Agency.

The following are key staff members of the Agency presently involved with the administration of the Single Family Mortgage Loan Program:

Brian Hudson became Executive Director in July 2003, having previously served as Deputy Executive Director from August, 1995, as Assistant Executive Director of Finance and Administration from 1989 and as Director of Finance for the Agency since 1988. Prior to that, Mr. Hudson was Manager of Investments in the Finance Division since 1978. He began working with the Pennsylvania Housing Finance Agency as a staff accountant in 1975. Mr. Hudson received his B.S. degree in Business Administration from Penn State University in 1977 and is a Certified Public Accountant and a Certified Cash Manager.

Rebecca Peace became Chief Counsel to the Agency in August 1989. From July 1985 to August 1989, she served as Assistant Counsel to the Agency. Ms. Peace received her J.D. degree from the University of Pittsburgh School of Law in 1982 and holds a B.S. degree from the University of Pittsburgh.

Joseph Knopic became the Director of Finance of the Agency effective July 1, 2003. Mr. Knopic has been a member of the Finance Division since 1975, serving in various capacities. Most recently, Mr. Knopic served as Manager of Project Financing. Mr. Knopic received his M.B.A. degree from Shippensburg University in 1980 and holds a B.S. degree in Business and Finance from Mount St. Mary's University.

Kathryn Newton became the Director of Homeownership Programs in July, 2005. Prior to this appointment, Ms. Newton served most recently as Manager of Operations, preceded by a period of time as the Single Family Program Liaison to the Office of Strategic Planning and Policy. Ms. Newton received her M.B.A. in 2005 from Lebanon Valley College and holds a B.S. degree in Public Policy from Penn State University.

In addition to the foregoing, **Mrs. Carrie M. Barnes**, who is an employee of the Agency, serves as the Agency's Secretary. Mrs. Barnes received an Associate in Science degree from Robert Morris College in Pittsburgh in 1965.

THE SINGLE FAMILY MORTGAGE LOAN PROGRAM

General

On December 31, 1981, amendments to the Pennsylvania Housing Finance Agency Law were enacted which authorized the Agency to undertake a program for the purchase of Mortgage Loans for single family owner-occupied housing (the "Program"). Under the Program, the Agency purchases Mortgage Loans from participating lending institutions (the "Participants") who reserve funds and originate loans for sale to the Agency according to the terms and conditions set forth in Master Origination and Sale Agreements and the Seller's Guide (the "Seller's Guide"). Information regarding the Agency's historical practices in issuing its Single Family Mortgage Revenue Bonds is set forth in Appendix C to this Part 2 of the Official Statement. **The description of the Program herein, including the information set forth in Appendix C hereto, reflects the current policies of the Agency, which are subject to change.**

Mortgage Loans

Each Mortgage Loan originated by a Participant must meet the origination standards established by the Agency and contained in the Seller's Guide. The Seller's Guide may be amended from time to time by the Agency, and will be amended, as necessary, to continue to comply with the Federal Tax Requirements. The Seller's Guide currently provides that each Mortgage Loan is to provide for payments of principal and interest to be paid on a monthly basis on the first day of each month. The Mortgage Loans may be prepaid at any time without a prepayment penalty. Each Mortgage Loan must also conform to the eligibility and credit underwriting standards set forth in the Mortgage Origination and Sales Agreements and the applicable standards of Fannie Mae, the Federal Home Loan Mortgage Corporation ("FHLMC"), the Department of Veterans Administration ("VA"), the Federal Housing Administration ("FHA"), the Rural Development (formerly known as the Farmers Home Administration and Rural Housing Services) ("RD"), the approved private mortgage insurer, or the Agency Risk Retention Program, as applicable. A description of the current insurance programs available in the Program is set forth in Appendix B hereto.

Each Mortgage Loan must, among other things, be for the permanent financing of the purchase of an owner-occupied residential dwelling unit located within the Commonwealth. Such dwelling units include detached single family houses, attached single family houses or townhouses and, subject to certain limitations and under certain conditions described under "Origination and Purchase" below, duplexes, units of a condominium or of a planned unit development ("PUD"). The purchase prices are subject to further limits promulgated from time to time by the Internal Revenue Service. (See "Mortgage Eligibility Requirements" below.) These restrictions may be changed by the federal government. All Mortgage Loans contain "due-on-sale" clauses enforceable in the event that the person intending to assume the Mortgage Loan is not an Eligible Borrower. The Agency may execute a written waiver of such "due-on-sale" clause if the person assuming the Mortgage Loan otherwise qualifies as an Eligible Borrower.

Target Areas

Target areas consist of certain census tracts in the Commonwealth in which 70% of the families have an annual income of 80% or less of the statewide median income. Thirty-nine counties have been determined by the Commonwealth and approved by the Secretaries of Treasury and Housing and Urban Development to be areas of chronic economic distress (the "Target Areas"). Pursuant to Federal Tax

Requirements, Target Areas have been established for the Program and the Agency may set aside a specified percentage of the lendable proceeds of series of Additional Bonds for financing the purchase of Mortgage Loans for residences located in Target Areas.

Origination and Purchase

Monies made available as a result of the issuance of Bonds are made available to Participants in all regions of the Commonwealth. Participants accept applications from Eligible Borrowers and reserve funds with the Agency. The Agency monitors the reservations for distribution of funds throughout the Commonwealth and to ensure that Mortgage Loans are delivered to the Agency for purchase within the time frames required for the Program. (See "Mortgage Eligibility Requirements" below.)

In addition, the Agency, from time to time, may determine to use all or part of the monies made available as a result of the issuance of Bonds for special programs targeted to lower income or other specific communities or borrowers statewide. The Agency may designate specific Participants to originate loans for these programs. If funds targeted for special programs are not used, the Agency may provide for loan origination in accordance with the Seller's Guide and the Mortgage Origination and Sales Agreements.

The Seller's Guide and the Mortgage Origination and Sales Agreements outline the terms and conditions of Mortgage Loans to be purchased by the Agency. Such documents impose restrictions on the percentages and types of duplexes, condominiums or PUDs eligible for financing, permissible fees chargeable by the Participant to the Eligible Borrower or seller of a residence, insurance requirements for the Mortgage Loans and other processing and credit review standards.

In connection with each Mortgage Loan, a Participant may charge and collect, to the extent permitted by law and as approved by the Agency from time to time, (i) reasonable and customary charges, not in excess of the amounts which would otherwise be assessed if made in connection with a non-Program mortgage loan, for amounts which are paid or incurred by the Participant for hazard or mortgage insurance premiums, surveys, title insurance, appraisal fees and certain other fees and charges, including a qualifying fee not to exceed $300, and (ii) an origination fee in an amount not to exceed 1.0% of the original principal amount of the Mortgage Loan. Mortgage Loans are purchased at 100% of the outstanding principal amount plus accrued interest, plus a pro rata refund of the commitment fee, if any, initially paid to the Agency by the Participant.

Upon submission of a Mortgage Loan for purchase, the Participant must warrant, among other things, that (a) such Mortgage Loan (i) is made in accordance with the Seller's Guide, (ii) qualifies for purchase under the Mortgage Origination and Sales Agreement, (iii) has been made to an Eligible Borrower, (iv) complies with Federal Tax Requirements, (v) is secured by a valid first mortgage on a residence subject only to permitted encumbrances, and (vi) is not usurious; (b) all required mortgage and hazard insurance has been obtained; and (c) the applicable mortgage has been duly filed or recorded.

The Agency reviews the Mortgage Loans for compliance with the requirements of the Program. The Agency is responsible for all compliance monitoring with respect to the mortgage eligibility provisions of the Federal Tax Requirements.

Servicing and Administration

The Agency services all Mortgage Loans purchased from Participants in the Program. The Agency collects and remits to the Trustee the principal and interest payments on the Mortgage Loans and any other sums paid by Eligible Borrowers required to be remitted. In addition, the Agency accounts for and manages escrows for sums paid by Eligible Borrowers for payment of taxes, assessments, mortgage and hazard insurance premiums and other expenses.

The Agency's servicing procedures are designed to comply with all applicable requirements of the FHA, VA, RD, Fannie Mae, FHLMC, and private mortgage insurance as applicable, with respect to Mortgage Loans.

Mortgage Eligibility Requirements*

The Federal Tax Requirements provide that interest on obligations of a governmental unit such as the Agency issued to finance owner-occupied residences is excludable from gross income for federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations, the use of funds generated thereby, the nature of the residence and the mortgage, and the eligibility of the borrower executing the mortgage note. These limitations include requirements which must be met with respect to the Mortgage Loans as follows:

(i) the residence being financed must reasonably be expected by the Agency to become the principal residence of the Eligible Borrower within a reasonable period (e.g., 60 days) after the closing of the Mortgage Loan, must not be primarily intended by the Eligible Borrower to be used in a trade or business, and may not be used as an investment property or as a recreational home;

(ii) at least 95% of the net proceeds of qualified mortgage revenue bonds (after deducting proceeds used to finance residences in Target Areas, Substantial Rehabilitation Loans and for land possessed under certain contracts for deed by certain mortgagors whose principal residence is located on such land) must be used for Mortgage Loans for Eligible Borrowers who have had no present ownership interest in a principal residence at any time during the three-year period prior to the date on which the applicable Mortgage Loan is made**;

(iii) the purchase price of the residence being financed must not exceed the amount permitted by the Internal Revenue Service in accordance with Section 143 of the Code;

(iv) with respect to Mortgage Loans financed in non-Target Areas, the family income of each Eligible Borrower must not exceed 115% (or 100%, for a household of one or two persons) of the greater of area or state median income (no income limit applies with respect to one-third of Mortgage Loans financed in Target Areas and the balance of such loans in Target Areas may be made to borrowers whose family income does not exceed 140% -- or 120% for a household of one or two persons -- of the applicable median family income), subject to increase with respect to "high housing cost areas," as defined in the Code;

(v) Mortgage Loans may not be applied to acquire or replace an existing mortgage, except for temporary initial financing and in the case of a qualified rehabilitation in which expenditures for rehabilitation are at least 25% of the mortgagor's adjusted basis and certain other requirements are met; and

(vi) a Mortgage Loan may not be assumed unless the residence, the person assuming the Mortgage Loan and the purchase price at the time of the assumption all meet the requirements described in (i) through (iv) above.

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* The Housing and Economic Recovery Act of 2008, generally effective July 30, 2008, amends various provisions of the Code pertaining to Mortgage Loan eligibility.

** Under certain circumstances, the Code provides an exception from this requirement for certain military veterans.

An issue of bonds is treated as meeting the mortgage eligibility requirements of the Federal Tax Requirements only if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) at least 95% of the net proceeds of the issue used to make Mortgage Loans were devoted to finance residences which met all such requirements at the time the Mortgage Loans were executed or assumed. Federal Tax Requirements also provide that trust indentures, lender agreements and other relevant instruments contain restrictions permitting the financing of Mortgage Loans only in accordance with Federal Tax Requirements and that the issuer establish reasonable procedures to ensure such compliance. In determining whether the proceeds of a series of Bonds issued under the Indenture have been so used, the Agency is entitled to rely on an affidavit of each Eligible Borrower and of each seller of a residence and on statements in each Eligible Borrower's federal income tax returns for the three years preceding the date the mortgage is executed, unless the Agency knows or has reason to believe that such information is false.

The Code requires that upon disposition of any residence financed with a mortgage loan financed with the proceeds of tax-exempt mortgage revenue bonds within nine years of the date on which the financing of such residence closed (the "purchase date"), the mortgagor must pay a recapture tax to the federal government in an amount equal to the "subsidy" provided by such financing. Such tax is levied on the mortgagor as part of his or her individual tax liability for the taxable year in which the disposition of the residence occurs. Full recapture of the subsidy occurs if the residence is sold during the fifth year of home ownership. The recapture amount phases out in the ninth year, is reduced or eliminated if the mortgagor meets certain income limitations and cannot exceed 50% of the gain on the disposition of the residence. The Agency is required to inform mortgagors on the purchase date of the potential recapture and subsequently to inform mortgagors of the amount of the subsidy and the income limitations for reduction of the recapture amount.

The Agency has established procedures and requirements in the Seller's Guide and other Program documents designed to allow the Agency to comply with the mortgage eligibility requirements of the Federal Tax Requirements. Under the terms of the Mortgage Origination and Sales Agreements, Participants are required to review each application to assure that the Mortgage Loan will be eligible for financing under the Federal Tax Requirements. The Agency requires each Eligible Borrower to execute an affidavit attesting to his or her compliance with the mortgage loan eligibility requirements in addition to an affidavit from the seller attesting to the sales price of the residence. The mortgage documents provide that such Mortgage Loan is not assumable except upon prior written approval of the Agency, and only if (i) an assumption agreement is entered into by the person assuming the Mortgage Loan and (ii) the person assuming the Mortgage Loan qualifies as an Eligible Borrower and complies with the Mortgage Loan eligibility standards of the Federal Tax Requirements.

Additionally, the Agency requires Participants to follow the Seller's Guide in reviewing the eligibility of the Mortgage Loan, in investigating the borrower's application, and in verifying that the proposed Mortgage Loan is in compliance with the Federal Tax Requirements. Documentation of such compliance for each Mortgage Loan is reviewed by the staff of the Agency prior to purchase of the Mortgage Loan. The Agency requires Participants to repurchase ineligible Mortgage Loans.

Operations of the Program to Date

Information regarding operations of the Program to date is set forth in Appendix C to this Part 2 of the Official Statement.

SOURCES OF PAYMENT OF AND SECURITY FOR THE BONDS; CERTAIN RELATED PROVISIONS OF THE INDENTURE

The Bonds are secured, to the extent and as provided in the Indenture, by a pledge of the Mortgage Loans, Revenues and Funds and Accounts, including Investment Securities held in any such Fund or Account, together with all proceeds of the foregoing in accordance with the terms and provisions of the Indenture. The Bonds are general obligations of the Agency payable out of the Agency's revenues, monies or assets available therefor, subject to agreements heretofore or hereafter made with holders of notes and bonds other than the Bonds.

Revenues

Revenues are all amounts paid with respect to principal and interest on Mortgage Loans, including prepayments, amounts paid on account of acceleration, sale or other disposition of a Mortgage Loan, insurance and guaranty proceeds and any such amounts held by persons collecting such amounts on behalf of the Agency, after deducting any fees required to be paid in connection with servicing of the Mortgage Loans, and all interest received on monies or securities held pursuant to the Indenture and paid or required to be paid into the Revenue Account. All Revenues are subject to transfer out of the Revenue Account, at the times and under the circumstances described in the Indenture, to be applied to the payment of amounts required pursuant to Federal Tax Requirements as described below, to the payment of the principal or redemption price of and interest on the Bonds, to the maintenance of Funds and Accounts at required levels, to the payment of certain Indenture expenses, to the purchase of Mortgage Loans and to the payment or repayment of certain amounts to the Agency. Bond proceeds and amounts deposited in the Capital Reserve Fund and the Program Account are subject to transfer at any time to the Revenue Account whenever required to meet the debt service requirements of the Bonds.

Pursuant to Federal Tax Requirements, the Agency must pay to the United States the excess of (i) the investment earnings attributable to the proceeds of certain of the Bonds (other than earnings on Mortgage Loans) over (ii) the yield on such Bonds. The Indenture requires such "excess earnings" until so paid to be deposited into a fund which is not pledged to the payment of Bonds.

Revenues are to be used: (1) to make rebates, when applicable, to the United States consistent with Federal Tax Requirements; (2) to pay the principal and sinking fund installments and interest on the Bonds; (3) to make deposits in the Capital Reserve Fund; (4) to purchase or redeem Bonds, including the payment of premiums, if any; (5) to pay fees and expenses of the Trustee; (6) to pay mortgage and foreclosure expenses; (7) to purchase additional Mortgage Loans; and (8) to make deposits in the Agency's General Fund, pursuant to the terms of the Indenture.

The Agency is unable to predict the potential levels of early termination of Mortgage Loans over the lives of the Bonds. The Agency has established a schedule of principal installments on all Outstanding Bonds assuming no early termination of Mortgage Loans. The Agency may use termination proceeds to make additional Mortgage Loans, provided that the conditions of the Federal Tax Requirements and of the Program are satisfied. If it is not feasible to make additional Mortgage Loans, the Agency may use termination proceeds to purchase or redeem Outstanding Bonds of any Series.

Among other factors, to the extent that (i) terminations of Mortgage Loans occur at rates faster or slower than the Agency's assumed rate, (ii) investment income is less than the amount estimated by the Agency, (iii) Program expenses exceed expectations, (iv) losses on Mortgage Loans are not covered by applicable insurance policies, or (v) Mortgage Loans are not paid on a timely basis in accordance with their terms, Revenues available for the payment of debt service on

the Bonds may be insufficient. See Appendix C for information on terminations and delinquency of Mortgage Loans in the Program.

Mortgage Loans

The Bonds (including Additional Bonds) are secured, on a parity with the other series of Outstanding Bonds under the Indenture, by a pledge of and lien upon all Mortgage Loans. Mortgage Loans, when originated, will be made on the Fannie Mae/FHLMC Uniform Mortgage Note and Mortgage forms, HUD Mortgage Note and Mortgage forms or VA Mortgage Note and Mortgage forms for the Commonwealth of Pennsylvania. The Mortgage Loans must also meet the origination standards contained in the Mortgage Origination and Sales Agreement and the Seller's Guide. For further information about the Agency's requirements for Mortgage Loans, see "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM" herein.

Mortgage Insurance

As described under "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM" and in Appendix B hereto, the Agency requires that certain Mortgage Loans participate in primary mortgage insurance programs. These programs generally provide insurance to the Agency and the Trustee against risks associated with principal mortgage loan payment default.

From time to time, the Agency has undertaken special programs providing insurance to individual Mortgage Loans. Both a current and historical description of these programs is set forth in Appendix B.

The Agency's Self-Insurance Fund

In addition to primary insurance program requirements, the Agency has created the Self-Insurance Fund in order to help insure itself as a result of its obligations under the Indenture. The Self-Insurance Fund consists of (i) funds held by the Trustee under the Indenture, and (ii) funds which the Agency has restricted in its General Fund for accounting purposes only. Additional information regarding the Self-Insurance Fund is set forth in Appendix B hereto. Information regarding current balances in the Self-Insurance Fund is set forth under "SECURITY FOR THE BONDS -- The Agency's Self-Insurance Fund" in Part 1 of this Official Statement.

In 2006, the Agency performed an analysis of the Mortgage Loan portfolio and determined that the Self-Insurance Fund held under the Indenture is adequately funded to provide coverage for losses not otherwise covered by primary mortgage insurance or special hazard loss insurance. Therefore, the Agency does not expect to fund or maintain the Self-Insurance Fund under the Indenture in any amount with respect to any Series of Bonds issued after November 2006. Additionally, the Agency was not legally obligated to establish, nor is it required to maintain, the General Fund restriction for Self-Insurance Fund purposes for any Series of Bonds, and it has determined to discontinue the restriction, based on the low number of actual losses experienced in the program.

Capital Reserve Fund

A Capital Reserve Fund has been established by the Agency for the security of the Bonds. Upon the issuance of each series of Bonds there is required to be deposited an amount sufficient to cause the amount in the Capital Reserve Fund to equal at least 3% of the aggregate principal amount of the Bonds of all series then outstanding plus $1,000,000, which $1,000,000 shall be invested in Investment Securities having a maturity of one year or less, subject to the limitations of and any reduction required by Federal Tax Requirements (the "Capital Reserve Fund Requirement"). The Indenture provides that if on any interest payment date there is not a sufficient amount available to provide for the payment of principal, sinking fund payments and interest maturing and becoming due on the Bonds, the Trustee is required to withdraw the available amounts necessary for such payments from the Capital Reserve Fund. Information regarding current balances in the Capital Reserve Fund is set forth under "SECURITY FOR THE BONDS -- Capital Reserve Fund" in Part 1 of this Official Statement.

With respect to the maintenance of any capital reserve fund which may be created thereunder, the Act provides, in part, as follows:

> In order further to assure the maintenance of such capital reserve funds, the Agency, at least thirty days before the beginning of each legislative session, shall submit to the Governor and the General Assembly a written statement of the obligations of the Agency falling due within the succeeding twelve month period and of the manner in which the Agency anticipates providing for such obligations by way of payment, extension, renewal or otherwise and an estimate of the funds, if any, expected to be necessary during the following year to restore to each such capital reserve fund any deficiencies in the minimum capital reserve fund requirement for such fund or otherwise to avoid default in the payment of interest or principal upon bonds or notes issued by the Agency, or in sinking fund payments required to be made, and the Governor shall cause the amount of such moneys, if any, to be placed in the budget of the Commonwealth for the next succeeding fiscal year, so that the General Assembly shall be enabled to provide appropriations sufficient to restore any such deficiencies or otherwise to avoid any default.

In the opinion of Bond Counsel, the General Assembly of the Commonwealth is legally authorized, but cannot be compelled, to provide an appropriation sufficient to make up any such deficiency or otherwise to avoid any default.

The Agency, in the Indenture, has covenanted to comply with the Act as described above. In the event that the Governor does not place in the budget the amount of money certified by the Agency as necessary to restore a deficiency in any capital reserve fund or otherwise to avoid default, the General Assembly has the power, nevertheless, to appropriate such monies, subject to the Constitutional provisions that the operating budget appropriations made by the General Assembly in any fiscal year not exceed the actual and estimated revenues and surplus available, and that any operating budget appropriation may be overridden by a two-thirds vote in each house of the General Assembly. To date, no such requests have been made by the Agency.

Statement of Projected Revenues and Expenses

The Agency has covenanted in the Indenture to deliver to the Trustee a Statement of Projected Revenues and Expenses (i) in order to release monies from the Revenue Account to redeem or purchase Bonds, recycle Revenues into new Mortgage Loans, or make payments of Surplus Revenues to the Agency for deposit in the General Fund, (ii) as a condition precedent to the issuance of Additional Bonds and (iii) at annual intervals to provide the Trustee with projections of revenues and expenses, estimates of prepayments and determinations of the amounts, if any, of Agency contributions in the Capital Reserve Fund which are subject to repayment to the Agency.

If the Statement of Projected Revenues and Expenses is for the purposes described in clause (i) above, a determination to redeem Bonds or purchase new Mortgage Loans must be the result of a showing of the most beneficial effect on the ratio of Revenues to expenses produced by redemption of Bonds, purchase of new Mortgage Loans or a combination of both, and a determination to make a payment to the Agency must be the result of a showing that the principal balance of all Mortgage Loans and amounts on deposit in all Funds and Accounts under the Indenture exceed 102% of the principal amount of all Bonds outstanding, including accrued interest thereon, and that there are surpluses in excess of $150,000 in amounts available for the payment of debt service and other permitted expenses, payments from the Revenue Account over such expenses in each year and that the payment does not exceed such surpluses. If the Statement of Projected Revenues and Expenses is delivered for the purpose described in clause (ii) above, there must be a showing that the issuance of Additional Bonds will not have a materially adverse effect on the ability of the Agency to pay debt service in any Bond year. If the Statement of Projected Revenues and Expenses is delivered for the purpose described in clause (iii) above, there must be a showing of the ability of the Agency to pay debt service and make other permitted expense payments from the Revenue Account in each future year.

Additional Bonds

The Indenture permits the issuance of Additional Bonds for the purpose of providing additional funds to purchase Mortgage Loans or to refund Outstanding Bonds issued under the Indenture. Any Additional Bonds issued under the Indenture will be on a parity with any Outstanding Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Indenture, (except to the extent that each series of Bonds may require debt service payment on different dates.) The Indenture provides that upon issuance of any such Additional Bonds there will be deposited in the Capital Reserve Fund such monies as may be required to increase the amount therein to the Capital Reserve Fund Requirement and that there be filed with the Trustee a Statement of Projected Revenues and Expenses as described above.

SUMMARY OF REVENUES, EXPENSES AND FUND BALANCES AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

For a summary of the Agency's revenues, expenses and fund balances (which may include audited and unaudited information) and management's discussion and analysis of the summary of operations, see the financial statements attached as Appendix E and Appendix F hereto (or available on the Agency's website).

OUTSTANDING BONDS AND NOTES OF THE AGENCY

Information about the Agency's Outstanding Bonds and Notes is set forth in Appendix D hereto.

BOOK-ENTRY ONLY SYSTEM

The Offered Bonds will be issued only as separate, single, authenticated, fully-registered bonds in Authorized Denominations, and will be registered in the name of Cede & Co. ("Cede") as partnership nominee for The Depository Trust Company, New York, New York ("DTC") or such other name as may be requested by an authorized representative of DTC. DTC will act as securities depository (the "Securities Depository") of the Offered Bonds. For the period from the issuance of the Offered Bonds, so long as the Securities Depository or its nominee is the registered owner of all of the Offered Bonds, one bond certificate for each maturity of the Offered Bonds in the aggregate principal amount of each such maturity will be prepared and immobilized in the custody of such Securities Depository. Purchasers of such Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates, except in the event that use of the book-entry system for the Offered Bonds is discontinued. By purchasing such a Bond, a Beneficial Owner shall be deemed to have waived the right to receive a bond except under the circumstances described under this caption "Book-Entry Only." For purposes of this Official Statement, so long as all of the Offered Bonds of a series are immobilized in the custody of the Securities Depository, references to Bondowners or owners of such series of Bonds means the Securities Depository or its nominee.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy or completeness thereof.

DTC has advised the Agency that it 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 highest rating: AAA. 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 and www.dtc.org.

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

To facilitate subsequent transfers, all Offered 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 Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Neither the Agency nor the Trustee is responsible or liable for sending transaction statements or for maintaining, supervising or reviewing such records.

The Agency and the Trustee will recognize the Securities Depository or its nominee, as the owner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Offered 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 the Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Offered 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 Agency or the Trustee on payable dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency 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.

A Beneficial Owner shall give notice to elect to have its Offered Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Offered Bonds by causing the Direct Participant to transfer the Participant’s interest in the Offered Bonds, on DTC’s records, to the Remarketing Agent. The requirement for physical delivery of the Offered Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Offered Bonds are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Offered Bonds to the Remarketing Agent’s DTC account.

THE AGENCY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY THE SECURITIES DEPOSITORY OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY THE SECURITIES DEPOSITORY OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF

THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE INDENTURE, THE SELECTION BY THE SECURITIES DEPOSITORY OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE OFFERED BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY THE SECURITIES DEPOSITORY AS BONDOWNER.

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

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Offered Bond certificates will be printed and delivered as provided under the Indenture ("Replacement Bonds") and payment of principal, interest and redemption price on such Bonds shall be paid in the time and manner set forth in the Indenture. For purposes of the Official Statement, at any time after Replacement Bonds have been issued, references to Bondowners or owners shall mean the registered owners of such Replacement Bonds and references to such Bonds shall mean such Replacement Bonds.

For every transfer and exchange of such Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. For every exchange or transfer of a bond certificate, the Agency or the Trustee may make a charge for the expense incurred in every such exchange or registration of transfer, including a charge sufficient to reimburse either the Agency or the Trustee for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Agency and the Trustee are not required to register any change of ownership fewer than 10 days prior to any Interest Payment Date or less than 10 days prior to any publication or mailing of notice of redemption or after any Bond shall have been selected for redemption.

AGENCY REDEMPTION PRACTICES

Historically, the Agency has received a large volume of prepayments of Mortgage Loans. The Agency may use and has, from time to time, used prepayments and other early terminations of Mortgage Loans to make new Mortgage Loans. If it is not feasible or advantageous to make new Mortgage Loans, the Agency intends to purchase or redeem Outstanding Bonds. It has been the Agency's policy generally, subject to Federal Tax Requirements and to the redemption provisions set forth in the Resolutions authorizing each series of Bonds and to certain other structuring considerations, to redeem the highest cost maturities of Outstanding Bonds. **More recently, the Agency has determined that it may be economically prudent and consistent with its tax plans and overall portfolio management not to redeem bonds that are the highest cost maturities (such as bonds eligible for refunding or optional redemption) but rather it may redeem bonds that are not the highest cost maturities if such redemption benefits the Single Family Mortgage Loan Program of the Agency or otherwise is determined to be in the best interest of the Agency.** Each such redemption shall be made at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date. **The Agency's policy may change at any time and from time to time, in the Agency's sole discretion.**

Information regarding the Agency's historical redemption practices with respect to its Single Family Mortgage Revenue Bonds is set forth in Appendix C hereto.

OTHER PROGRAMS OF THE AGENCY

Since its establishment, the Agency has undertaken various programs under which it has provided or currently provides construction and permanent loan financing for rental housing developments. Information about some of these programs and the manner in which the Agency finances these programs is set forth in Appendix D hereto.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Additional Bonds

One or more series of Additional Bonds may be issued by the Agency without limitation as to amount pursuant to authorization thereof in an Agency Resolution for the purpose of purchasing Mortgage Loans or for the refunding of Bonds. The issuance of such Additional Bonds shall be conditioned upon, among other things, (i) receipt by the Trustee of a Statement of Projected Revenues and Expenses as described in "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS; CERTAIN RELATED PROVISIONS OF THE INDENTURE -- Statement of Projected Revenues and Expenses" above, and (ii) deposit of an amount in the Capital Reserve Fund which shall be sufficient to cause the amount in the Capital Reserve Fund to be at least equal to the Capital Reserve Fund Requirement after giving effect to the issuance of such Additional Bonds. Interest Payment Dates and principal payment dates are established separately for each series of Bonds.

Funds and Accounts

The Indenture establishes the following Funds and Accounts:

Fund	Held By
Program Account	Trustee
Revenue Account	Trustee
Capital Reserve Fund	Trustee
Self-Insurance Fund	Trustee

For a description of the Self-Insurance Fund, see "SECURITY FOR THE BONDS -- The Agency's Self-Insurance Fund" in Part 1 and Part 2 of this Official Statement and Appendix B hereto.

Application of Funds and Accounts

Program Account: In addition to Bond proceeds, the Agency may deposit into the Program Account any additional amounts available for the purchase of Mortgage Loans. Monies in the Program Account, except for commitment fees, shall be used to pay (i) the costs of issuance of the Bonds, and (ii) the purchase price of Mortgage Loans. Commitment fees shall be repaid to the Participants originating Mortgage Loans in the amounts and at such time as shall be designated by the Agency from time to time in connection with payment of the purchase price of Mortgage Loans. As determined by the applicable Series Resolution pursuant to the Indenture, any balance of funds in the Program Account with respect to a series of Bonds remaining upon the close of the applicable origination period shall be applied as provided in the applicable Series Resolution, which can include, at the direction of the Agency, transfer to the Revenue Account to be applied to the redemption or purchase of Bonds.

Revenue Account: All Revenues received by the Trustee shall be deposited in the Revenue Account.

The Trustee shall pay out of the Revenue Account the following amounts in the following order, on the dates specified for the following purposes:

(1) On or before April 1 of each year, the amount, if any, set forth in the Statement of Projected Revenues and Expenses most recently filed with the Trustee prior to such date, to the Agency for rebate to the United States or, for series of Bonds issued prior to January 1, 1989, to mortgagors consistent with the requirements of Federal Tax Requirements, or as otherwise prescribed by law for such series of Bonds;

(2) (a) On each Interest Payment Date, the amount required for payment of interest due on such date, to the holders of the Outstanding Bonds; (b) on each principal payment date, the amount required for the payment of the principal installment due on such date to the holders of the Bonds maturing on said date; (c) on each sinking fund payment date, the amount required for the payment of the sinking fund payment due on such date, to the holders of the Bonds being redeemed on such date;

(3) On each Interest Payment Date, the amount required, if any, to be deposited to the Capital Reserve Fund to maintain the Capital Reserve Fund Requirement therein;

(4) On each redemption date, the amount required to pay the redemption price of the Bonds being redeemed on such date;

(5) After making provision for any amounts anticipated to be required for the purposes set forth in paragraphs (1) through (4) above, on any date to any of the following purposes:

(a) the payment of fees and expenses of the Trustee, including costs of redemption of Bonds;

(b) to pay taxes, insurance, security, repair and other expenses incurred by the Agency in connection with the protection and enforcement of its rights in any Mortgage Loan and the preservation of the mortgaged property securing such Mortgage Loan; or

(c) the payment of foreclosure fees, including legal and appraisal fees.

(6) Subject to the determinations made in the Statement of Projected Revenues and Expenses as described below, after making provision for any amounts anticipated to be required for the purposes set forth in paragraphs (1) through (5) above, on any date for any of the following purposes:

(a) optional redemption or purchase of Bonds;

(b) deposit to the Program Account for the purchase of additional Mortgage Loans; or

(c) provided the principal balance of all Mortgage Loans and amounts on deposit in all Funds and Accounts under the Indenture (excluding amounts held in the Self-Insurance Fund unless otherwise agreed to by the rating services then rating the Bonds) exceed 102% of the principal amount of all Bonds outstanding, including accrued interest thereon, payment to the Agency for deposit in its

General Fund to the extent of surpluses in excess of $150,000 determined in the Statement of Projected Revenues and Expenses as described below.

Statement of Projected Revenues and Expenses: The Agency shall deliver to the Trustee the Statement of Projected Revenues and Expenses (1) prior to the application of any amounts in the Revenue Account for the purposes described in paragraph 6 above, (2) prior to the issuance of any Additional Bonds; and (3) annually on or before April 1 of each year commencing in 1984.

Prior to the application of any amounts in the Revenue Account for the purposes described in paragraph 6 above, the Statement of Projected Revenues and Expenses shall set forth for the current and each succeeding bond year a schedule of all anticipated Revenues, which will first assume no future prepayments of Mortgage Loans and will then assume future prepayments of Mortgage Loans at a rate of 500% of the prepayment experience of the Federal Housing Administration in the Commonwealth of Pennsylvania, and all anticipated expenses referred to in paragraphs 1 through 5 above and showing (i) the most beneficial effect on the ratio of Revenues to expenses by a redemption of Bonds or by the purchasing of Mortgage Loans, or by a combination of both, and (ii) that any proposed payment to the Agency shall be made only upon a determination that Revenues, together with other amounts pledged to Bondholders, and available for debt service and other expenses, produces a surplus in each bond year.

Prior to the issuance of Additional Bonds, the Statement of Projected Revenues and Expenses shall set forth for the current and each succeeding bond year a schedule of all anticipated Revenues, which will assume prepayments to the extent provided in the applicable series resolution, and all anticipated expenses referred to in paragraphs 1 through 5 above and showing that the effect of the issuance of the Additional Bonds will not produce a materially adverse effect on the ratio of Revenues to expenses in any bond year.

The Statement of Projected Revenues and Expenses to be delivered to the Trustee prior to April 1 of each year shall set forth for the current and each succeeding bond year a schedule of all anticipated Revenues, including prepayments and a statement of the assumptions for the calculation of prepayments, and all anticipated expenses referred to in paragraphs 1 through 5 above and showing the Agency's ability to provide for all such expenses.

As long as no event of default shall have occurred and be continuing, the Trustee shall be entitled to rely on a Statement of Projected Revenues and Expenses as to the proper amounts to be applied to the purposes described above.

Capital Reserve Fund: The Capital Reserve Fund shall contain two accounts to be designated as the General Account and the Agency Account. Any amounts deposited in the Capital Reserve Fund derived from the Agency's own funds shall be credited to the Agency Account. Any amounts deposited in the Capital Reserve Fund derived from Bond proceeds or Revenues shall be credited to the General Account.

If on any interest payment date for the Bonds after allocations from the Revenue Account the amount in the Revenue Account shall be less than the amount required to pay Debt Service on the Bonds, the Trustee shall apply first amounts from the Self-Insurance Fund. To the extent deficiencies exist in the Revenue Account after such application, the Trustee shall apply amounts from the Capital Reserve Fund, first from the General Account and second from the Agency Account.

No later than 92 days after the end of each fiscal year, the Trustee shall calculate the amount of the Capital Reserve Fund Requirement as of such date (after giving effect to the maturity or redemption of any Bonds to occur on the next day) and shall determine the amount, if any, then in the General

Account which is in excess of such Capital Reserve Fund Requirement. The amount of such excess shall be transferred to the Self-Insurance Fund to the extent of any deficiencies therein. Thereafter, any excess remaining may, in the discretion of the Agency, immediately prior to such allocation to the Self-Insurance Fund be transferred to the Revenue Account. Amounts held in the Agency Account may be repaid to the Agency in amounts and at times as shall be determined by the annual Statement of Projected Revenues and Expenses.

Investment of Certain Funds and Accounts

Monies held in the Funds and Accounts shall be invested and reinvested by the Trustee in Investment Securities in accordance with instructions from the Agency.

Interest (except that which represents a return of accrued interest paid in connection with the purchase by the Agency or Trustee of any investment) earned on any monies or investments and net gains on the sale of any investments in any Fund or Account may be transferred at the direction of the Agency from time to time to the Revenue Account. Such interest and net gains on investments in the Agency Account in the Capital Reserve Fund may be transferred at the direction of the Agency to the Revenue Account or repaid to the Agency.

The Trustee shall transfer and apply amounts of such interest and net gains to the purposes and in the order set forth under the caption "Application of Funds and Accounts -- Revenue Account" above, prior to the application of other Revenues for such purpose, so that all such amounts of interest and net gains are fully expended within one year from the date of receipt thereof.

Neither the Agency nor the Trustee shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. In computing the amount in any fund or account under the Indenture, obligations purchased as an investment of moneys in such fund or account shall be valued at amortized value, except that in preparing a statement of Projected Revenues and Expenses for withdrawal of monies as described in paragraph 6(c) under "Revenue Account" above, investments in all funds and accounts except the Capital Reserve Fund will be valued at the lower of cost or market.

Creation of Liens

The Agency shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of the Revenues and shall not create or cause to be created or suffer to exist any lien or charge on the Revenues; provided, however, that nothing in the Indenture shall prevent the Agency from issuing evidences of indebtedness secured by a pledge of Revenues to be derived on and after such date as the pledge of the Revenues provided in the Indenture shall be discharged and satisfied.

Purchase of Mortgage Loans

Each Mortgage Loan acquired by the Agency out of amounts in the Program Account shall meet the following requirements at the date of purchase thereof:

(1) No Mortgage Loan shall be purchased if, at the date such Mortgage Loan was offered for sale to the Agency, the borrower was more than 30 days delinquent in the payment of any installment of principal, interest or other amount due under the terms of such Mortgage Loan;

(2) Each Mortgage Loan shall be evidenced by a note secured by a first mortgage lien on the fee simple or a leasehold estate extending at least 10 years beyond the term of the mortgage, on which there is located a single family residence, which mortgage lien is subject only to the liens of current real property

taxes and assessments, covenants, conditions, and restrictions, rights-of-way, easements, and other matters of public record, provided that none of the foregoing materially affects the security for the Mortgage Loan;

(3) The original principal amount of each Mortgage Loan shall not exceed the lesser of the purchase price of the property, or the appraised value of the property, based upon an appraisal prepared by an appraiser with experience in appraising single family residential property or such other amount as is acceptable in accordance with Agency program guidelines, which does not materially adversely affect the creditworthiness or security for the Bonds;

(4) Each Mortgage Loan exceeding 80% of the lower of the appraised value or the sales price of the residence shall meet the mortgage insurance requirements of the Indenture. The Agency has executed a Supplement to the Indenture pursuant to which such Mortgage Loans which are originated with the proceeds of each series of Bonds issued under the Indenture beginning with Series R, may meet the mortgage insurance requirements of the Indenture if the Agency substitutes for mortgage insurance a similar form of credit enhancement, including a self-insurance, a shared risk program with an entity deemed to be of acceptable credit risk by the Agency or a risk retention program, pursuant to the applicable series resolution;

(5) Each Mortgage Loan shall be covered by a valid mortgagee title insurance policy naming the Agency and Trustee as insureds, on the current standard American Land Title Association form issued by a title insurer licensed to do business in the Commonwealth in an amount at least equal to the outstanding principal balance of the Mortgage Loan, with only such exceptions as are permitted encumbrances under the Indenture;

(6) The improvements on the real property securing each Mortgage Loan shall be covered by a valid policy of hazard insurance in an amount sufficient to compensate the mortgagee for a loss equal to the full amount of the unpaid balance of the Mortgage Loan;

(7) The Agency shall cause to be filed or recorded such instruments as shall be necessary to hypothecate to the Trustee all Mortgage Loans acquired with proceeds of the Bonds and all rights with respect to such Mortgage Loans; provided, however, that the Agency shall remain the mortgagee of record and may maintain physical possession of the Mortgages until such time as the Trustee (i) is directed to record the assignment of the Mortgages from the Agency to the Trustee or (ii) the Trustee records the assignment pursuant to the Indenture.

Special Tax Covenants

The Agency shall not use or permit the use of any proceeds of Bonds or any other funds of the Agency, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Agency or the Trustee with respect to the Mortgage Loans in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or Section 148 of the Internal Revenue Code of 1986, as amended, or which would cause any Bond to violate any of the restrictions of the Federal Tax Requirements or the Treasury Regulations promulgated thereunder, if and as applicable.

The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would adversely affect any applicable exemption from federal income taxation of the interest on the Bonds.

Enforcement of Mortgage Loans

The Agency shall diligently enforce and take all reasonable steps, actions and proceedings necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of all Mortgage Loans, including the prompt payment of all Mortgage Loan payments and all other amounts due the Agency thereunder. Except as described below under "Amendment of Mortgage Loans," the Agency shall not release the obligations of any borrower under any Mortgage Loan and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Agency and of the Bondholders under or with respect to each Mortgage Loan provided that the Agency shall not be prevented from settling a default on such terms as the Agency shall determine to be in the best interests of the Agency and the Bondholders and may forbear taking action with respect to enforcement of a Mortgage Loan if it determines such forbearance to be in the best interests of the Agency and the Bondholders.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Indenture, the Agency shall take steps to enforce any policy or certificate of insurance or guaranty relating to such Mortgage Loan and to foreclose the mortgage or enforce the security interest and to collect, hold and maintain or to sell or otherwise dispose of the property securing the Mortgage Loan which is in default and if the Agency deems such to be advisable, shall bid for and purchase such property at any sale thereof and acquire and take possession of such property.

Assignment or Disposition of Mortgage Loans

Except for assignments of Mortgage Loans to the Trustee pursuant to the Indenture, the Agency shall not sell, assign, transfer or otherwise dispose of any Mortgage Loan or any of the rights of the Agency with respect to any Mortgage Loan unless (a) such Mortgage Loan does not qualify for purchase by the Agency under the Federal Tax Requirements or (b) the Agency determines that such action is in the best interests of the Agency and the Bondholders and will not adversely affect the ability of the Agency to pay when due the principal or redemption price of and interest on the Bonds, in which case such Mortgage Loan may be so disposed of by the Agency free and clear of the pledge of the Indenture.

Amendment of Mortgage Loans

The Agency 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 Indenture in such Mortgage Loan except for amendments and modifications made in connection with settling any default on any Mortgage Loan, which settlement the Agency determines to be in the best interests of the Agency and the Bondholders. Notwithstanding the foregoing, the Agency may amend Mortgage Loans purchased with the proceeds of the Series P Bonds and any series of Bonds issued on or after March 31, 1988 by reducing the interest rate on, or forgiving a portion of the mortgage debt evidenced by, such Mortgage Loans to the extent required to comply with the Federal Tax Requirements, provided however, that the Agency must first deliver to the Trustee a Statement of Projected Revenues and Expenses of the type delivered in connection with the issuance of Additional Bonds. If the reduction in the interest rate on or mortgage forgiveness of the Mortgage Loans would produce a materially adverse effect on the ability of Revenues to be equal to or exceed expenses in any bond year, as shown in the Statement of Projected Revenues and Expenses, the Agency shall deposit with the Trustee additional Agency funds or credit facility, to be held as security for the Bonds or to be used for the purchase of Mortgage Loans in an amount sufficient to eliminate the materially adverse effect of the proposed amendment to Mortgage Loans.

Accounts and Reports

The Agency shall keep proper books of record and account in which complete and correct entries shall be made of its transactions in accordance with generally accepted accounting principles. The Funds and Accounts established by the Indenture and all other books and papers of the Agency, shall, to the extent permitted by law, at all times be subject to the inspection of the Trustee or the Holders of an aggregate of not less than 25% in principal amount of the Bonds then outstanding or their representatives duly authorized in writing. The Agency will permit the Trustee, such Bondholders and their agents, auditors, attorneys and counsel, at all reasonable times, to take copies and extracts from the books of record and account, and will from time to time furnish, or cause to be furnished, to the Trustee such information and statements as the Trustee may reasonably request, all as may be reasonably necessary for the purpose of determining performance or observance by the Agency of the covenants, conditions and obligations contained in the Indenture.

The Trustee shall advise the Agency within ten business days after the end of each month of its transactions during such month relating to the Funds and Accounts held by it under the Indenture.

The Agency shall annually, within 150 days after the close of each fiscal year, file with the Trustee (1) a copy of an annual report setting forth its operations and accomplishments during such fiscal year, (2) a statement of net assets showing its assets and liabilities at the end of such fiscal year, (3) a statement of revenues, expenses and changes in net assets in accordance with the classifications established by the Agency for its operating and program purposes, and (4) a statement of cash flows for such fiscal year. The financial statements must be accompanied by a report of an auditor either stating that the financial statements examined present fairly the financial position of the Agency at the end of the fiscal year, the results of its operations and the cash flows for the period examined, in conformity with generally accepted accounting principles, or to which is attached a certificate of an authorized officer to the effect that any qualification or exception to such opinion does not reflect circumstances which are materially adverse to the interest of the holders of the Bonds. A copy of such annual report and accompanying auditor's report shall be mailed to any Bondholder who has filed his name and address with the Agency for such purpose.

Limitations on Agency Expenses

The Agency shall not incur expenses in connection with the Bonds, the Indenture and the Program in excess of reasonable and necessary amounts therefor.

Defaults and Remedies

Events of default include failure to pay principal, purchase price or redemption price of any Bond when due; failure for 30 days to pay any interest installment or the unsatisfied balance of any sinking fund payment thereon when due; failure for 60 days after written notice thereof from the Trustee in the performance or observance of any other of the Agency's covenants, agreements or conditions in the Indenture or the Bonds; and certain events of bankruptcy or insolvency.

Upon the happening and continuing of any event of default, the Trustee may, and upon written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, in its own name enforce all rights of the holders of the Bonds, including the right to (1) by appropriate legal or equitable action enforce all rights of Bondholders including the right to receive and collect Revenues, adequate to carry out covenants and agreements as to the Mortgage Loans and to require the Agency to carry out its covenants and agreement with Bondholders and to perform its duties under the Act; (2) bring suit upon the Bonds; (3) by equitable action, require the Agency to account as if it were the trustee of an express trust for the holders of the Bonds; (4) by equitable action, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (5) declare all the Bonds due and payable, and, if all defaults shall be cured then with the consent of the holders of not less than 25% of the principal amount of the Bonds then outstanding, annul such declaration and its consequences; (6) sell Mortgage Loans in the event all Bonds are declared due and payable, or (7) by (a) recording from time to time one or more assignments of the Mortgages delivered by the Agency to the Trustee pursuant to the Indenture; (b) notifying the Agency in writing of such recordation; (c) thereupon succeeding to all rights, duties and obligations of the Agency with respect to Mortgages applicable to the recorded assignments; (d) executing one or more allonges to Mortgage Notes relating to the respective recorded Mortgage assignments; and (e) exercising all the remedies thereby available to the Trustee at law or in equity in connection therewith. Upon commencement of judicial proceedings by the Trustee to enforce the rights of the Bondholders under the Indenture, the Trustee is entitled, as a matter of right, to the judicial appointment of a receiver for the Agency.

Priority of Payments After Default

If, upon the happening and continuance of any event of default, the funds held by the Trustee are insufficient for the payment of principal or redemption price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due) and any other amounts received or collected by the Trustee are to be applied as follows, after provision has been made for payment of expenses to protect the interest of the holders of the Bonds and for the payments of the fees and expenses incurred by the Trustee: (i) unless the principal of all of the Bonds has become or been declared due and payable, first to pay all installments or interest then due in order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably according to the amounts due on such installments; and second to the payment of the unpaid principal or redemption price of any Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available are not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or redemption price, if any, due on such date, (ii) if the principal of all of the Bonds has become or been declared due and payable, to the payment of principal and interest then due and unpaid upon the Bonds without 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 except as to any difference in the respective rates of interest specified in the Bonds.

Whenever the Trustee is to apply monies in accordance with the foregoing provisions, it shall do so at such times, and from time to time, as it in its sole discretion shall determine, having due regard to the amount available and the likelihood of additional money becoming available. The Trustee incurs no liability to the Agency, or to any Bondholder or other person for any delay in applying any such monies, so long as it acts with reasonable diligence and ultimately applies such monies in accordance with provisions of the Indenture. Whenever the Trustee exercises such discretion in applying such monies, it must fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and give such notice as it deems appropriate. Upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee is not required to make payment to the holder of any Bond unless such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Bondholders' Direction of Proceedings

The holders of the majority in principal amount of the outstanding Bonds have the right to direct in writing the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture. However, the Trustee has the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Rights of Bondholders

No individual Bondholder may initiate judicial proceedings to protect or enforce rights under the Indenture or under law unless such holder has given to the Trustee written notice of the event of default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the Indenture or under the law or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities, and the Trustee has refused or neglected to comply with such request within a reasonable time. No holder of the Bonds has any right to disturb the security of the Indenture, or to enforce any right with respect to the Bonds, except in the manner provided therein, and all such proceedings shall be instituted, had and maintained in the manner provided therein and for the benefit of all holders of the outstanding Bonds. No provision in the Indenture dealing with defaults and remedies affects or impairs the rights of any Bondholder to enforce the payment of principal of and interest on his Bonds.

Notice of Event of Default

The Trustee must give the Bondholders notice of each event of default known to the Trustee within 90 days of knowledge of the occurrence thereof, unless such event of default has been remedied, except that, other than in the case of default in the payment of principal of or redemption price or interest on any of the Bonds, or in the making of any payment required to be made into the Revenue Account, the Trustee may withhold such notice if a committee of responsible officers of the Trustee determines that the withholding of such notice is in the interests of the Bondholders. Each such notice is to be given by mail to all holders of Bonds, as their names and addresses appear upon the books for registration and transfer of Bonds as kept by the Trustee.

Responsibility of Trustee

The Trustee assumes no responsibility for the correctness of the recitals of fact in the Indenture and the Bonds, and the Trustee makes no representation as to nor incurs any responsibility in respect of the validity or sufficiency of the Indenture or of Bonds or in respect of the security afforded by the Indenture. However, the Trustee is responsible for its certificate of authentication on the Bonds. The Trustee has no responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any monies paid to the Agency. Except with respect to actions required to be taken by the Trustee upon the occurrence of an event of default, the Trustee has no obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect of the Indenture or to advance any of its own monies, unless properly indemnified. The Trustee is not liable in connection with the performance of its duties under the Indenture except for its own negligence or default.

Compensation of Trustee

The Agency is required to pay the Trustee reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture and the Trustee has a lien therefor on any funds at any time held by it.

Removal of Trustee

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Bonds then outstanding, excluding any Bonds held by or for the account of the Agency. The Agency may remove the Trustee at any time, except during the existence of an event of default, for such cause as shall be determined in the sole discretion of the Agency.

Appointment of Successor Trustee

In the event the Trustee shall resign, be removed or become incapable of performing its responsibilities, the Agency covenants and agrees to take steps necessary to appoint a successor Trustee.

Merger and Consolidation

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, under certain circumstances, shall be authorized to perform all the duties imposed upon it by this Indenture without the execution or filing of any paper or performance of any further act.

Supplemental Indentures

Any of the provisions of the Indenture may be amended by the Agency, by a supplemental indenture, upon the consent (i) of the holders of at least two-thirds in principal amount of the Bonds outstanding at the time such consent is given, (ii) 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 two-thirds in principal amount of the Bonds of such series so affected at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any sinking fund payment of the holders of at least two-thirds in principal amount of the Bonds of the particular series then outstanding and of the maturity of Bonds entitled to sinking fund payment; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified maturity remain outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be outstanding for the purposes of any calculation of outstanding Bonds as described under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bonds or of any installment of interest thereon or reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any fiduciary without its written assent thereto.

The Agency may adopt (without the consent of the Trustee or any holders of the Bonds) supplemental indentures to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; to add Agency covenants and agreements not contrary to or inconsistent with the Indenture; to provide for the issuance of coupon bonds in bearer form, and the exchange thereof with the Bonds in registered form, to the extent permitted by law; to authorize Additional Bonds; to add to the restrictions contained in the Indenture; to confirm any pledge under the Indenture of Revenues or of other monies; to surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Indenture, but only if the surrender of such right, power, or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Indenture or otherwise to modify any of the provisions of the Indenture (but no such other modification may be effective while any of the Bonds of any series theretofore issued are outstanding). The Agency may adopt with the consent of the Trustee but without the consent of the holders of the Bonds a supplemental indenture to cure any ambiguity or to correct any defect or inconsistent provision in the Indenture; to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect; or to provide for additional duties of the Trustee in connection with the Mortgage Loans.

Defeasance

All Outstanding Bonds of a series shall, prior to the maturity or redemption date thereof, be deemed to have been paid and shall cease to be entitled to any lien, benefit or security under the Indenture if the following conditions are met: (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee irrevocable instructions to publish notice of redemption therefor, (ii) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or Investment Securities the principal of and interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or redemption price, if applicable, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Agency shall have given the Trustee irrevocable instructions to publish, as soon as practicable, at least twice, at intervals of not less than seven days between publications, a notice to the holders of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to have been paid and stating such maturity or redemption date upon which monies are to be available for the payment of the principal or redemption price, if applicable, on such Bonds.

Governing Law

The Indenture shall be deemed to be executed in the Commonwealth of Pennsylvania and shall be governed and construed in accordance with the laws of the Commonwealth.

TAX MATTERS

General

The interest on obligations of a governmental unit, such as the Single Family Mortgage Revenue Bonds of the Agency, issued to finance Mortgage Loans for owner-occupied residences is excludable from gross income for purposes of federal income taxation, provided that certain requirements relating to the use and investment of the proceeds of those obligations are met.

With respect to the proceeds of the Bonds, the mortgage eligibility requirements (the "Mortgage Eligibility Requirements") generally include the following: (i) the financed residence must reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided; (ii) the mortgagor must have had no present ownership interest in a principal residence at any time during the three-year period prior to the date on which the mortgage is executed, except for a borrower who purchases a residence in a Target Area or who obtains a qualified home improvement loan or a Substantial Rehabilitation Loan or who purchases certain land possessed under certain contracts; (iii) the acquisition cost of a residence may not exceed certain purchase price limitations; and (iv) mortgagors must have family incomes within certain limits. See "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM -- Mortgage Eligibility Requirements" in Part 2.

Such obligations are treated as meeting the Mortgage Eligibility Requirements if the Agency in good faith attempted to meet all of such requirements before the mortgages were executed and any failure to comply with the Mortgage Eligibility Requirements is corrected within a reasonable period after such failure is first discovered. Additionally, 95% or more of the net proceeds of the Offered Bonds used to make loans must have been used to finance residences which met all such requirements at the time the loans were executed or assumed.

Under the federal income tax laws, certain requirements must be met subsequent to the issuance and delivery of the Offered Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Agency has established procedures designed to ensure compliance with the Mortgage Eligibility Requirements and other requirements relating to the Offered Bonds which must be met subsequent to the issuance and delivery of the Offered Bonds. See "THE SINGLE FAMILY MORTGAGE LOAN PROGRAM" in Part 2.

Certain Federal Tax Consequences

Ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry such obligations. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers of the Offered Bonds who may be subject to such collateral consequences should consult their tax advisors. Furthermore, the United States Congress may, from time to time, introduce legislation which, if enacted into law, could adversely affect the value of and federal income tax exemption of municipal obligations such as the Bonds. Investors in the Bonds should consult their tax advisors regarding any such proposed legislation.

LEGAL INVESTMENT

The Act provides:

> The notes and bonds of the agency are securities in which all public officers and bodies of the Commonwealth and all municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and saving associations, saving and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the Commonwealth, may properly and legally invest funds, including capital, in their control or belonging to them.

AGENCY INVESTMENT POLICY

The Agency's investment management is governed by the Act and the Agency's Investment Policy, as amended from time to time, by the Board.

The primary objectives of the Agency's investment policy are to reasonably ensure safety of principal and avoidance of capital losses, provide liquidity necessary for ongoing administration of the Agency's programs and operations and achieve a maximization of yield with an ongoing assessment of risk and security.

The majority of the Agency's investments consist of direct United States Treasury obligations, government agency obligations or repurchase agreements collateralized by such obligations (which such collateral is held by trustees or designated custodial banks).

Specific information regarding the Agency's investments is set forth in the financial statements set forth in the Appendices E and F (as applicable) hereto. For a definition of Investment Securities under the Indenture, see Appendix A hereto.

FINANCIAL STATEMENTS OF THE AGENCY

Audited and unaudited financial statements for the Agency for prior fiscal periods are generally available on the Agency's website at www.phfa.org.

Additional Information

The Agency currently disseminates information relating to its financing programs on a voluntary basis in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. Additional program and financial information may be available through the Agency's website at ***www.phfa.org***. All information included thereon, including program descriptions, references to other sources and hyperlinks to websites sponsored by other entities, is provided as a public service only, is not a part of this Official Statement and should not be relied upon in making an investment decision with regards to the Agency's Bonds. The Agency's policy of voluntarily disseminating such information is not a contractual obligation to anyone and the Agency may discontinue this practice at any time in its discretion without notice.

AVAILABLE INFORMATION

The Agency is required by the Indenture to file with the Trustee within 150 days after each fiscal year an annual report, including audited financial statements and to mail a copy of each such annual report to each holder of Bonds who files his name and address with the Agency for such purpose. The Indenture further provides that all documents received by the Trustee shall, upon written request of not less than 25% in principal amount of the holders of the Outstanding Bonds, be subject to inspection and copying at all reasonable times by such Bondholders and their agents and representatives.

The distribution of this Official Statement has been duly authorized by the Agency.

Pennsylvania Housing Finance Agency

By: */s/ Brian A. Hudson*
Authorized Officer

Dated: March 4, 2010

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

"Bond" or "Bonds" shall mean one of the bonds or all of the bonds, as the case may be, to be authenticated and delivered pursuant to the Indenture, including any additional bonds or refunding bonds to be issued pursuant to the Indenture or any bond issued in lieu of or in exchange for such bond.

"Capital Reserve Fund Requirement" shall mean an amount equal to three percent of the aggregate principal amount of Bonds outstanding on any date of calculation plus one million dollars, which million dollars shall be invested in Investment Securities having a maturity of one year or less.

"Investment Securities" shall mean and include any of the following obligations, to the extent the same are at the time legal for investment of funds of the Agency under the Act including amendments thereto hereafter made, or under other applicable law:

(1) direct obligations or obligations the timely payment of principal or interest of which is unconditionally guaranteed by the United States of America;

(2) any bond, debenture, note, participation certificate or other similar obligation issued by any of the following agencies: Government National Mortgage Association, Federal Land Bank, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit Banks Consolidated Statewide, Tennessee Valley Authority, United States Postal Service, Rural Housing Community Development Services, Export-Import Bank, Federal National Mortgage Association, provided in the event Federal National Mortgage Association's interest and/or principal only strips are purchased, the Agency may be required, at the request of the rating services, to provide cash flows demonstrating that such investment will not produce a materially adverse effect on the ratio of Revenues to expenses in any Bond year; Financing Corporation, Resolution Funding Corporation, Student Loan Marketing Association, and Federal Home Loan Mortgage Corporation; ("FHLMC"), provided the timely payment of principal and interest on such investment securities issued by FHLMC is guaranteed by FHLMC;

(3) any bond, debenture, note, participation certificate or other similar obligation issued by any other federal agency and backed by the full faith and credit of the United States other than as provided in (1) above;

(4) Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract 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 secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(5) direct and general obligations of or obligations guaranteed by the Commonwealth, to the payment of the principal of and interest on which the full faith and credit of the Commonwealth is pledged, provided that the Commonwealth's rating is at least equal to the then current rating of the Bonds;

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

(7) deposits in interest-bearing time or demand deposits, or certificates of deposit, secured as (i) provided under the laws of the Commonwealth or (ii) as to principal by investments described in clauses (1) through (6) above; provided that the rating of the provider of such investment is at least equal to the then current rating of the Bonds;

(8) repurchase agreements fully collateralized by Investment Securities of the types described in clauses (1) through (3) above; provided that the rating of the provider of such investment is at least equal to the then current rating of the Bonds;

(9) deposits in mutual or money market funds which invest solely in Investment Securities of the types described in clauses (1) through (3) above or in repurchase agreements fully collateralized by Investment Securities of the types described in clauses (1) through (3) above and with total assets (deposited funds) of one billion dollars or greater provided such fund's rating is at least equal to the then current rating of the Bonds;

(10) investment agreements with an entity whose claims-paying ability or long-term unsecured debt obligations are rated not less than "AA" by Standard & Poor's Ratings Group and "Aa" by Moody's Investors Service or investment agreements which will not adversely affect the then current rating of the Bonds as confirmed in writing by Standard & Poor's Rating Group and Moody's Investors Service; and

(11) short-term investment agreements with a maturity not greater than one year with an entity whose claims-paying ability or short-term unsecured debt obligations are rated A-1+ by Standard & Poor's Ratings Group and P-1 by Moody's Investors Service or investment agreements which will not adversely affect the then current rating of the Bonds as confirmed in writing by Standard & Poor's Rating Group and Moody's Investors Service.

The Investment Securities described in the preceding clauses (7) and (8) may be deposits in, certificates of deposit of, or repurchase agreements with the Trustee provided the Trustee's rating is at least equal to the then current rating of the Bonds.

"Origination Period" shall mean the period described in the series resolution authorizing the issuance of Bonds for the origination of Mortgage Loans.

"Revenues" shall mean (i) all amounts paid or required to be paid with respect to principal and interest from time to time on the Mortgage Loans, including prepayments, amounts paid on account of acceleration of any Mortgage Loan and amounts received from the sale or other disposition of any Mortgage Loan, including private mortgage insurance proceeds, or of any collateral securing any Mortgage Loan, and including any such amounts held by persons collecting such amounts on behalf of the Agency, after deducting any fees payable for accounting, collection and other services required and (ii) all interest received and investment gains on moneys or securities held pursuant to the Indenture and to be paid into the Revenue Account.

"Surplus Revenues" shall mean the excess Revenues not needed to pay arbitrage rebate, debt service on the Bonds or certain other expenses relating to the Single Family Mortgage Loan Program.

APPENDIX B

PRIMARY AND POOL MORTGAGE INSURANCE

The following provides both historic and current information about the Agency's single family loan origination and servicing policies relating to insurance. The description of certain mortgage insurance policies and loan guarantees is only a brief outline and does not purport to summarize or describe all of the provisions thereof. For a more complete description of the terms of these policies and guarantee programs, reference is made to the provisions thereof. In addition, reference is made to the provisions of the Master Origination and Sale Agreement, Seller's Guide and the Indenture (which outline in detail, the requirements in effect for Mortgage Loans submitted for purchase and servicing by the Agency).

Primary Mortgage Insurance Programs

In order to qualify for purchase by the Agency, each Mortgage Loan must either:

(i) in the case of uninsured conventional Mortgage Loans, have an original principal balance not exceeding 80% of the lesser of the appraised value or the sales price of the residence; or

(ii) qualify for and obtain FHA Insurance, a VA Guarantee, RD Guaranty, Private Mortgage Insurance or Agency Risk Retention Program participation.

These various credit enhancement alternatives are described generally below.

FHA Insurance, VA Guarantee, RD Guaranty, Private Mortgage Insurance and Agency Risk Retention Program

FHA Insurance. The National Housing Act of 1934, as amended, authorizes a wide variety of FHA mortgage insurance programs, which differ in some respects depending primarily upon whether the mortgaged premises contains five or more dwelling units or less than five such units and whether the premises are designed for occupancy by low and moderate income families. The FHA imposes loan-to-value ratio limitations and other requirements on all the mortgage loans it insures. FHA mortgage insurance programs used from time to time within the Agency's program have included the Section 221(d)(2) Program, the Section 203(k) Program, the Section 203(b) Program, the Section 234(c) Program and the Section 223(e) Program.

Under the Section 203(b) program, which is the most widely used FHA insurance program, the FHA insures mortgage loans of up to 35 years duration for the purchase of one to four family dwelling units. Maximum allowable FHA mortgage amounts are based on a fixed percentage of the lesser of sales price or appraised value of the home, exclusive of closing costs. As of October, 2008, FHA changed the maximum mortgage loan to property value to 96.5% and now requires borrowers to make a cash investment of at least 3.5% of the appraised value (which may include closing costs). The maximum FHA mortgage limits in Pennsylvania vary depending on the county in which the residence is located and are established by the Department of Housing and Urban Development ("HUD").

The regulations governing all of the FHA programs under which the Mortgage Loans may be insured provide that insurance benefits are payable upon foreclosure (or other acquisition of possession) and conveyance of the mortgaged premises to HUD. Until 1996, HUD operated a Mortgage Assignment Program to avert foreclosure of certain FHA homeowners experiencing temporary financial hardship. The program was eliminated in 1996 and, instead, HUD now encourages certain loss mitigation efforts to assist mortgagors in default.

Some of the FHA insurance programs provide that insurance claims are paid by HUD in cash, unless the mortgage holder specifically requests payment in debentures issued by HUD, while other FHA insurance programs allow HUD to opt, at its discretion, to pay insurance claims in cash or in such debentures. Should HUD debentures be issued in satisfaction of FHA insurance claims, they will bear interest from the date of issue, payable semiannually on January 1 and July 1 of each year at the rate in effect as of the day the commitment was issued, or as of the date the mortgage was endorsed for insurance, whichever rate is higher. The current HUD policy, subject to change at any time, is to make insurance payments on single-family mortgage loans in cash if it has discretion to determine the form of insurance payment.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of default by the mortgagor, which under HUD regulations will occur no less than 60 days after the due date of a mortgage payment, and the mortgage holder generally is not compensated for mortgage interest accrued and unpaid prior to that date. Under such circumstances, the amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the mortgage loan, adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgagee after default, plus reimbursement not to exceed 2/3 of the mortgagee's foreclosure costs. The regulations under the insurance program described above provide that the insurance payment itself shall bear interest from the date of default, to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate.

When any property to be conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage holder prior to such conveyance.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Agency will pursue its rights under the power of sale contained in the mortgage subject to the constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the mortgagor, at least three full monthly installments be due and unpaid under the mortgage before the mortgagee may initiate any action leading to foreclosure of the mortgage. HUD also requires a face-to-face conference between the mortgagee and the mortgagor in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the mortgagor has voluntarily abandoned the mortgaged property, and the mortgagee may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Rural Housing Services (formerly Farmers Home Administration, now Rural Development) (known herein as "RD") Guaranteed Rural Housing Program. The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the RD interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the RD Guaranteed Rural Housing Loan Program. The Agriculture Appropriations Act of 1991 included initial funding for the RD loan guaranty program for both moderate and low income borrowers.

The RD Guaranteed Rural Housing Loan Program is limited to certain qualified rural areas of the Commonwealth. The program imposes no limit on maximum mortgage loan (but loans will generally be made up to 100% of the appraised value or the cost of acquisition plus necessary development costs), requires no down payment from the purchaser and permits the guarantee of mortgage loans of up to 30 years' duration. The RD guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by RD and approximately 15% by the Agency.

In addition to the above-described RD Program, the Agency may provide Mortgage Loans to finance up to 50% of the lesser of the appraised value or sales price for certain qualified RD mortgages. RD will provide the remainder of the financing up to the lesser of the appraised value or sales price of the residence. The Agency may also engage in programs whereby it will subsidize (with excess revenues of the Agency) the interest rates for certain qualifying Mortgage Loans in connection with RD programs. Mortgage Loans originated under these special RD Program initiatives will have loan to value ratios below 80% and will not require mortgage insurance under the Indenture.

VA Guarantee. The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances the spouse and certain qualifying reservists) to obtain a mortgage loan guarantee from the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates not in excess of the maximum rates established by VA. The program requires no down payment from the purchaser and permits the guarantee of mortgage loans of up to 30 years' duration. The maximum VA mortgage loan guarantee under this program is the lesser of the veteran's available entitlement or: (a) for home and condominium loans up to $45,000, 50% of the original principal amount; (b) for home and condominium loans over $45,000, and not more than $56,250, $22,500; (c) for home and condominium loans over $56,250 and not more than $144,000, the lesser of $36,000 or 40% of the original principal amount; (d) for manufactured home loans, the lesser of 40% of the original principal amount or $20,000; and (e) for home and condominium loans over $144,000, the lesser of $60,000 or 25% of the original principal amount. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of indebtedness, but in no event will the amount payable on the guarantee exceed the amount of the original guarantee. Notwithstanding the dollar and percentage limitations of the guarantee, a mortgage holder will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a mortgaged premises is greater than the original guarantee as adjusted. VA may, at its option and without regard to the guarantee, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to VA. Under the program, a VA guaranteed Mortgage Loan must be guaranteed in an amount which, together with the down payment by the Mortgagor, will at least equal 25% of the lesser of the sales price or the appraised value of the property.

Private Mortgage Insurance Policies: Series G Bonds through current series of Bonds. For mortgage loans the principal amount of which exceeds 80% of the lesser of the sales price or the initial appraised value of the property, and which are not guaranteed by VA or RD or insured by FHA, the Agency has required a private mortgage insurance policy in the amount by which the loan exceeds:

(w) 68% of the lesser of the appraised value or sales price of the residence with respect to Mortgage Loans the principal balance of which ranges between 95.1 - 97% of the lesser of the appraised value or the sales price;

(x) 66.5% of the lesser of the appraised value or sales price of the residence with respect to Mortgage Loans the principal balance of which ranges between 90.1 - 95% of the lesser of the appraised value or sales price;

(y) 67.5% of the lesser of the appraised value or sales price of the residence with respect to Mortgage Loans the principal balance of which ranges between 85.1 - 90% of the lesser of the appraised value or sales price; or

(z) 68% of the lesser of the appraised value or sales price of the residence with respect to Mortgage Loans the principal balance of which ranges between 80.1 - 85% of the lesser of the appraised value or sales price.

Such private mortgage insurance policy is to be maintained until the remaining principal amount of the Mortgage Loan is equal to or less than 80% of the lesser of the sales price or the initial appraised value of the property.* The private mortgage insurance policies insure against certain losses sustained by reason of default in payments by Eligible Borrowers. The Participants are required to obtain such insurance as specified in the Master Origination and Sale Agreement and the Seller's Guide. Pursuant to the Master Origination and Sale Agreement, any amounts collected by a Participant under any such policy shall be deposited with the Trustee. The cost of maintaining any such insurance shall be paid by each Eligible Borrower on a Mortgage Loan which requires such insurance.

Each private mortgage insurer insuring Mortgage Loans must be licensed to do business in the Commonwealth, have a rating of at least AA by Standard & Poor's Rating's Group and be qualified to insure mortgages purchased by Fannie Mae and FHLMC. The Seller's Guide contains a current listing of insurance requirements and private mortgage insurers participating in the program. Although these private insurance policies are intended to protect from some of the losses which will be incurred in the event mortgagors default on their payments on Mortgage Loans, when such defaults occur, there will be certain time delays and other mandatory requirements imposed by Pennsylvania state law in pursuing recovery and foreclosure. Such delays may affect the timely receipt of payments by the Agency from the private mortgage insurers. Further the Agency makes no representation regarding the financial condition of any private mortgage insurance company or its ability to make full and timely payment of claims on the Mortgage Loans on which the Agency may experience losses.

<u>Private Mortgage Insurance Policies: 1982 Series A Bonds through Series F Bonds</u>. For those Mortgage Loans originated with the proceeds of the 1982 Series A through Series F Bonds, where the principal amount exceeded 80% of the lesser of the purchase price or the initial appraised value of the property, and which were not guaranteed by VA or insured by FHA, a private mortgage insurance policy was required in an amount so that the uninsured portion of such Mortgage Loan did not exceed 72% of the lesser of the sales price or the appraised value of such property. Such private mortgage insurance policy will be maintained until the remaining principal amount of the Mortgage Loan is equal to or less than 80% of the lesser of the sales price or the initial appraised value of the property. The private mortgage insurance policies insure against certain losses sustained by reason of default in payments by Eligible Borrowers.

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* Senate Bill 318, signed into law on July 29, 1998, affects loans closed after July 29, 1999 with private mortgage insurance. The legislation requires that consumers be provided with notice of their right to request cancellation of their private mortgage insurance when the principal balance on their residential mortgage loan falls below 80%. The law further provides for automatic termination of private mortgage insurance once the principal balance of residential mortgage loans in good standing falls below 78%. A similar provision is now applicable to FHA insured loans.

Pursuant to Master Origination and Sale Agreement, any amounts collected by a Participant under any such policy shall be deposited with the Trustee. The cost of maintaining any such insurance shall be paid by each Eligible Borrower on a Mortgage Loan which requires such insurance.

Agency Risk Retention Program: In lieu of the private mortgage insurance policies described above, pursuant to the Indenture, the Agency has established a Risk Retention Program. Through this program, the Agency provides an alternative to private mortgage insurance by retaining the risk of mortgage default associated with some of the Mortgage Loans originated with proceeds of Series R Bonds and all series of Bonds issued thereafter.

(continued on next page)

The following chart sets forth the mortgage insurance providers (including the federal insurance and guarantee programs and the Agency's Risk Retention Program) used with respect to all series of Bonds, the number of Mortgage Loans insured by such providers and the principal amount of Mortgage Loans insured which are outstanding as of December 31, 2009. As of such date, there were also 8,244 Mortgage Loans with an outstanding principal balance of $551,461,228 that had loan-to-value ratios of less than 80% and were not covered by primary mortgage insurance program (representing 17.86% of the total PHFA Mortgage Loan portfolio). As of December 31, 2009, no private mortgage insurers are qualified to insure New Mortgage Loans in the Program.

Mortgage Insurance Providers	Number of Mortgage Loans Insured	Principal Amount of Mortgage Loans Outstanding
Radian Guaranty Inc.	835	$62,354,231
(shared-risk first contract) (1)	49	$1,797,723
Genworth Financial (GE)	1,628	$139,521,047
(shared-risk first contract) (1)	33	$749,416
(shared-risk second contract) (1)	128	$3,755,707
Mortgage Guaranty Insurance Corporation (2)	3,740	$314,612,848
(shared-risk first contract) (1)	35	$824,933
(shared-risk second contract) (1)	122	$3,859,503
PMI Mortgage Insurance Company	887	$63,524,972
(shared-risk first contract) (1)	38	$1,218,331
Republic Mortgage Insurance Co.	801	$72,654,310
United Guaranty (AIG)	883	$76,639,182
VEREX Assurance (3)	183	$2,562,226
Veterans Administration	1,648	$129,911,549
Federal Housing Administration	22,117	$1,596,189,255
Rural Housing Services	2,804	$249,863,192
Triad Guaranty Insurance	48	$2,946,008
Franklin & Marshall College	3	$383,579
CMG Mortgage Insurance Company	19	$1,984,382
PHIF Risk Retention Program	1,897	$129,903,281
Total*	37,898	$2,855,255,675

(1) The Agency entered into shared risk contracts with Commonwealth Mortgage Assurance Company, General Electric Mortgage Insurance Corporation (now Genworth Financial), Mortgage Guaranty Insurance Corporation and PMI Mortgage Insurance Company in order to provide mortgagors with lower premiums for primary mortgage insurance. Under these agreements, the mortgage insurers are primarily responsible to the holders of the mortgage insurance policies, and the Agency assumed a portion of the mortgage default risk, covering up to $288,500,000 in Mortgage Loans. The Agency has restricted funds to cover a portion of the potential exposure under these agreements. The Agency discontinued originating Mortgage Loans under these agreements in September, 1993.

(2) This number also includes approximately $243,000 principal amount of Mortgage Loans outstanding insured by WMAC (hereinafter defined). For a description of WMAC, see "Mortgage Pool Insurance Policy -- 1982 Series A Bonds and 1982 Series B Bonds" hereafter in this Appendix B.

(3) As of June 30, 1995, Verex Assurance, Inc. had been acquired by General Electric Capital Mortgage (now Genworth Financial), and payment for claims under the above referenced policies are being remitted to the Agency thereby.

(4) Of the Mortgage Loans outstanding as of December 31, 2009, 3.57% were VA guaranteed, 47.92% were FHA insured, 6.07% were RHS insured and 42.42% were conventional mortgages.

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* In addition, as of December 31, 2009, the Agency has seven loans totaling $506,754, which are not participating in any primary mortgage insurance program.

Mortgage Pool Insurance Policy

1982 Series A Bonds and 1982 Series B Bonds. Mortgage pool insurance policies were obtained from Mortgage Guaranty Insurance Company ("MGIC", now "WMAC" as described hereinafter) for the 1982 Series A Bonds and the 1982 Series B Bonds. Each policy covered 100% of the loss (as such loss is defined in the policy) by reason of default on any Mortgage Loan insured under such policy ("Covered Mortgage Loans") up to an aggregate limit of coverage equal to 20% of the aggregate original principal amount of all Covered Mortgage Loans. The mortgage pool insurance policies were issued to the Trustee, and the premiums for the mortgage pool insurance policies are paid by the Trustee from the Revenue Account pursuant to the Indenture. The mortgage pool insurance policies are not blanket policies against all losses, since claims thereunder may be made only respecting particular defaulted Covered Mortgage Loans and only upon the satisfaction of certain conditions precedent described below. It is a requirement of each mortgage pool insurance policy that certain guarantees or insurance be maintained as provided in the Master Origination and Sale Agreement. The Participants have agreed not to take any action which would result in the mortgage pool insurance policies not being maintained and will present claims thereunder to the insurer on behalf of the Trustee.

Each such mortgage pool insurance policy provides that no claim may be paid thereunder unless (i) a private mortgage insurance policy or VA guarantee providing coverage on the amount of the mortgage at least in excess of 75% of the lesser of the sales price or appraised value has been kept in force at least so long as the remaining principal amount of the mortgage loan exceeds 80% of the lesser of sales price or the initial appraised value, (ii) premiums on the standard hazard insurance policy on the property securing the defaulted Covered Mortgage Loan have been paid by the Participant and (iii) if there has been physical loss or damage to the mortgaged property, it has been restored to its condition at the time the Covered Mortgage Loan was made, subject to reasonable wear and tear. Assuming the satisfaction of these conditions, the insurer has the option, after expiration of any applicable redemption period, to either (i) purchase the property securing the defaulted Covered Mortgage Loan at a price equal to the principal balance thereof plus accrued and unpaid interest at the mortgage rate to the date of purchase and certain expenses on condition that the insurer must be provided with good and marketable title to the mortgaged property (unless the property has been conveyed pursuant to the terms of the applicable mortgage guarantee or insurance policy) or (ii) pay the amount by which the sum of the principal balance of the defaulted Covered Mortgage Loan plus accrued and unpaid interest at the mortgage rate to the date of the payment of the claim plus certain expenses exceeds the proceeds received from a sale of the property which the insurer of the mortgage pool insurance policy has approved. In both (i) and (ii), the amount of payment is reduced by the amount of loss paid under the applicable private mortgage insurance policy or VA guarantee.

A claim under a mortgage pool insurance policy must be filed (i) within 60 days after the claim for loss has been settled or paid under the mortgage guarantee or insurance policy or (ii) within 60 days after the Trustee has conveyed title to the property in a sale approved by the insurer of the mortgage pool insurance policy, whichever is later. As a consequence of the time periods required by Pennsylvania foreclosure law, there normally will be a delay between default by a mortgagor and the collection of sale and insurance proceeds. Further, MGIC receives 30 days to pay claims after presentment, so additional delays are possible. Any such delays may increase interest and expenses.

The amount of coverage under each mortgage insurance policy will be reduced over the life of the Bonds by the dollar amount of claims paid less amounts realized by the insurer upon disposition of mortgaged properties. The amount of claims paid includes certain expenses incurred by the Participants as well as accrued interest on delinquent Covered Mortgage Loans, including interest accrued through completion of foreclosure proceedings. Accordingly, if aggregate recoveries under such mortgage pool insurance policy reach the policy limit, coverage under such mortgage pool insurance policy will be exhausted and any further losses will be borne by the holders of the Bonds to the extent remaining monies held under the Indenture are inadequate to pay principal of and interest on the Bonds.

MGIC issues an endorsement to the mortgage pool insurance policy providing that MGIC will make periodic revenue advances, as requested by the insured, in the amounts equal to delinquent payments of principal and interest on each Covered Mortgage Loan that is delinquent for a specified number of days, provided that not less than 30 days before such regular semi-annual advance the Agency reports to MGIC on all such delinquent loans on which foreclosure has been commenced. Revenue advances will be made only if foreclosure proceedings are commenced after 90 days delinquency, and such proceedings are pursued. Claim settlements under the mortgage pool insurance policy will be reduced by the sum of the revenue advances. Any revenue advances must be repaid within 15 days after payments on the Covered Mortgage Loan have been received (either from the mortgagor, an insurer or through foreclosure) for which revenue advances were previously made.

The coverage available under the advance claims payment procedure equals the limit of coverage provided under the mortgage pool insurance policies. Revenue advances for which MGIC is ultimately reimbursed are not charged against the limit of coverage under the policy. To the extent foreclosure or other disposition of the property subject to a Mortgage Loan does not result in sufficient liquidation proceeds to reimburse MGIC for all revenue advances made under the advance claims payment procedure, aggregate coverage under the mortgage pool insurance policy will be reduced by the amount of such difference. Consequently, when coverage under a mortgage pool insurance policy has been exhausted, payments of revenue advances under the advance claims payment procedure will no longer be made. The aggregate amount which MGIC shall be obligated to pay under the advance claims payment procedure also will not exceed 12 monthly payments on each delinquent mortgage loan.

Effective March 1, 1985, all of the policies issued by MGIC, a stock insurance company organized under the laws of the State of Wisconsin and a subsidiary of MGIC Investment Corporation, an indirect subsidiary of Baldwin-United Corporation, insuring mortgage loans acquired with bonds, and all other insurance in force of MGIC, were reinsured by a consortium of international reinsurance companies. Such reinsurance is now the source of funds available for payment under those policies. As part of that transaction, the name MGIC was changed to Wisconsin Mortgage Assurance Corporation ("WMAC"). Information concerning such reinsurance companies may be obtained from WMAC.

<u>The Series C through Series H Bonds</u>. In 1988, the Agency assumed all mortgage pool insurance responsibilities previously borne under the mortgage pool insurance policies issued by Verex Assurance, Inc. (now General Electric Capital Mortgage) for Mortgage Loans purchased from the proceeds of the Series C through Series H Bonds. The Agency created a self-insurance fund within its general fund, in order to help insure itself as a result of assuming such obligations. The Agency was not legally obligated to establish, and is not legally obligated to maintain, such self-insurance fund. This self-insurance fund is to be used: (a) for any special hazard losses on

Mortgage Loans funded with the proceeds of the Series C Bonds through Series H Bonds to the extent such losses are not otherwise covered by the applicable standard hazard insurance policies, and (b) to insure the Agency against loss arising out of a default on any Mortgage Loans resulting from the issuance of the Series C through the Series H Bonds to the extent such losses are not otherwise covered by primary mortgage insurance policies, FHA insurance, RD guarantees or VA guarantees.

Series I Bonds through Series 2006-96 Bonds. In addition to primary insurance program requirements, the Agency has created the Self-Insurance Fund in order to help insure itself as a result of its obligations under the Indenture. The Self-Insurance Fund consists of (i) funds held by the Trustee under the Indenture, and (ii) funds which the Agency has restricted in its General Fund for accounting purposes only.

The Agency covenants to fund and maintain a balance in the Self-Insurance Fund held under the Indenture by the Trustee in the following amounts (the "Self-Insurance Fund Requirement"):

	Amount pledged as a percentage of outstanding principal amount of Mortgage Loans funded from the Series of Bonds
Series I and J	2.0% of the outstanding principal amount
Series K	1.1% of the outstanding principal amount
Series L through Series 2006-96	2.0% of the outstanding principal amount

The Agency is not obligated under the Indenture to fund or maintain such Self-Insurance Fund in any amount with respect to any Series of Bonds issued after November 2006. The Agency may withdraw amounts from such Self-Insurance Fund in excess of the Self-Insurance Fund Requirement upon written request to the Trustee accompanied by a written confirmation from the applicable rating services that such withdrawal will not adversely affect the then current rating on the Bonds.

As of December 31, 2009, the total amount of the Self-Insurance Fund held under the Indenture by the Trustee was $48,886,000 which is in excess of the Self-Insurance Requirement. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Funds and Accounts" in Part 2 of this Official Statement.

The Agency performed an analysis of the Mortgage Loan portfolio and determined that the Self-Insurance Fund held under the Indenture is adequately funded to provide coverage for losses not otherwise covered by primary mortgage insurance or special hazard loss insurance. Therefore, the Agency does not expect to fund or maintain the Self-Insurance Fund under the Indenture in any amount with respect to any Series of Bonds issued after November 2006. Additionally, the Agency was not legally obligated to establish, and is not required to maintain, the General Fund restriction for Self-Insurance Fund purposes for any Series of Bonds, and it has determined to discontinue the restriction, based on the low number of actual losses experienced in the program.

The Self-Insurance Fund is to be used: (a) for any special hazard losses on Mortgage Loans funded with the proceeds of the Series I Bonds or any subsequent series of Bonds covered thereby to the extent such losses are not otherwise covered by the applicable standard hazard insurance policies, and (b) to insure the Agency against loss arising out of a default on any

Mortgage Loans resulting from the issuance of the Series I Bonds and thereafter to and including the Series 2006-96 Bonds to the extent such losses are not otherwise covered by primary mortgage insurance policies, the Agency Risk Retention Program, FHA insurance, RD guarantees or VA guarantees.

Mortgage Pool Policy Claims and Self-Insurance Fund Claims

The following chart sets forth information concerning the Mortgage Pool Policies for each of the Agency's issues of Single Family Mortgage Revenue Bonds as of December 31, 2009:

Series of Bonds	Remaining Loss Limit of Mortgage Pool Policy	Mortgage Pool Policy Claims Paid
1982 Series A	$12,802,509	$493,186
1982 Series B	$21,858,425	$1,187,061

In addition, as of December 31, 2009, there have been a total of 4,024 claims in the aggregate amount of $17,458,463 paid by the Agency's Self-Insurance Fund.

APPENDIX C
THE SINGLE FAMILY MORTGAGE LOAN PROGRAM

The following information was provided by the Agency regarding its Single Family Mortgage Loan Program. There are four areas of information set forth in this Appendix:

I. Information regarding the Agency's outstanding Single Family Mortgage Revenue Bonds.

II. Information regarding the Agency's recent redemptions with respect to its Single Family Mortgage Revenue Bonds.

III. Information regarding the operations of the Agency's Single Family Mortgage Loan Program and certain information regarding the Agency's Mortgage Loan portfolio.

IV. Information regarding the delinquencies in the Agency's Mortgage Loan portfolio.

I. Outstanding Single Family Mortgage Revenue Bonds (as of November 30, 2009)

The following sets forth the dated dates, the original principal amounts and the outstanding amounts as of November 30, 2009, of the Agency's Single Family Mortgage Revenue Bond issues.

Series	Dated	Original Amount	Outstanding Amount
Series A	April 1, 1982	$100,000,000	$0
Series B	August 15, 1982	$115,000,000	$0
Series C	April 1, 1983	$64,599,325	$0
Series D	June 1, 1983	$69,997,774	$0
Series E	October 1, 1983	$41,999,822	$0
Series F	June 15, 1984	$198,000,000	$0
Series G	April 1, 1985	$150,000,000	$0
Series H	July 1, 1985	$82,998,488	$0
Series I	October 1, 1985	$25,595,321	$0
Series J	June 1, 1986	$44,961,666	$0
Series K	October 1, 1986	$54,996,868	$0
Series L	March 3, 1987	$40,000,000	$0
Series M	April 2, 1987	$80,335,000	$0
Series N	June 1, 1987	$54,995,000	$0
Series O	June 25, 1987	$80,335,000	$0
Series P	October 22, 1987	$25,600,000	$0
Series Q	October 22, 1987	$50,000,000	$0
Series R	December 3, 1987	$80,000,000	$0
Series S	August 1, 1988	$25,000,000	$0
Series T	October 25, 1988	$25,000,000	$0
Series U	November 3, 1988	$79,335,000	$0
Series V	December 1, 1988	$25,000,000	$0
Series W	December 28, 1988	$50,500,000	$0
Series X	June 1, 1989	$66,000,000	$0
Series Y	September 1, 1989	$35,000,000	$0
Series Z	March 1, 1990	$27,000,000	$0
Series 1990-27	May 1, 1990	$47,000,000	$0
Series 1990-28	August 1, 1990	$80,000,000	$0
Series 1990-29	August 1, 1990	$30,000,000	$0
Series 1991-30	March 1, 1991	$25,000,000	$0
Series 1991-31	August 1, 1991	$85,000,000	$0
Series 1991-32	August 1, 1991	$35,000,000	$0
Series 1992-33	March 1, 1992	$49,800,000	$0
Series 1992-34	May 1, 1992	$75,000,000	$0
Series 1992-35	June 24, 1992	$95,650,000	$0
Series 1993-36	September 1, 1993	$54,155,000	$0
Series 1993-37	September 1, 1993	$75,000,000	$0
Series 1994-38	April 1, 1994	$30,000,000	$0
Series 1994-39	April 1, 1994	$40,000,000	$0
Series 1994-40	May 1, 1994	$40,000,000	$0
Series 1994-41	August 1, 1994	$50,000,000	$0
Series 1994-42	September 15, 1994	$60,000,000	$0
Series 1994-43	November 15, 1994	$50,000,000	$0
Series 1995-44	March 1, 1995	$50,000,000	$0
Series 1995-45	May 1, 1995	$50,000,000	$0
Series 1995-46	September 15, 1995	$50,000,000	$0
Series 1996-47	January 1, 1996	$50,000,000	$1,455,000
Series 1996-48	April 1, 1996	$50,000,000	$0
Series 1996-49	May 1, 1996	$50,000,000	$0
Series 1996-50	May 15, 1996	$50,000,000	$0
Series 1996-51	June 1, 1996	$75,000,000	$0
Series 1996-52	August 1, 1996	$75,000,000	$0
Series 1996-53	October 1, 1996	$75,000,000	$0
Series 1997-54	January 1, 1997	$50,000,000	$0
Series 1997-55	January 1, 1997	$33,385,000	$0
Series 1997-56	March 1, 1997	$95,005,000	$0

Table Continued from Previous Page

Series	Dated	Original Amount	Outstanding Amount
Series 1997-57	March 1, 1997	$50,000,000	$0
Series 1997-58	June 1, 1997	$75,000,000	$0
Series 1997-59	July 1, 1997	$75,000,000	$0
Series 1997-60	September 1, 1997	$75,000,000	$0
Series 1997-61	December 15, 1997	$75,000,000	$36,460,000
Series 1998-62	May 1, 1998	$75,000,000	$46,485,000
Series 1998-63	September 1, 1998	$62,001,795	$47,790,628
Series 1998-64	October 1, 1998	$74,999,911	$47,185,000
Series 1999-65	March 1, 1999	$99,875,000	$44,415,000
Series 1999-66	June 1, 1999	$144,525,000	$24,250,000
Series 1999-67	August 1, 1999	$149,840,000	$26,525,000
Series 1999-68	December 15, 1999	$75,000,000	$17,020,000
Series 2000-69	March 1, 2000	$75,000,000	$34,235,000
Series 2000-70	September 1, 2000	$75,000,000	$32,670,000
Series 2001-71	March 29, 2001	$7,785,000	$0
Series 2001-72	September 26, 2001	$225,000,000	$146,725,000
Series 2002-73	March 6, 2002	$225,000,000	$109,250,000
Series 2002-74	August 20, 2002	$100,000,000	$97,860,000
Series 2002-75	December 20, 2002	$100,000,000	$87,465,000
Series 2003-76	March 31, 2003	$5,165,000	$0
Series 2003-77	September 4, 2003	$100,000,000	$74,615,000
Series 2003-78	September 4, 2003	$73,680,000	$56,090,000
Draw Down 2003	November 24, 2003	$381,605,000	$0
Series 2003-79	December 18, 2003	$100,000,000	$74,385,000
Series 2003-80	December 18, 2003	$90,000,000	$0
Series 2004-81	April 8, 2004	$100,000,000	$83,700,000
Series 2004-82	May 27, 2004	$100,000,000	$77,240,000
Series 2004-83	August 19, 2004	$127,510,000	$80,560,000
Series 2004-84	September 30, 2004	$100,000,000	$82,340,000
Series 2004-85	November 16, 2004	$100,000,000	$86,010,000
Series 2004-86	December 21, 2004	$100,000,000	$93,885,000
Series 2005-87	March 16, 2005	$100,000,000	$91,305,000
Series 2005-88	May 5, 2005	$100,000,000	$83,845,000
Series 2005-89	May 25, 2005	$125,000,000	$63,485,000
Series 2005-90	September 14, 2005	$125,000,000	$114,240,000
Series 2005-91	December 22, 2005	$154,815,000	$118,540,000
Series 2006-92	March 29, 2006	$125,000,000	$120,780,000
Series 2006-93	May 24, 2006	$125,000,000	$104,825,000
Series 2006-94	July 20, 2006	$124,395,000	$106,615,000
Series 2006-95	September 7, 2006	$198,885,000	$166,120,000
Series 2006-96	November 30, 2006	$195,000,000	$172,545,000
Series 2007-97	March 30, 2007	$199,415,000	$149,030,000
Series 2007-98	May 31, 2007	$199,240,000	$181,000,000
Series 2007-99	September 6, 2007	$200,000,000	$125,195,000
Series 2007-100	December 5, 2007	$200,000,000	$139,275,000
Series 2008-101	March 27, 2008	$59,625,000	$55,240,000
Series 2008-102	May 29, 2008	$150,000,000	$147,285,000
Series 2008-103	September 30, 2008	$183,090,000	$181,290,000
Series 2008-104	December 18, 2008	$167,250,000	$156,330,000
Series 2009-105	September 30, 2009	$193,670,000	$193,670,000
Total		$9,509,615,970	$3,979,230,628

II. Agency's Historical Redemption Practices

Historically, the Agency has received a large volume of prepayments of Mortgage Loans. The Agency may use and has, from time to time, used prepayments and other early terminations of Mortgage Loans to make new Mortgage Loans. If it is not feasible to make new Mortgage Loans, the Agency intends to purchase or redeem Outstanding Bonds. It has been the Agency's policy generally, subject to Federal Tax Requirements and to the redemption provisions set forth in the Resolutions authorizing each series of Bonds and to certain other structuring considerations, to redeem the highest cost maturities of Outstanding Bonds. **More recently, the Agency has determined that it may be economically prudent not to redeem bonds that are the highest cost maturities (such as bonds eligible for refunding or optional redemption) but rather it may redeem bonds that are not the highest cost maturities if such redemption benefits the Single Family Mortgage Loan Program of the Agency or otherwise is determined to be in the best interest of the Agency.**

The following chart sets forth, in descending order, the maturities of Outstanding Bonds bearing the highest coupons, but, because of the considerations referred to in the preceding paragraph, should not be construed as indicating the sequence in which Bonds will be redeemed. Each such redemption shall be made at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date. **The Agency's policy may change at any time and from time to time, in the Agency's sole discretion.**

PARTIAL LISTING OF OUTSTANDING SINGLE FAMILY BONDS BY HIGHEST COUPON AS OF DECEMBER 31, 2009

Series	Coupon	Outstanding Amount	Cumulative Amount
67B	7.51 s due 10/28	$210,000	$210,000
70B	7.097 s due 10/28	$2,055,000	$2,265,000
68C	7.02 s due4/29	$1,760,000	$4,025,000
47	6.75 s due 10/07 - 10/10	$1,455,000	$5,480,000
69A	6.15 s due 10/26	$12,770,000	$18,250,000
68A	6.05 s due 10/28	$15,260,000	$33,510,000
94C	6.04 s due 10/30	$1,590,000	$35,100,000
94C	5.99 s due 10/16	$1,085,000	$36,185,000
94C	5.96 s due 10/15	$1,575,000	$37,760,000
67B	5.95 s due4/29	$18,305,000	$56,065,000
94C	5.94 s due 10/14	$1,480,000	$57,545,000
94C	5.92 s due 10/13	$1,425,000	$58,970,000
94C	5.89 s due 10/12	$1,350,000	$60,320,000
72C	5.865 s due 10/32	$14,590,000	$74,910,000
94C	5.860 s due 10/11	$1,270,000	$76,180,000
93C	5.84 s due 4/37	$12,785,000	$88,965,000
94C	5.84 s due 10/10	$1,200,000	$90,165,000
70A	5.80 s due4/27	$12,240,000	$102,405,000
95D	5.755 s due 10/37	$12,280,000	$114,685,000
93A	5.75 s due 4/37	$20,725,000	$135,410,000
94A	5.75 s due 4/37	$10,945,000	$146,355,000
95A	5.75 s due 10/36	$11,185,000	$157,540,000
98A	5.75 s due 4/27	$9,215,000	$166,755,000
96C	5.724 s due 10/37	$27,575,000	$194,330,000
103A	5.70 s due 4/22	$13,095,000	$207,425,000
66A	5.65 s due 4/29	$2,925,000	$210,350,000
95D	5.623 s due 10/16	$825,000	$211,175,000
98D	5.61 s due 10/37	$55,400,000	$266,575,000
95D	5.593 s due 10/15	$795,000	$267,370,000
95D	5.573 s due 10/14	$750,000	$268,120,000
66A	5.55 s due 10/20	$21,325,000	$289,445,000
67A	5.55 s due 10/12	$375,000	$289,820,000
95D	5.543 s due 10/13	$710,000	$290,530,000
95D	5.523 s due 10/12	$670,000	$291,200,000
61A	5.50 s due 4/29	$20,665,000	$311,865,000
63	5.50 s due 4/30	$15,173,756	$327,038,756
62A	5.50 s due 10/22	$115,000	$327,153,756
62A	5.50 s due 10/25	$9,415,000	$336,568,756
67A	5.50 s due 10/11	$3,335,000	$339,903,756
97A	5.50 s due 10/32	$8,520,000	$348,423,756
102A	5.50 s due 10/34	$34,670,000	$383,093,756
95D	5.473 s due 10/11	$630,000	$383,723,756
98D	5.46 s due 4/17	$870,000	$384,593,756
98D	5.46 s due 10/17	$870,000	$385,463,756
61A	5.45 s due 10/21	$15,795,000	$401,258,756
62A	5.45 s due 10/29	$19,980,000	$421,238,756
67A	5.45 s due 10/10	$3,160,000	$424,398,756
73A	5.45 s due 10/32	$18,900,000	$443,298,756
73A	5.45 s due 10/33	$1,245,000	$444,543,756
96C	5.45 s due 10/16	$5,240,000	$449,783,756
103C	5.45 s due 10/38	$58,965,000	$508,748,756
95D	5.421 s due 10/10	$595,000	$509,343,756
98D	5.41 s due 10/16	$850,000	$510,193,756
62A	5.40 s due 10/18	$13,905,000	$524,098,756
67A	5.40 s due 10/24	$1,140,000	$525,238,756
98D	5.40 s due 4/16	$825,000	$526,063,756
103C	5.40 s due 10/33	$41,760,000	$567,823,756
102A	5.375 s due 10/28	$25,050,000	$592,873,756

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Series	Coupon	Outstanding Amount	Cumulative Amount
72A	5.35 s due 10/31	$18,690,000	$611,563,756
72A	5.35 s due 10/32	$5,065,000	$616,628,756
73A	5.35 s due 10/22	$12,395,000	$629,023,756
100A	5.35 s due 10/33	$38,210,000	$667,233,756
98D	5.33 s due 1/15	$780,000	$668,013,756
98D	5.33 s due 10/15	$805,000	$668,818,756
96C	5.324 s due 4/12	$615,000	$669,433,756
96C	5.324 s due 10/12	$620,000	$670,053,756
98D	5.31 s due 10/14	$2,895,000	$672,948,756
99A	5.30 s due 10/37	$16,915,000	$689,863,756
96C	5.274 s due 4/11	$600,000	$690,463,756
96C	5.274 s due 10/11	$605,000	$691,068,756
97C	5.26 s due 10/17	$1,130,000	$692,198,756
64	5.25 s due 4/30	$4,540,000	$696,738,756
65A	5.25 s due 4/22	$12,105,000	$708,843,756
70A	5.25 s due 10/13	$765,000	$709,608,756
72A	5.25 s due 4/21	$45,230,000	$754,838,756
73A	5.25 s due 4/33	$12,105,000	$766,943,756
73A	5.25 s due 10/18	$16,780,000	$783,723,756
74B	5.25 s due 4/32	$7,875,000	$791,598,756
74B	5.25 s due 10/32	$3,000,000	$794,598,756
92A	5.25 s due 4/36	$6,070,000	$800,668,756
99A	5.25 s due 10/32	$28,440,000	$829,108,756
100A	5.25 s due 10/27	$23,370,000	$852,478,756
102A	5.25 s due 10/23	$20,420,000	$872,898,756
97C	5.23 s due 10/16	$1,110,000	$874,008,756
96C	5.224 s due 4/10	$585,000	$874,593,756
96C	5.224 s due 10/10	$595,000	$875,188,756
62A	5.20 s due 10/11	$1,580,000	$876,768,756
65A	5.20 s due 10/18	$4,005,000	$880,773,756
65A	5.20 s due 4/19	$1,795,000	$882,568,756
75B	5.20 s due 4/33	$9,370,000	$891,938,756
75B	5.20 s due 4/32	$100,000	$892,038,756
97C	5.20 s due 10/15	$1,055,000	$893,093,756
99A	5.20 s due 10/27	$18,275,000	$911,368,756
103C	5.20 s due 10/28	$30,825,000	$942,193,756
97C	5.18 s due 10/14	$1,010,000	$943,203,756
73C	5.167 s due 4/32	$1,215,000	$944,418,756
63	5.15 s due 4/21	$22,675,000	$967,093,756
70A	5.15 s due 10/12	$965,000	$968,058,756
72A	5.15 s due 10/20	$15,000,000	$983,058,756
74B	5.15 s due 10/22	$33,475,000	$1,016,533,756
74B	5.15 s due 10/29	$17,500,000	$1,034,033,756
94A	5.15 s due 10/37	$30,730,000	$1,064,763,756
99A	5.15 s due 4/38	$20,000,000	$1,084,763,756
98D	5.14 s due 4/12	$655,000	$1,085,418,756
97C	5.13 s due 10/13	$1,885,000	$1,087,303,756
102A	5.125 s due 4/18	$1,820,000	$1,089,123,756
102A	5.125 s due 10/18	$1,850,000	$1,090,973,756
98D	5.11 s due 10/12	$675,000	$1,091,648,756
62A	5.10 s due 10/10	$1,490,000	$1,093,138,756
64	5.10 s due 4/26	$25,000,000	$1,118,138,756
75B	5.10 s due 10/20	$21,900,000	$1,140,038,756
75B	5.10 s due 10/29	$19,405,000	$1,159,443,756
94A	5.10 s due 10/31	$18,800,000	$1,178,243,756
98D	5.10 s due 4/11	$610,000	$1,178,853,756
98D	5.10 s due 10/11	$635,000	$1,179,488,756
100A	5.10 s due 10/22	$17,290,000	$1,196,778,756
97C	5.09 s due 10/11	$870,000	$1,197,648,756
97C	5.05 s due 10/10	$830,000	$1,198,478,756
98D	5.01 s due 10/10	$600,000	$1,199,078,756

Table Continued from Previous Page

Series	**Coupon**	**Outstanding Amount**	**Cumulative Amount**
63	5.00 s due 4/13	$1,330,000	$1,200,408,756
63	5.00 s due 10/13	$1,360,000	$1,201,768,756
64	5.00 s due 10/17	$11,205,000	$1,212,973,756
64	5.00 s due 10/18	$870,000	$1,213,843,756
70A	5.00 s due 10/11	$900,000	$1,214,743,756
79A	5.00 s due 4/34	$6,480,000	$1,221,223,756
90A	5.00 s due 10/35	$9,730,000	$1,230,953,756
91A	5.00 s due 4/36	$18,565,000	$1,249,518,756
102A	5.00 s due 10/17	$1,700,000	$1,251,218,756
103A	5.00 s due 4/16	$1,400,000	$1,252,618,756
103C	5.00 s due 10/23	$9,650,000	$1,262,268,756
105C	5.00 s due 10/39	$48,270,000	$1,310,538,756
63	4.95 s due 4/12	$1,265,000	$1,311,803,756
63	4.95 s due 10/12	$1,295,000	$1,313,098,756
65B	4.95 s due 4/16	$19,745,000	$1,332,843,756
93A	4.95 s due 10/26	$15,165,000	$1,348,008,756
98D	4.95 s due 4/10	$580,000	$1,348,588,756
70A	4.90 s due 10/10	$525,000	$1,349,113,756
95A	4.90 s due 10/37	$44,845,000	$1,393,958,756
91A	4.875 s due 4/26	$21,205,000	$1,415,163,756
95A	4.875 s due 10/31	$23,620,000	$1,438,783,756
102A	4.875 s due 4/16	$190,000	$1,438,973,756
105C	4.875 s due 10/34	$46,940,000	$1,485,913,756
63	4.85 s due 4/11	$1,205,000	$1,487,118,756
63	4.85 s due 10/11	$1,230,000	$1,488,348,756
73A	4.85 s due 4/12	$1,345,000	$1,489,693,756
73A	4.85 s due 10/12	$1,380,000	$1,491,073,756
93A	4.85 s due 10/21	$18,965,000	$1,510,038,756
98A	4.85 s due 10/31	$23,005,000	$1,533,043,756
99A	4.85 s due 10/18	$1,355,000	$1,534,398,756
65A	4.80 s due 4/10	$1,390,000	$1,535,788,756
72A	4.80 s due 4/12	$2,820,000	$1,538,608,756
72A	4.80 s due 10/12	$2,895,000	$1,541,503,756
95A	4.80 s due 10/27	$8,710,000	$1,550,213,756
99A	4.80 s due 4/18	$1,600,000	$1,551,813,756
106B	4.80 s due 4/28	$26,205,000	$1,578,018,756
63	4.75 s due 4/10	$1,150,000	$1,579,168,756
63	4.75 s due 10/10	$1,180,000	$1,580,348,756
65B	4.75 s due 4/11	$1,895,000	$1,582,243,756
65B	4.75 s due 10/11	$1,210,000	$1,583,453,756
73A	4.75 s due 4/11	$1,285,000	$1,584,738,756
73A	4.75 s due 10/11	$1,305,000	$1,586,043,756
77A	4.75 s due 4/14	$815,000	$1,586,858,756
92A	4.75 s due 4/31	$26,230,000	$1,613,088,756
98A	4.75 s due 10/27	$7,760,000	$1,620,848,756
102A	4.75 s due 10/15	$1,635,000	$1,622,483,756
64	4.70 s due 10/12	$1,940,000	$1,624,423,756
90A	4.70 s due 10/25	$13,920,000	$1,638,343,756
96A	4.70 s due 10/37	$41,035,000	$1,679,378,756
97A	4.70 s due 10/37	$40,295,000	$1,719,673,756
99A	4.70 s due 10/17	$1,400,000	$1,721,073,756
103A	4.70 s due 4/14	$460,000	$1,721,533,756
65B	4.65 s due 4/10	$420,000	$1,721,953,756
65B	4.65 s due 10/10	$1,850,000	$1,723,803,756
72A	4.65 s due 4/11	$2,675,000	$1,726,478,756
72A	4.65 s due 10/11	$2,745,000	$1,729,223,756
73A	4.65 s due 4/10	$1,225,000	$1,730,448,756
73A	4.65 s due 10/10	$1,250,000	$1,731,698,756
77A	4.65 s due 4/13	$835,000	$1,732,533,756
77A	4.65 s due 10/13	$850,000	$1,733,383,756
90A	4.65 s due 4/25	$20,000,000	$1,753,383,756

Series	Coupon	Outstanding Amount	Cumulative Amount
92A	4.65 s due 10/26	$22,455,000	$1,775,838,756
96A	4.65 s due 10/31	$22,750,000	$1,798,588,756
97A	4.65 s due 10/31	$24,465,000	$1,823,053,756
98A	4.65 s due 10/22	$15,420,000	$1,838,473,756
73B	4.625 s due 4/12	$3,140,000	$1,841,613,756
73B	4.625 s due 10/12	$3,245,000	$1,844,858,756
99A	4.625 s due 10/16	$415,000	$1,845,273,756
105C	4.625 s due 10/29	$35,675,000	$1,880,948,756
64	4.60 s due 10/11	$1,855,000	$1,882,803,756
96A	4.60 s due 10/27	$24,200,000	$1,907,003,756
97A	4.60 s due 10/27	$25,525,000	$1,932,528,756
72A	4.55 s due 4/10	$2,550,000	$1,935,078,756
72A	4.55 s due 10/10	$2,610,000	$1,937,688,756
73B	4.55 s due 4/11	$2,925,000	$1,940,613,756
73B	4.55 s due 10/11	$3,035,000	$1,943,648,756
91A	4.55 s due 4/16	$1,420,000	$1,945,068,756
92A	4.55 s due 10/21	$17,245,000	$1,962,313,756
96A	4.55 s due 10/22	$20,605,000	$1,982,918,756
100A	4.55 s due 4/17	$95,000	$1,983,013,756
100A	4.55 s due 10/17	$255,000	$1,983,268,756
64	4.50 s due 10/10	$1,775,000	$1,985,043,756
72A	4.50 s due 4/32	$2,060,000	$1,987,103,756
77A	4.50 s due 4/12	$805,000	$1,987,908,756
77A	4.50 s due 10/12	$820,000	$1,988,728,756
91A	4.50 s due 4/15	$700,000	$1,989,428,756
91A	4.50 s due 10/15	$720,000	$1,990,148,756
97A	4.50 s due 10/22	$19,710,000	$2,009,858,756
99A	4.50 s due 10/15	$985,000	$2,010,843,756
100A	4.50 s due 10/16	$215,000	$2,011,058,756
106B	4.50 s due 10/24	$26,290,000	$2,037,348,756
73B	4.45 s due 4/10	$2,730,000	$2,040,078,756
73B	4.45 s due 10/10	$2,830,000	$2,042,908,756
95A	4.45 s due 4/16	$1,355,000	$2,044,263,756
95A	4.45 s due 10/16	$50,000	$2,044,313,756
99B	4.45 s due 4/17	$575,000	$2,044,888,756
99B	4.45 s due 10/17	$160,000	$2,045,048,756
79A	4.40 s due 4/15	$960,000	$2,046,008,756
79A	4.40 s due 10/15	$975,000	$2,046,983,756
87A	4.40 s due 10/14	$540,000	$2,047,523,756
91A	4.40 s due 4/14	$665,000	$2,048,188,756
91A	4.40 s due 10/14	$685,000	$2,048,873,756
95A	4.40 s due 10/15	$1,345,000	$2,050,218,756
99B	4.40 s due 4/16	$2,255,000	$2,052,473,756
99B	4.40 s due 10/16	$150,000	$2,052,623,756
98A	4.375 s due 10/17	$645,000	$2,053,268,756
103C	4.375 s due 4/18	$1,860,000	$2,055,128,756
103C	4.375 s due 10/18	$1,860,000	$2,056,988,756
74B	4.35 s due 4/13	$1,420,000	$2,058,408,756
74B	4.35 s due 10/13	$1,450,000	$2,059,858,756
75B	4.35 s due 4/12	$1,145,000	$2,061,003,756
75B	4.35 s due 10/12	$1,170,000	$2,062,173,756
77A	4.35 s due 4/11	$780,000	$2,062,953,756
77A	4.35 s due 10/11	$795,000	$2,063,748,756
87A	4.35 s due 4/13	$395,000	$2,064,143,756
87A	4.35 s due 10/13	$405,000	$2,064,548,756
95A	4.35 s due 10/14	$225,000	$2,064,773,756
98A	4.35 s due 4/16	$1,085,000	$2,065,858,756
98A	4.35 s due 10/16	$140,000	$2,065,998,756
99B	4.35 s due 4/15	$2,170,000	$2,068,168,756
99B	4.35 s due 10/15	$505,000	$2,068,673,756
83A	4.30 s due 4/15	$1,245,000	$2,069,918,756

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Series	Coupon	Outstanding Amount	Cumulative Amount
83A	4.30 s due 10/15	$250,000	$2,070,168,756
90A	4.30 s due 4/15	$610,000	$2,070,778,756
90A	4.30 s due 10/15	$755,000	$2,071,533,756
91A	4.30 s due 4/13	$630,000	$2,072,163,756
91A	4.30 s due 10/13	$645,000	$2,072,808,756
95A	4.30 s due 4/13	$1,300,000	$2,074,108,756
95A	4.30 s due 10/13	$900,000	$2,075,008,756
99B	4.30 s due 10/14	$2,130,000	$2,077,138,756
74A	4.285 s due 10/32	$30,000,000	$2,107,138,756
93B	4.266 s due 4/37	$37,185,000	$2,144,323,756
74B	4.25 s due 4/12	$1,360,000	$2,145,683,756
74B	4.25 s due 10/12	$1,390,000	$2,147,073,756
75B	4.25 s due 4/11	$1,105,000	$2,148,178,756
75B	4.25 s due 10/11	$1,125,000	$2,149,303,756
79A	4.25 s due 4/14	$920,000	$2,150,223,756
79A	4.25 s due 10/14	$945,000	$2,151,168,756
87A	4.25 s due 10/12	$385,000	$2,151,553,756
91A	4.25 s due 10/12	$615,000	$2,152,168,756
92A	4.25 s due 4/16	$440,000	$2,152,608,756
92A	4.25 s due 10/16	$1,435,000	$2,154,043,756
95A	4.25 s due 10/12	$1,265,000	$2,155,308,756
98A	4.25 s due 10/15	$1,130,000	$2,156,438,756
99B	4.25 s due 4/14	$2,085,000	$2,158,523,756
103C	4.25 s due 4/17	$1,695,000	$2,160,218,756
103C	4.25 s due 10/17	$1,805,000	$2,162,023,756
105B	4.25 s due 4/24	$22,730,000	$2,184,753,756
105C	4.25 s due 10/24	$4,275,000	$2,189,028,756
83A	4.20 s due 4/14	$1,150,000	$2,190,178,756
83A	4.20 s due 10/14	$1,215,000	$2,191,393,756
87A	4.20 s due 4/12	$375,000	$2,191,768,756
90A	4.20 s due 4/14	$35,000	$2,191,803,756
90A	4.20 s due 10/14	$750,000	$2,192,553,756
91A	4.20 s due 4/12	$595,000	$2,193,148,756
92A	4.20 s due 4/15	$420,000	$2,193,568,756
92A	4.20 s due 10/15	$430,000	$2,193,998,756
95A	4.20 s due 4/12	$1,225,000	$2,195,223,756
98A	4.20 s due 4/14	$900,000	$2,196,123,756
98A	4.20 s due 10/14	$415,000	$2,196,538,756
99B	4.20 s due 10/13	$2,050,000	$2,198,588,756
82C	4.164 s due 10/34	$35,220,000	$2,233,808,756
94B	4.152 s due 4/27	$35,165,000	$2,268,973,756
74B	4.15 s due 4/11	$100,000	$2,269,073,756
74B	4.15 s due 10/11	$100,000	$2,269,173,756
79A	4.15 s due 4/13	$885,000	$2,270,058,756
79A	4.15 s due 10/13	$900,000	$2,270,958,756
90B	4.15 s due 10/17	$925,000	$2,271,883,756
92A	4.15 s due 4/14	$395,000	$2,272,278,756
92A	4.15 s due 10/14	$405,000	$2,272,683,756
99B	4.15 s due 4/13	$2,010,000	$2,274,693,756
100C	4.1360 s due 4/38	$40,000,000	$2,314,693,756
86C	4.125 s due 10/35	$19,790,000	$2,334,483,756
95A	4.125 s due 10/11	$1,190,000	$2,335,673,756
95C	4.115 s due 4/26	$39,180,000	$2,374,853,756
98C	4.105 s due 10/37	$41,955,000	$2,416,808,756
77A	4.10 s due 4/10	$755,000	$2,417,563,756
77A	4.10 s due 10/10	$770,000	$2,418,333,756
83A	4.10 s due 4/13	$1,100,000	$2,419,433,756
83A	4.10 s due 10/13	$1,130,000	$2,420,563,756
85A	4.10 s due 4/15	$1,175,000	$2,421,738,756
85A	4.10 s due 10/15	$1,200,000	$2,422,938,756
86A	4.10 s due 10/14	$5,455,000	$2,428,393,756

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Series	Coupon	Outstanding Amount	Cumulative Amount
87A	4.10 s due 10/11	$365,000	$2,428,758,756
91A	4.10 s due 10/11	$580,000	$2,429,338,756
92A	4.10 s due 4/13	$345,000	$2,429,683,756
92A	4.10 s due 10/13	$385,000	$2,430,068,756
95A	4.10 s due 4/11	$1,150,000	$2,431,218,756
98A	4.10 s due 4/13	$980,000	$2,432,198,756
98A	4.10 s due 10/13	$1,010,000	$2,433,208,756
99B	4.10 s due 10/12	$1,970,000	$2,435,178,756
102A	4.10 s due 4/11	$1,370,000	$2,436,548,756
102A	4.10 s due 10/11	$455,000	$2,437,003,756
103C	4.10 s due 4/16	$360,000	$2,437,363,756
103C	4.10 s due 10/16	$1,700,000	$2,439,063,756
77B	4.06 s due 10/33	$59,900,000	$2,498,963,756
83C	4.06 s due 10/35	$42,905,000	$2,541,868,756
74B	4.05 s due 4/10	$95,000	$2,541,963,756
74B	4.05 s due 10/10	$95,000	$2,542,058,756
75B	4.05 s due 4/10	$1,060,000	$2,543,118,756
75B	4.05 s due 10/10	$1,085,000	$2,544,203,756
85A	4.05 s due 4/14	$1,135,000	$2,545,338,756
85A	4.05 s due 10/14	$1,155,000	$2,546,493,756
91A	4.05 s due 4/11	$565,000	$2,547,058,756
92A	4.05 s due 10/12	$295,000	$2,547,353,756
95A	4.05 s due 10/10	$1,120,000	$2,548,473,756
95B	4.05 s due 4/17	$1,685,000	$2,550,158,756
95B	4.05 s due 10/17	$970,000	$2,551,128,756
98A	4.05 s due 4/12	$930,000	$2,552,058,756
98A	4.05 s due 10/12	$950,000	$2,553,008,756
99B	4.05 s due 4/12	$1,930,000	$2,554,938,756
100B	4.05 s due 4/16	$1,985,000	$2,556,923,756
100B	4.05 s due 4/17	$290,000	$2,557,213,756
79A	4.00 s due 4/12	$850,000	$2,558,063,756
79A	4.00 s due 10/12	$870,000	$2,558,933,756
83A	4.00 s due 4/12	$1,060,000	$2,559,993,756
83A	4.00 s due 10/12	$1,075,000	$2,561,068,756
84A	4.00 s due 10/14	$745,000	$2,561,813,756
85A	4.00 s due 4/13	$1,090,000	$2,562,903,756
85A	4.00 s due 10/13	$1,105,000	$2,564,008,756
87A	4.00 s due 4/11	$355,000	$2,564,363,756
90B	4.00 s due 10/15	$705,000	$2,565,068,756
91A	4.00 s due 10/10	$550,000	$2,565,618,756
92A	4.00 s due 4/12	$285,000	$2,565,903,756
95A	4.00 s due 4/10	$1,085,000	$2,566,988,756
95B	4.00 s due 4/16	$200,000	$2,567,188,756
95B	4.00 s due 10/16	$1,590,000	$2,568,778,756
96B	4.00 s due 4/17	$1,875,000	$2,570,653,756
96B	4.00 s due 10/17	$1,900,000	$2,572,553,756
97B	4.00 s due 10/17	$3,385,000	$2,575,938,756
98A	4.00 s due 4/11	$875,000	$2,576,813,756
98A	4.00 s due 10/11	$900,000	$2,577,713,756
98B	4.00 s due 4/17	$1,240,000	$2,578,953,756
98B	4.00 s due 10/17	$665,000	$2,579,618,756
99A	4.00 s due 10/10	$65,000	$2,579,683,756
99B	4.00 s due 10/11	$1,875,000	$2,581,558,756
100B	4.00 s due 4/15	$1,780,000	$2,583,338,756
100B	4.00 s due 10/15	$1,835,000	$2,585,173,756
106B	4.00 s due 4/20	$2,825,000	$2,587,998,756
106B	4.00 s due 10/20	$2,920,000	$2,590,918,756

As of December 31, 2009, the Agency has used monies representing prepayments of Mortgage Loans and unused Bond proceeds to redeem the following Bonds:

Bonds	Principal Redeemed	Bonds	Principal Redeemed	Bonds	Principal Redeemed
Series A	$95,400,000	Series 1996-50A	$9,615,000	Series 2002-73A	$51,570,000
Series B	$113,260,000	Series 1996-50B	$8,975,000	Series 2002-73B	$16,050,000
Series C	$2,722,460	Series 1996-51	$67,315,000	Series 2002-74B	$1,090,000
Series D	$59,616,532	Series 1996-52A	$2,565,000	Series 2003-77A	$10,000
Series E	$39,690,603	Series 1996-52B	$45,025,000	Series 2003-78	$5,110,000
Series F	$190,035,000	Series 1996-52C	$9,495,000	Series 2003-79A	$15,370,000
Series G	$139,110,000	Series 1996-53A	$49,805,000	Series 2003-80	$69,170,000
Series H	$71,615,097	Series 1996-53B	$9,495,000	Series 2004-81A	$330,000
Series I	$20,720,536	Series 1997-54A	$24,225,000	Series 2004-81B	$4,825,000
Series J	$29,670,788	Series 1997-54B	$7,850,000	Series 2004-82A	$3,505,000
Series N	$30,325,000	Series 1997-55	$15,535,000	Series 2004-82B	$10,320,000
Series O	$59,650,000	Series 1997-56A	$1,710,000	Series 2004-83A	$1,030,000
Series Q	$49,375,000	Series 1997-56B	$7,975,000	Series 2004-83B	$10,135,000
Series R	$63,715,000	Series 1997-56C	$25,485,000	Series 2004-83D	$27,510,000
Series T	$16,120,000	Series 1997-57A	$26,675,000	Series 2004-85B	$6,360,000
Series U	$68,315,000	Series 1997-57B	$1,575,000	Series 2004-86A	$830,000
Series W	$540,000	Series 1997-58A	$44,475,000	Series 2004-86B	$2,925,000
Series X	$61,095,000	Series 1997-58B	$23,560,000	Series 2005-87A	$735,000
Series Y	$9,230,000	Series 1997-59A	$35,015,000	Series 2005-87B	$9,050,000
Series Z	$21,420,000	Series 1997-59B	$5,085,000	Series 2005-88A	$3,255,000
Series 1990-27	$41,445,000	Series 1997-59C	$24,635,000	Series 2005-88B	$5,755,000
Series 1990-28	$74,285,000	Series 1997-60A	$45,895,000	Series 2005-89A	$59,460,000
Series 1990-29	$27,310,000	Series 1997-60B	$22,710,000	Series 2005-89B	$2,055,000
Series 1991-30	$13,975,000	Series 1997-61A	$4,790,000	Series 2005-90A	$7,335,000
Series 1991-31	$14,700,000	Series 1997-61B	$6,975,000	Series 2005-91A	$4,485,000
Series 1991-32	$4,580,000	Series 1997-61C	$14,970,000	Series 2005-91C	$29,815,000
Series 1992-33	$21,780,000	Series 1997-62A	$10,950,000	Series 2006-92A	$3,025,000
Series 1992-35	$7,290,000	Series 1997-62B	$8,240,000	Series 2006-93A	$8,875,000
Series 1993-36	$17,250,000	Series 1998-63A	$349,277	Series 2006-93C	$5,590,000
Series 1994-38	$22,715,000	Series 1998-63B	$2,445,000	Series 2006-94A	$2,905,000
Series 1994-39A	$1,760,000	Series 1998-64	$12,443,268	Series 2006-94C	$9,710,000
Series 1994-39B	$27,990,000	Series 1999-65A	$22,335,000	Series 2006-95A	$4,355,000
Series 1994-40	$34,395,000	Series 1999-65B	$730,000	Series 2006-95D	$21,230,000
Series 1994-41A	$8,280,000	Series 1999-66A	$70,835,000	Series 2006-96A	$250,000
Series 1994-41B	$25,560,000	Series 1999-66B	$8,595,000	Series 2006-96C	$13,440,000
Series 1994-42	$35,215,000	Series 1999-66C	$16,305,000	Series 2007-97A	$3,175,000
Series 1994-42A	$20,000,000	Series 1999-67A	$71,470,000	Series 2007-97D	$40,900,000
Series 1994-43	$43,620,000	Series 1999-67B	$18,550,000	Series 2007-98A	$2,090,000
Series 1994-44A	$6,485,000	Series 1999-68A	$9,230,000	Series 2007-98D	$10,695,000
Series 1995-44B	$3,250,000	Series 1999-68B	$4,125,000	Series 2007-99A	$3,915,000
Series 1995-44C	$36,750,000	Series 1999-68C	$15,965,000	Series 2007-99D	$68,255,000
Series 1995-45A	$6,815,000	Series 2000-69A	$18,985,000	Series 2007-100A	$905,000
Series 1995-45B	$38,295,000	Series 2000-69B	$2,645,000	Series 2007-100D	$58,095,000
Series 1995-46	$39,760,000	Series 2000-70A	$33,170,000	Series 2008-101A	$13,485,000
Series 1995-47	$39,430,000	Series 2000-70B	$510,000	Series 2008-101B	$14,645,000
Series 1995-48	$41,790,000	Series 2001-72A	$27,015,000	Series 2008-102A	$515,000
Series 1996-49	$44,775,000	Series 2001-72B	$4,015,000		

For 2008 and 2009, the Bonds described below have been redeemed from Mortgage Repayments and Prepayments (except as otherwise noted) in accordance with the following schedule (as of December 31, 2009). (A complete history of all Agency redemptions is available, and updated on a quarterly basis, at the nationally recognized Electronic Municipal Market Access or upon request to PHFA):

Call Date	Amount	Series	Call Date	Amount	Series
April 1, 2008	$2,445,000	Series 1998-63B	June 1, 2008	$200,000	Series 1999-67A
April 1, 2008	$110,000	Series 1999-65B	June 1, 2008	$110,000	Series 1999-67B*
April 1, 2008	$2,780,000	Series 1999-66B	June 1, 2008	$160,000	Series 1999-68C*
April 1, 2008	$2,895,000	Series 1999-66B	June 1, 2008	$1,135,000	Series 2002-73A
April 1, 2008	$925,000	Series 1999-68B	June 1, 2008	$550,000	Series 2003-79A
April 1, 2008	$905,000	Series 1999-68B	June 1, 2008	$445,000	Series 2005-90A
April 1, 2008	$4,015,000	Series 2001-72B	June 1, 2008	$300,000	Series 2006-92A
April 1, 2008	$29,815,000	Series 2005-91C	June 1, 2008	$210,000	Series 2006-93A
April 1, 2008	$140,000	Series 1997-54A	June 1, 2008	$285,000	Series 2006-94A
April 1, 2008	$655,000	Series 1999-66C*	June 1, 2008	$1,645,000	Series 2006-94C*
April 1, 2008	$305,000	Series 1999-67A	June 1, 2008	$360,000	Series 2006-95A
April 1, 2008	$110,000	Series 1999-67B*	June 1, 2008	$1,290,000	Series 2006-95D*
April 1, 2008	$525,000	Series 1999-68C*	June 1, 2008	$675,000	Series 2006-96C*
April 1, 2008	$760,000	Series 2002-73A	June 1, 2008	$105,000	Series 2007-98D*
April 1, 2008	$1,290,000	Series 2003-79A	June 1, 2008	$110,000	Series 1997-54A
April 1, 2008	$365,000	Series 2005-90A	June 1, 2008	$120,000	Series 1997-60A
April 1, 2008	$405,000	Series 2005-91A	June 1, 2008	$210,000	Series 1997-61A
April 1, 2008	$155,000	Series 2006-92A	June 1, 2008	$135,000	Series 1998-64
April 1, 2008	$525,000	Series 2006-93A	June 1, 2008	$100,000	Series 2000-70A
April 1, 2008	$125,000	Series 2006-94A	June 1, 2008	$55,000	Series 2002-74B
April 1, 2008	$685,000	Series 2006-94C*	June 1, 2008	$155,000	Series 2007-97A
April 1, 2008	$145,000	Series 2006-95A	June 1, 2008	$135,000	Series 2007-99A
April 1, 2008	$565,000	Series 2006-95D*	June 1, 2008	$920,000	Series 2004-83B
April 1, 2008	$110,000	Series 2006-96C*	June 1, 2008	$840,000	Series 2004-86B
April 1, 2008	$180,000	Series 2007-98D*	June 1, 2008	$1,240,000	Series 2005-87B
April 1, 2008	$295,000	Series 1997-54A	June 1, 2008	$2,055,000	Series 2005-89B
April 1, 2008	$75,000	Series 1997-60A	October 1, 2008	$300,000	Series 1999-67A
April 1, 2008	$90,000	Series 1998-64	October 1, 2008	$125,000	Series 1999-67B*
April 1, 2008	$115,000	Series 1999-65A	October 1, 2008	$100,000	Series 1999-68C*
April 1, 2008	$25,000	Series 1999-68A	October 1, 2008	$1,630,000	Series 2002-73A
April 1, 2008	$45,000	Series 2000-70A	October 1, 2008	$725,000	Series 2003-79A
April 1, 2008	$25,000	Series 2002-74B	October 1, 2008	$660,000	Series 2005-91A
April 1, 2008	$530,000	Series 2004-82A	October 1, 2008	$655,000	Series 2005-90A
April 1, 2008	$70,000	Series 2004-82A	October 1, 2008	$275,000	Series 2006-92A
April 1, 2008	$1,310,000	Series 2004-82B	October 1, 2008	$930,000	Series 2006-93A
April 1, 2008	$915,000	Series 2004-83B	October 1, 2008	$905,000	Series 2006-93C*
April 1, 2008	$440,000	Series 2004-86B	October 1, 2008	$285,000	Series 2006-94A
April 1, 2008	$230,000	Series 2005-87B	October 1, 2008	$410,000	Series 2006-94C*
April 1, 2008	$50,000	Series 2005-88A	October 1, 2008	$225,000	Series 2006-95A
April 1, 2008	$850,000	Series 2005-88A	October 1, 2008	$820,000	Series 2006-95D*
April 1, 2008	$500,000	Series 2005-88A	October 1, 2008	$980,000	Series 2006-96C*
April 1, 2008	$1,050,000	Series 2005-88B	October 1, 2008	$340,000	Series 2007-98D*
April 1, 2008	$110,000	Series 2007-99A	October 1, 2008	$135,000	Series 1997-54A
April 1, 2008	$25,000	Series 2007-100A	October 1, 2008	$135,000	Series 1997-59A
April 1, 2008	$375,000	Series 2006-93A	October 1, 2008	$335,000	Series 1997-60A
April 1, 2008	$1,335,000	Series 2006-93C*	October 1, 2008	$250,000	Series 1997-61A
April 1, 2008	$815,000	Series 2006-94C	October 1, 2008	$770,000	Series 1998-62A
April 1, 2008	$215,000	Series 2006-95A	October 1, 2008	$535,000	Series 1999-65A
April 1, 2008	$1,270,000	Series 2006-95D*	October 1, 2008	$85,000	Series 1999-68A
April 1, 2008	$1,430,000	Series 2006-96C*	October 1, 2008	$140,000	Series 2000-70A
April 1, 2008	$605,000	Series 2007-98D*	October 1, 2008	$80,000	Series 2001-72A
April 7, 2008	$245,000	Series 2004-81B	October 1, 2008	$120,000	Series 2002-74B
June 1, 2008	$620,000	Series 1999-65B	October 1, 2008	$515,000	Series 2004-82B
June 1, 2008	$16,050,000	Series 2002-73B	October 1, 2008	$485,000	Series 2004-82A

* Taxable

Table Continued from Previous Page

Call Date	Amount	Series
October 1, 2008	$590,000	Series 2005-88A
October 1, 2008	$530,000	Series 2006-93A
October 1, 2008	$320,000	Series 2007-97A
October 1, 2008	$175,000	Series 2007-99A
October 1, 2008	$20,000	Series 2007-100A
October 1, 2008	$180,000	Series 2004-81B
October 1, 2008	$1,270,000	Series 2004-82B
October 1, 2008	$750,000	Series 2004-83B
October 1, 2008	$775,000	Series 2004-86B
October 1, 2008	$420,000	Series 2005-87B
October 1, 2008	$1,165,000	Series 2005-88B
October 1, 2008	$75,000	Series 2006-93C*
October 1, 2008	$2,150,000	Series 2006-95D*
October 1, 2008	$1,145,000	Series 2006-96C*
October 1, 2008	$1,765,000	Series 2007-98D*
December 18, 2008	$40,900,000	Series 2007-97D*
December 18, 2008	$68,255,000	Series 2007-99D*
December 18, 2008	$58,095,000	Series 2007-100D*
April 1, 2009	$375,000	Series 1999-67A
April 1, 2009	$90,000	Series 1999-68C*
April 1, 2009	$1,445,000	Series 2002-73A
April 1, 2009	$1,865,000	Series 2003-79A
April 1, 2009	$1,365,000	Series 2005-90A
April 1, 2009	$565,000	Series 2005-91A
April 1, 2009	$625,000	Series 2006-92A
April 1, 2009	$1,455,000	Series 2006-93A
April 1, 2009	$525,000	Series 2006-93C*
April 1, 2009	$280,000	Series 2006-94A
April 1, 2009	$685,000	Series 2006-95A
April 1, 2009	$2,465,000	Series 2006-95D*
April 1, 2009	$1,135,000	Series 2006-96C*
April 1, 2009	$450,000	Series 2007-98A
April 1, 2009	$2,350,000	Series 2007-98D*
April 1, 2009	$75,000	Series 1997-54A
April 1, 2009	$380,000	Series 1997-58A
April 1, 2009	$225,000	Series 1997-60A
April 1, 2009	$340,000	Series 1997-61A
April 1, 2009	$305,000	Series 1998-62A
April 1, 2009	$375,000	Series 1998-64A
April 1, 2009	$100,000	Series 1999-68A
April 1, 2009	$5,000	Series 1999-68A
April 1, 2009	$160,000	Series 2000-70A
April 1, 2009	$115,000	Series 2002-74B
April 1, 2009	$145,000	Series 2007-97A
April 1, 2009	$605,000	Series 2007-99A
April 1, 2009	$150,000	Series 2007-100A
April 1, 2009	$100,000	Series 2004-81B
April 1, 2009	$1,560,000	Series 2004-82B
April 1, 2009	$645,000	Series 2004-83B
April 1, 2009	$175,000	Series 2004-86B
April 1, 2009	$1,235,000	Series 2005-88B
April 1, 2009	$1,965,000	Series 1999-67B*
April 1, 2009	$2,020,000	Series 1999-68C*
April 1, 2009	$575,000	Series 2006-93C*
April 1, 2009	$220,000	Series 2006-94A
April 1, 2009	$680,000	Series 2006-95A
April 1, 2009	$2,950,000	Series 2006-95D*
April 1, 2009	$2,605,000	Series 2006-96C*
April 1, 2009	$130,000	Series 2007-98A
April 1, 2009	$980,000	Series 2007-98D*
October 1, 2009	$52,295,000	Series 2005-89
October 1, 2009	$400,000	Series 1999-67A
October 1, 2009	$155,000	Series 1999-67B*
October 1, 2009	$210,000	Series 1999-68C*
October 1, 2009	$2,085,000	Series 2002-73A
October 1, 2009	$1,845,000	Series 2003-79A
October 1, 2009	$575,000	Series 2005-90A
October 1, 2009	$440,000	Series 2005-91A
October 1, 2009	$1,025,000	Series 2006-92A
October 1, 2009	$1,545,000	Series 2006-93A
October 1, 2009	$1,085,000	Series 2006-93C*
October 1, 2009	$565,000	Series 2006-94A
October 1, 2009	$2,640,000	Series 2006-94C*
October 1, 2009	$1,250,000	Series 2006-95A
October 1, 2009	$6,065,000	Series 2006-95D*
October 1, 2009	$4,535,000	Series 2006-96C*
October 1, 2009	$240,000	Series 2007-97A
October 1, 2009	$730,000	Series 2007-98A
October 1, 2009	$4,370,000	Series 2007-98D*
October 1, 2009	$75,000	Series 1997-61A
October 1, 2009	$450,000	Series 1997-61A
October 1, 2009	$470,000	Series 1998-62A
October 1, 2009	$220,303	Series 1998-63A
October 1, 2009	$485,000	Series 1998-64
October 1, 2009	$135,000	Series 1999-65A
October 1, 2009	$240,000	Series 1999-68A
October 1, 2009	$230,000	Series 2000-69A
October 1, 2009	$110,000	Series 2000-70A
October 1, 2009	$170,000	Series 2002-74B
October 1, 2009	$315,000	Series 2004-81A
October 1, 2009	$970,000	Series 2004-82A
October 1, 2009	$480,000	Series 2004-82A
October 1, 2009	$540,000	Series 2004-82B
October 1, 2009	$760,000	Series 2004-83A
October 1, 2009	$345,000	Series 2005-87A
October 1, 2009	$300,000	Series 2005-87A
October 1, 2009	$565,000	Series 2005-88A
October 1, 2009	$790,000	Series 2005-88A
October 1, 2009	$810,000	Series 2005-88A
October 1, 2009	$190,000	Series 2005-88A
October 1, 2009	$1,710,000	Series 2006-93A
October 1, 2009	$985,000	Series 2006-94A
October 1, 2009	$225,000	Series 2006-96A
October 1, 2009	$2,040,000	Series 2007-97A
October 1, 2009	$765,000	Series 2007-98A
October 1, 2009	$2,890,000	Series 2007-99A
October 1, 2009	$710,000	Series 2007-100A
October 1, 2009	$515,000	Series 2008-102A
October 1, 2009	$460,000	Series 1997-67A
October 1, 2009	$220,000	Series 1999-68C*
October 1, 2009	$2,560,000	Series 2001-72A
October 1, 2009	$3,900,000	Series 2002-73A
October 1, 2009	$1,830,000	Series 2005-90A
October 1, 2009	$1,655,000	Series 2005-91A
October 1, 2009	$200,000	Series 2006-92A
December 23, 2009	$13,485,000	Series 2008-101A**
December 23, 2009	$14,645,000	Series 2008-101B**

* Taxable
** Variable Rate

III. Certain Information Regarding Operation of the Agency's Single Family Mortgage Loan Program and the Agency's Portfolio of Mortgage Loans

As of December 31, 2009, the Agency had purchased (since the inception of the Program) a total of 121,886 Mortgage Loans in the aggregate principal amount of $7,965,414,866 of which 46,149 Mortgage Loans in an aggregate principal amount of $3,407,223,666 are outstanding. The average original loan amount was $65,351 and the average purchase price of the residence was $71,618. The average annual income of the Eligible Borrower was $32,228. The Mortgage Loans have been purchased in a total of 67 counties with the highest number of loans purchased from any one county being 19,209 loans in Philadelphia County.

As of December 31, 2009, the Agency's 46,149 outstanding Mortgage Loans included 1,517 loans for condominiums, 1,615 loans for planned unit developments ("PUDs") and 1,222 loans for manufactured housing. These amounts represent 3.28%, 3.49% and 2.64% respectively, of the outstanding amount of Mortgage Loans as of such date.

The Agency services all of the Mortgage Loans under the program.

The following table sets forth information concerning the Mortgage Loan portfolio of the Agency's Single Family Program as of December 31, 2009.

Series of Bonds*	Interest Rate on Mortgage Loans**	Mortgage Loans Outstanding	Outstanding Number of Mortgage Loans
Series 1982-A	14.050%	$38,718	7
Series 1982-B	13.080%	$204,866	28
Series 1983-D	10.230%	$315,017	36
Series 1983-E	10.850%	$157,230	16
Series 1984-F	12.090%	$495,240	35
Series 1985-G	10.125%	$1,054,545	76
Series 1985-H	9.740%	$567,896	40
Series 1985-I	9.980%	$249,127	16
Series 1986-J	8.900%	$1,034,348	57
Series 1986-K	7.500/7.950%	$2,299,985	95
Series 1987-L	7.500%	$2,631,607	103
Series 1987-N	8.500%	$1,672,914	78
Series 1988-O*	8.650%	$2,148,535	103
Series 1988-P	8.500%	$497,858	29
Series 1988-Q	8.750%	$1,387,193	68
Series 1989-R	8.550%	$1,703,434	71
Series 1989-S	8.250%	$970,459	42
Series 1989-T	8.500%	$859,906	30
Series 1989-U	8.350%	$2,121,447	81
Series 1989-V	8.350%	$845,807	37
Series 1989-W	8.050%	$2,295,605	81
Series 1990-X	8.750%	$2,282,283	92
Series 1989-Y	7.950%	$3,139,112	164
Series 1990-Z	8.350%	$884,708	32
Series 1990-027	8.750%	$1,569,450	58
Series 1990-028	8.000/8.150%	$3,151,488	99
Series 1990-029	8.150%	$1,023,770	40
Series 1991-030	8.150%	$869,399	31
Series 1991-031	7.950%	$5,124,137	165
Series 1991-032	7.950%	$2,113,706	65
Series 1992-033	7.850%	$2,873,155	94
Series 1992-034	7.850%	$5,714,859	192
Series 1992-035	7.850%	$11,582,035	353
Series 1993-036*	7.850%	$238,435	22
Series 1993-037	5.500/5.750%	$16,563,673	490
Series 1994-038	6.800/7.300%	$3,477,079	102
Series 1994-039	7.250/8.250%	$3,724,033	109
Series 1994-040	7.250/7.950%	$3,847,100	110
Series 1994-041	6.600/8.000%	$6,742,744	203
Series 1994-042	7.500/8.250%	$7,802,345	222
Series 1994-043	8.050/8.850%	$2,868,133	91
Series 1995-044	7.500/8.250%	$6,210,748	173
Series 1995-045	7.200/7.450%	$8,377,751	247
Series 1995-046	6.700/7.450%	$7,975,865	231
Series 1996-047	6.700/6.900%	$8,871,732	228
Series 1996-048	6.750/7.500%	$7,335,345	181
Series 1996-049	6.750/7.500%	$7,989,969	208
Series 1996-051	6.100/7.500%	$15,274,486	425
Series 1996-052	6.850/7.650%	$11,644,584	302
Series 1996-053	6.800/7.500%	$12,388,560	329
Series 1997-054	5.200/7.100%	$9,519,683	239
Series 1997-056	6.750%	$15,617,066	401
Series 1997-057	7.000/7.100%	$7,004,620	163
Series 1997-058	7.250/7.500%	$11,625,990	301

* Series C Bonds were redeemed with Series 1993-36 and Series M Bonds were redeemed with Series O Bonds.

** Some Series of Bonds include a range of interest rates on Mortgage Loans.

Series of Bonds*	Interest Rate on Mortgage Loans**	Mortgage Loans Outstanding	Outstanding Number of Mortgage Loans
Series 1997-059	6.900/7.300%	$13,718,592	345
Series 1997-060	5.000/7.150%	$16,010,448	404
Series 1998-061	5.000/6.800%	$17,380,488	400
Series 1998-062	5.250/6.600%	$22,800,457	517
Series 1998-063	5.500%	$21,441,777	479
Series 1998-064	5.000/5.900%	$23,367,442	500
Series 1999-065	5.500/6.600%	$23,856,015	484
Series 1999-066	5.000/6.600%	$31,989,047	643
Series 1999-067	5.000/6.600%	$26,701,438	590
Series 1999-068	5.500/7.600%	$18,228,178	410
Series 2000-069	5.750/7.650%	$23,011,513	511
Series 2000-070	5.750/7.450%	$25,637,071	509
Series 2001-072	4.750/6.250%	$53,031,808	1,020
Series 2001-073	4.750/6.000%	$73,391,457	1,277
Series 2002-074	4.750/6.100%	$52,319,615	942
Series 2002-075	4.750/6.100%	$59,003,409	1,009
Series 2003-077	4.500/5.500%	$63,623,061	933
Series 2003-079	4.250/5.650%	$65,822,836	909
Series 2004-081	4.250/5.650%	$63,289,751	820
Series 2004-082	4.250/5.650%	$69,714,317	886
Series 2004-083	4.250/5.500%	$66,072,149	834
Series 2004-084	4.875/5.875%	$70,196,709	818
Series 2004-085	4.500/5.875%	$73,731,561	882
Series 2004-086	4.500/5.375%	$55,239,982	651
Series 2005-087	4.500/5.375%	$52,028,359	606
Series 2005-088	4.250/5.500%	$74,821,034	863
Series 2005-089	4.250/5.500%	$80,538,915	941
Series 2005-090	4.250/5.500%	$57,487,725	629
Series 2005-091	4.750/5.875%	$57,044,275	624
Series 2006-092	4.750/5.875%	$100,641,418	1,060
Series 2006-093	5.125/6.125%	$100,715,141	1,016
Series 2006-094	5.375/6.250%	$94,096,905	938
Series 2006-095	5.125/6.375%	$144,236,765	1,476
Series 2006-096	5.250/6.500%	$148,860,501	1,548
Series 2007-097	4.750/6.375%	$161,141,575	1,532
Series 2007-098	5.250/6.050%	$165,495,843	1,638
Series 2007-099	5.375/6.500%	$152,136,732	1,421
Series 2007-100	5.125/6.500%	$172,246,281	1,824
Series 2008-102	5.250/6.500%	$119,561,380	1,205
Series 2008-103	5.600/6.750%	$153,040,792	1,568
Series 2009-105	5.375/6.875%	$134,133,243	1,306
Series 2009-106	5.250/6.875%	$170,437,881	1,890
Total		$3,407,223,666	46,149

* Series C Bonds were redeemed with Series 1993-36 and Series M Bonds were redeemed with Series O Bonds.

** Some Series of Bonds include a range of interest rates on Mortgage Loans.

IV. Information Regarding the Delinquencies in the Agency's Mortgage Loan Portfolio

The following table sets forth delinquency information as of December 31, 2009, for the total number and principal amount of Mortgage Loans outstanding with the Agency as of that date.

Payment Over-Due Days	Loans	% Delinquent Based on # of Loans	Balance
30	3,615	7.83%	$235,359,136
60	979	2.12%	$61,935,380
90+*	999	2.17%	$67,971,293
Total	5,593	12.12%	$365,265,809

* As of December 31, 2009, there were also 437 loans with an aggregate principal balance of $31,200,560 in foreclosure.

The Agency is carrying 257 properties with an aggregate principal balance of $18,152,652 in the Real Estate Owned Account, which are not included in the above numbers.

The following table sets forth delinquency information as of September 30, 2009, for the total number and principal amount of Mortgage Loans outstanding with the Agency as of that date.

Payment Over-Due Days	Loans	% Delinquent Based on # of Loans	Balance
30	3,206	7.04%	$207,618,811
60	803	1.76%	$51,938,219
90+*	906	1.99%	$61,095,793
Total	4,915	10.79%	$320,652,823

* As of September 30, 2009, there were also 400 loans with an aggregate principal balance of $28,644,537 in foreclosure.

The Agency is carrying 224 properties with an aggregate principal balance of $14,259,748 in the Real Estate Owned Account, which are not included in the above numbers.

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APPENDIX D

CERTAIN GENERAL AGENCY PROGRAM INFORMATION AND OUTSTANDING OBLIGATIONS

This Appendix contains information regarding several of the programs of the Agency (other than its Single Family Mortgage Loan Program) and its method of financing such other programs and provides a schedule with the Agency's outstanding bonds and notes and certain other financial obligations.

Other Programs of the Agency

MULTIFAMILY HOUSING PROGRAMS

Since its establishment, the Agency has undertaken various programs under which it has provided or currently provides construction and permanent loan financing for rental housing developments. As of December 31, 2009, the Agency had made construction and permanent multifamily mortgage loans aggregating approximately $1,512,444,000 to provide financing for 762 multifamily developments totaling 49,551 dwelling units. The developments are located in 189 Pennsylvania municipalities in 55 counties.

Through a variety of multifamily housing programs, including the current Agency PennHOMES program described below, as of December 31, 2009, the Agency had made permanent multifamily mortgage loans in the total principal amount of approximately $1,106,267,000 for the financing of 640 developments representing 37,744 dwelling units. Of these 640 developments, 166 are subsidized under the Section 8 program; 446 participate under other federal subsidy or Agency-supported programs and 28 are non-subsidized. Sixteen of the twenty-eight non-subsidized developments have prepaid their mortgages. Nine multifamily mortgage loans are currently delinquent for a period of 60 days or more.

PennHOMES Program

The Agency currently operates the PennHOMES program to provide financing for affordable rental projects throughout the Commonwealth. Many of the projects financed through this program blend a variety of funding sources to ensure economic feasibility including state funding programs, federal funding programs, federal low income housing tax credits and a variety of private and public funds. The Agency administers funds available in the Commonwealth, including federal HOME program funds for properties participating in the PennHOMES Program. In addition, the Agency has set aside other funds to provide deferred loans to qualified projects under this program. Since the inception of the PennHOMES Program in 1987, the Agency has committed monies from its General Fund in the form of deferred loans in the approximate amount of $226,967,551 to support the development of 332 projects, representing 15,124 units, in 36 counties in the Commonwealth (as of December 31, 2009).

Most of the projects in the PennHOMES program utilize Agency debt financing as well. As of December 31, 2009, the Agency had issued five series of general obligation bonds for permanent financing of PennHOMES projects, which were outstanding in an aggregate principal amount of $65,080,000.

The notes and bonds issued to finance projects in the PennHOMES program are direct and general obligations of the Agency. None of the monies, assets, funds or accounts, including the Capital Reserve Fund, which are pledged to the holders of Bonds under the Indenture may be used or applied to the payment of the Agency's obligations issued to finance the PennHOMES program or other Agency programs. The Act and the bond and note resolutions do, however, require the Agency to submit to the Governor and General Assembly an estimate of funds, if any, expected to be necessary to avoid default in the payment of principal of or interest on such general obligations, and the Act requires the Governor to cause the amount of such deficiency to be placed in the budget of the Commonwealth, in the same manner as deficiencies in the Capital Reserve Fund. See "SECURITY FOR THE BONDS - Capital Reserve Fund" in Part 2 of this Official Statement.

HOMEOWNERSHIP CHOICE PROGRAMS

Since the creation of its Homeownership Choice Programs ("HCP") in 2000, the Agency has committed over $85,000,000 from its general fund to 89 projects designed to stimulate the production of housing in urban areas, to create positive community impact and scale and to increase development and transformation of distressed urban areas and core communities into attractive places to live throughout the Commonwealth. HCP provides soft financing to support new construction of infill housing, mixed use properties in commercial corridors, and targeted renovation projects in urban communities through partnerships of for profit developers, non profit groups and local governments. As of December 31, 2009, PHFA has made 70 loans with maximum loans totaling $70,000,000 to date.

HOMEOWNER PROGRAMS

Over the past couple of years, the Agency has developed and implemented new programs in response to the needs of its target market of low to moderate income home buyers and homeowners. The main impetus behind the creation of these programs was to prevent or remedy the effects of unscrupulous lending practices in the home financing market. The Agency plans to issue bonds to provide a source of financing for these programs in the near future.

The Agency's new renovate and repair program ("R & R Program") provides second mortgage financing to homeowners in need of funds for home improvement and repair. It provides sound home equity lending and also ensures that appropriate repairs are made at a reasonable cost. Local community partners and lenders are working together to originate the loans for qualified homeowners and to administer the funds through the rehabilitation and home improvement contracts. Through December 31, 2009, 573 loans have been made for a total of $11 million.

The REAL program offers fixed rate loans to qualified homeowners seeking to refinance their existing unaffordable mortgages. The HERO program provides counseling and loan restructuring to existing homeowners with unaffordable mortgages who may also owe more than their home is worth. Through the end of December 31, 2009, the Agency has funded 60 loans for $8.5 million under the REAL Program and 156 loans for a total of almost $18.2 million under the HERO Program.

Additional information regarding Agency programs is available at www.phfa.org.

HOMEOWNER'S EMERGENCY MORTGAGE ASSISTANCE PROGRAM ("HEMAP")

The Agency administers this state funded program through appropriations from the Commonwealth, HEMAP fund investment earnings and HEMAP loan collections. This program, authorized by 35 P.S. § 1680.401 et seq., provides mortgage assistance payments to homeowners who are in danger of losing their homes through foreclosure and through no fault of their own and who have a reasonable prospect of resuming mortgage payments within the prescribed time frame. Funds for the operation of this program are provided through appropriations in the Commonwealth and through loan repayments and fund earnings and are not available for payment of any other Agency obligations, including the bonds and notes issued by the Agency for its other programs.

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OUTSTANDING BONDS AND NOTES OF THE AGENCY
AND OTHER SUPPLEMENTAL FINANCIAL INFORMATION

As of November 30, 2009, the Agency had outstanding the following bond and note issues.*

Issue	Final Maturity	Outstanding Amount	Original Amount
Residential Development Refunding Bonds			
2002 Issue A	2024	$22,270,000	$44,100,000
Rental Housing Refunding Bonds			
Series2008 A&B	2021	$57,460,000	$73,740,000
Series2008 C&D	2020	$91,150,000	$107,050,000
Multifamily Development Bonds			
Series 1993-F	2019	$4,055,000	$12,500,000
Issue 1997-G	2027	$8,990,000	$11,000,000
Issue 1998-H	2028	$14,760,000	$18,000,000
Issue 2005-K	2036	$25,490,000	$27,500,000
Multifamily Development Refunding Bonds			
Issue 1993A	2022	$8,370,000	$41,400,000
Issue 2003	2019	$11,785,000	$27,240,000
Subordinate Limited Obligation Bonds			
Issue 1995	2021	$2,225,464	$4,680,000
Variable Rate Building Development Bonds			
Series 2004	2034	$20,000,000	$20,000,000
Single Family Mortgage Revenue Bonds			
Series 1996-47	2027	$1,455,000	$50,000,000
Series 1997-61	2029	$36,460,000	$75,000,000
Series 1998-62	2029	$46,485,000	$75,000,000
Series 1998-63	2030	$47,790,628	$62,001,795
Series 1998-64	2030	$47,185,000	$74,999,911
Series 1999-65	2030	$44,415,000	$99,875,000
Series 1999-66	2031	$24,250,000	$144,525,000
Series 1999-67	2030	$26,525,000	$149,840,000
Series 1999-68	2031	$17,020,000	$75,000,000
Series 2000-69	2031	$34,235,000	$75,000,000
Series 2000-70	2032	$32,670,000	$75,000,000
Series 2001-72	2032	$146,725,000	$225,000,000
Series 2002-73	2033	$109,250,000	$225,000,000
Series 2002-74	2033	$97,860,000	$100,000,000
Series 2002-75	2033	$87,465,000	$100,000,000
Series 2003-77	2034	$74,615,000	$100,000,000
Series 2003-78	2025	$56,090,000	$73,680,000
Series 2003-79	2033	$74,385,000	$100,000,000
Series 2004-81	2034	$83,700,000	$100,000,000
Series 2004-82	2034	$77,240,000	$100,000,000
Series 2004-83	2034	$80,560,000	$127,510,000
Series 2004-84	2034	$82,340,000	$100,000,000
Series 2004-85	2034	$86,010,000	$100,000,000
Series 2004-86	2034	$93,885,000	$100,000,000
Series 2005-87	2035	$91,305,000	$100,000,000
Series 2005-88	2037	$83,845,000	$100,000,000
Series 2005-89	2035	$63,485,000	$125,000,000
Series 2005-90	2036	$114,240,000	$125,000,000
Series 2005-91	2036	$118,540,000	$154,815,000
Series 2006-92	2036	$120,780,000	$125,000,000
Series 2006-93	2036	$104,825,000	$125,000,000
Series 2006-94	2036	$106,615,000	$124,395,000
Series 2006-95	2037	$166,120,000	$198,885,000
Series 2006-96	2037	$172,545,000	$195,000,000
Series 2007-97	2037	$149,030,000	$199,415,000
Series 2007-98	2037	$181,000,000	$199,240,000

Table Continued from Previous Page

Issue	Final Maturity	Outstanding Amount	Original Amount
Series 2007-99	2037	$125,195,000	$200,000,000
Series 2007-100	2037	$139,275,000	$200,000,000
Series 2008-101	2038	$55,240,000	$59,625,000
Series 2008-102	2038	$147,285,000	$150,000,000
Series 2008-103	2038	$181,290,000	$183,090,000
Series 2008-104	2038	$156,330,000	$167,250,000
Series 2009-105	2039	$193,670,000	$193,670,000
Total		$4,245,786,092	$5,820,026,706

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SUPPLEMENTAL FINANCIAL INFORMATION

The Agency has entered into various interest rate agreements to manage interest rate risks associated with certain variable rate debt obligations. In connection with the sale of certain of its bonds, as outlined below, the Agency has entered into certain swap agreements with various counterparties in order to hedge against increases in variable interest rates on such securities. Under the contracts, generally, the Agency receives payments ranging from 56% to 70% of one-month LIBOR (with a spread to LIBOR up to 44 basis points). The Agency pays the fixed interest rates shown below. The original principal notional amounts of the agreements are equal to the par amount of the related bond series and generally amortize consistently with the amortization of the Agency's related bonds. In addition, the Agency may generally terminate the swap on certain dates prior to its final scheduled maturity at market, and in certain circumstances (as noted below), the Agency may, at its option, terminate some or all of the swaps at a price of par.

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The following provides certain information relating to the outstanding interest rate agreements (as of 12/31/2009).

Counterparty (with 12/31/09 S&P/Moody's ratings)	Related Bond Series	Fixed Interest Rate	Outstanding Notional Amounts	Effective Date (mo/yr)	Termination Date (mo/yr)	Optional termination begins(mo/yr)
Goldman Sachs Mitsui Marine	SF MRB 1999-67	5.950%	$18,305,000	8/2002	4/2029	
Derivative Products, L.P.	SF MRB 2001-72	5.695%	$14,590,000	9/2001	10/2023	
(AAA/Aa1)	SF MRB 2002-74	4.285%	$30,000,000	8/2002	10/2032	4/2012
	SF MRB 2003-77B*	4.060%	$59,900,000	9/2003	10/2033	10/2006
	SF MRB 2003-77C	2.690%	$7,490,000	9/2003	4/2012	
	SF MRB 2004-81B	2.365%	$5,290,000	4/2004	4/2013	
	SF MRB 2004-81C	3.557%	$43,465,000	4/2004	10/2034	4/2008
	Rental Housing Refunding, 2008A	3.575%	$43,450,000	7/2002	1/2021	1/2006
	Rental Housing Refunding, 2008B	3.575%	$14,435,000	7/2002	1/2021	
	SF MRB 2004-84C*	3.1146%	$12,225,000	9/2004	4/2018	10/2014
	SF MRB 2004-84D	3.8788%	$58,335,000	9/2004	10/2034	10/2007
	SF MRB 2004-86B**	3.417%	$60,220,000	12/2004	10/2033	10/2009
	SF MRB 2005-89	3.605%	$83,515,000	6/2005	10/2035	10/2005
	SF MRB 2005-91	3.953%	$70,000,000	12/2005	10/2036	4/2016
	SF MRB 2005-94B	4.152%	$35,165,000	7/2006	4/2027	10/2016
	SF MRB 2007-99C	3.885%	$15,000,000	9/2007	10/2023	4/2015
	SF MRB 2007-99D	5.149%	$57,870,000	9/2007	4/2015	
UBS AG	SF MRB 2000-70	6.927%	$2,055,000	4/2001	4/2011	
(A+/Aa3)	SF MRB 2002-73	5.017%	$1,215,000	3/2002	4/2010	
	SF MRB 2002-75	3.957%	$30,000,000	12/2002	10/2032	10/2012
	SF MRB 2003-79	3.997%	$57,350,000	12/2003	10/2033	4/2014
	SF MRB 2004-83B	3.410%	$21,750,000	8/2004	10/2019	10/2014
	SF MRB 2004-83C	4.060%	$42,905,000	8/2004	10/2035	4/2005
	SF MRB 2004-85B	3.168%	$21,345,000	11/2004	4/2019	10/2014
	SF MRB 2004-85C	3.879%	$44,645,000	11/2004	10/2035	4/2005
	SF MRB 2005-87B	3.460%	$34,600,000	3/2005	10/2023	4/2015
	SF MRB 2005-87C	3.882%	$47,300,000	3/2005	10/2035	10/2005
	SF MRB 2005-90C	3.692%	$60,820,000	9/2005	4/2036	10/2011
	SF MRB 2006-92B	3.996%	$42,870,000	3/2006	10/2036	10/2015
	SF MRB 2006-95C	4.115%	$39,180,000	9/2006	4/2026	4/2011
	SF MRB 2007-97D1	4.9217%	$20,695,000	3/2007	10/2014	
	SF MRB 2007-97D2	4.8620%	$8,260,000	3/2007	4/2012	
	SF MRB 2007-100C	4.136%	$40,000,000	12/2007	4/2038	10/2011
	SF MRB 2007-100D	4.471%	$49,535,000	12/2007	10/2013	
JPMorgan Chase Bank***	Rental Housing Refunding, 2008C	3.547%	$47,595,000	6/2003	7/2020	7/2008
(AA-/Aa1)	Rental Housing Refunding, 2008D	3.457%	$43,745,000	6/2003	7/2020	
PNC Bank, National Association (A+/A1)	Variable Rate Building Development Bonds, Series 2004	3.945%	$20,000,000	2/2004	1/2034	1/2014
Merrill Lynch Capital Services, Inc.	SF MRB 2004-82B	3.643%	$41,730,000	5/2004	10/2030	10/2014
(A/A2)	SF MRB 2004-82C	4.045%	$35,220,000	4/2009	10/2034	4/2005
	SF MRB 2005-88B	3.500%	$48,400,000	5/2005	10/1035	10/2015
	SF MRB 2005-88C	3.8175%	$31,930,000	4/2009	10/1035	4/2008
	SF MRB 2006-93B	4.266%	$37,185,000	5/2006	4/2037	4/2016
	SF MRB 2007-98C	4.105 %	$41,955,000	5/2007	10/2037	10/2011
Royal Bank of Canada (AA-/Aaa)	MF Development Bonds, Issue 2005-K	5.18270%	$25,490,000	3/2005	1/2036	7/2015

* As of October 1, 2009, the fixed payor rate paid by PHFA was reduced due to the sale of option rights on these two swaps.

** On April 1, 2009, the Agency cancelled its interest rate agreement for Series 2004-86C.

*** As of April, 2009, Bear Stearns Financial Products, Inc. assigned its rights and obligations in this agreement to JPMorgan Chase Bank, N.A.

Pennsylvania Housing Finance Agency
Liquidity Provider Status (as of December 31, 2009)

Single Family Issue	Balance	Standby Bond Purchase Agreement (SBPA) Provider	SBPA Expiration
2002-74 A	$30,000,000	Lloyds TSB Bank	4/29/2011
2002-75 A	$30,000,000	Lloyds TSB Bank	4/29/2011
2003-77 B	$59,900,000	BNP Paribas	5/9/2011
2003-77 C	$7,490,000	BNP Paribas	5/9/2011
2003-79 B	$57,350,000	BNP Paribas	4/29/2011
2004-81 B	$8,975,000	Lloyds TSB Bank	5/5/2011
2004-81 C	$62,740,000	Lloyds TSB Bank	5/5/2011
2004-82 B	$42,020,000	Landesbank Hessen-Thuringen Girozentrale (Helaba)	5/27/2011
2004-82 C	$35,220,000	Landesbank Hessen-Thuringen Girozentrale (Helaba)	5/27/2011
2004-83 B	$25,420,000	Fannie Mae/Freddie Mac	12/1/2012
2004-83 C	$42,905,000	Fannie Mae/Freddie Mac	12/1/2012
2004-84 C	$12,225,000	Fannie Mae/Freddie Mac	12/1/2012
2004-84 D	$58,335,000	Fannie Mae/Freddie Mac	12/1/2012
2004-85 B	$28,370,000	Fannie Mae/Freddie Mac	12/1/2012
2004-85 C	$44,645,000	Fannie Mae/Freddie Mac	12/1/2012
2004-86 B	$68,640,000	Fannie Mae/Freddie Mac	12/1/2012
2004-86 C	$19,790,000	Fannie Mae/Freddie Mac	12/1/2012
2004-87 B	$40,605,000	Fannie Mae/Freddie Mac	12/1/2012
2004-87 C	$47,300,000	Fannie Mae/Freddie Mac	12/1/2012
2005-88 B	$49,510,000	Dexia Local Credit	5/24/2013
2005-88 C	$31,930,000	Dexia Local Credit	5/24/2013
2005-89	$63,485,000	Fannie Mae/Freddie Mac	12/1/2012
2005-90 C	$60,820,000	Fannie Mae/Freddie Mac	12/1/2012
2005-91 B	$70,000,000	Fannie Mae/Freddie Mac	12/1/2012
2006-92 B	$42,870,000	Landesbank Hessen-Thuringen Girozentrale (Helaba)	3/29/2013
2006-93 B	$37,185,000	Dexia Local Credit	5/24/2016
2006-94 B	$35,165,000	Dexia Local Credit	7/20/2016
2006-95 C	$39,180,000	Dexia Local Credit	9/7/2016
2007-98 C	$41,955,000	Dexia Local Credit	5/31/2017
2007-99 C	$15,000,000	Dexia Local Credit	9/6/2017
2007-100 C	$40,000,000	Dexia Local Credit	12/5/2017
2008-102 C	$39,000,000	Bank of America	5/27/2011
Subtotal- Single Family Program	**$1,288,030,000**		
Multifamily Issue			
Rental 2008 A	$28,515,000	Bank of America	5/7/2011
Rental 2008 B	$28,945,000	Bank of America	5/7/2011
Rental 2008 C	$45,575,000	Bank of America	5/14/2011
Rental 2008 D	$45,575,000	Bank of America	5/14/2011
Subtotal- Multifamily Program	**$148,610,000**		
Other PHFA Issues			
Building Bonds 2004	**$20,000,000**	PNC Bank National Association	2/4/2011
Total	**$1,456,640,000**		

APPENDIX E

AUDITED FINANCIALS

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Pennsylvania Housing Finance Agency

Basic Financial Statements and
Required Supplementary Information

Years Ended June 30, 2009 and 2008
With Report of Independent Auditors

Contents

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Report of Independent Auditors

Members of the Board of Directors
Pennsylvania Housing Finance Agency

We have audited the accompanying financial statements of the General Fund, Multifamily Housing Program, Single Family Mortgage Loan Program, Insurance Fund and Homeowners Emergency Mortgage Assistance Program ("HEMAP") as of and for the years ended June 30, 2009 and 2008, which collectively comprise the basic financial statements, as listed in the table of contents, of the Pennsylvania Housing Finance Agency ("PHFA"), a component unit of the Commonwealth of Pennsylvania. These financial statements are the responsibility of PHFA's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of PHFA's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PHFA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Multifamily Housing Program, Single Family Mortgage Loan Program, Insurance Fund and HEMAP of PHFA as of June 30, 2009 and 2008, and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Notes 14 and 15, as of July 1, 2007, PHFA adopted Governmental Accounting Standards Board ("GASB") Statement No. 50, *Pension Disclosures* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2009 on our consideration of PHFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the Schedule of Retirement Plan Funding Progress, and the Schedule of Funding Progress for the Postemployment Healthcare Benefits Plan on pages 5 through 10 and 45 through 46, respectively, are not a required part of the basic financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst + Young LLP

October 5, 2009

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Board of Directors
Pennsylvania Housing Finance Agency

We have audited the financial statements of the General Fund, Multifamily Housing Program, Single Family Mortgage Loan Program, Insurance Fund and Homeowners Emergency Mortgage Assistance Program ("HEMAP") as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the Pennsylvania Housing Finance Agency ("PHFA"), a component unit of the Commonwealth of Pennsylvania, and have issued our report thereon dated October 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered PHFA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of PHFA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PHFA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether PHFA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members of the Board of Directors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

October 5, 2009

Introduction
This discussion and analysis of the financial performance of the Pennsylvania Housing Finance Agency (the "Agency") is required supplementary information. It introduces the financial statements for the year ended June 30, 2009 with selected comparative information for the years ended June 30, 2008 and 2007. It provides the financial highlights and assessments that, in management's view, significantly affected the Agency's overall financial position. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow this section.

Basic Financial Statements
The basic financial statements include three required statements that provide different views of the Agency. They are the Balance Sheet, the Statement of Revenues, Expenses and Change in Net Assets, the Statement of Cash Flows and the accompanying notes to the financial statements.

The Balance Sheet provides information about the liquidity and solvency of the Agency by indicating the nature and the amounts of investments in resources (assets), the obligations to Agency creditors (liabilities) and net assets. Net assets represent the amount of total assets, less liabilities. The organization of the statement separates assets and liabilities into current and non-current.

The Statement of Revenues, Expenses and Change in Net Assets accounts for all of the current year's revenue and expenses in order to measure the success of the Agency's operations over the past year. It is used to determine how the Agency has funded its costs. By presenting the financial performance of the Agency, the change in net assets is similar to net profit or loss for a business. This statement is organized by separating operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses are defined as those relating to the Agency's primary business of funding homes and apartments throughout the Commonwealth of Pennsylvania. Nonoperating revenues and expenses are those that do not contribute directly to the Agency's primary business.

The Statement of Cash Flows is presented using the direct method of reporting. It provides information about the Agency's cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities. Cash receipts and payments are presented in this statement to arrive at the net increase or decrease in cash and cash equivalents for each year.

These statements are accompanied by a complete set of notes to the financial statements and required supplementary information regarding the funding progress of the Agency's Retirement and Postemployment Healthcare Plans. They present information that is essential in understanding the financial statements, such as the Agency's accounting methods and policies providing information about the content of the financial statements. Additionally, details of contractual obligations, contingencies and developing events that could materially affect the Agency's financial position are disclosed.

Changes in Financial Position

The following tables represent the condensed Balance Sheets and Statement of Revenues, Expenses and Changes in Net Assets of the Agency:

Condensed Balance Sheets *(In thousands of dollars)*	**June 30, 2009**	**June 30, 2008**	**June 30, 2007**	**Percentage Change 2009/2008**	**Percentage Change 2008/2007**
Assets:					
Current and other assets	$ 5,399,678	$ 5,364,699	$ 5,051,809	0.7%	6.2%
Capital assets, net	34,142	34,838	35,411	(2.0)	(1.6)
Total assets	5,433,820	5,399,537	5,087,220	0.6	6.1
Liabilities:					
Current liabilities	304,188	293,497	294,438	3.6	(0.3)
Long-term liabilities	4,383,159	4,362,207	4,081,045	0.5	6.9
Total liabilities	4,687,347	4,655,704	4,375,483	0.7	6.4
Net assets:					
Invested in capital assets, net of related debt	14,215	14,914	15,456	(4.7)	(3.5)
Restricted	252,277	126,715	83,060	99.1	52.6
Unrestricted	479,981	602,204	613,221	(20.3)	(1.8)
Total net assets	$ 746,473	$ 743,833	$ 711,737	0.4%	4.5%

Condensed Statement of Revenues, Expenses and Change in Net Assets *(In thousands of dollars)*	**June 30, 2009**	**June 30, 2008**	**June 30, 2007**	**Percentage Change 2009/2008**	**Percentage Change 2008/2007**
Operating revenues:					
Interest on mortgage loans	$ 207,990	$ 201,535	$ 181,445	3.2%	11.1%
Federal program awards	474,847	461,231	311,745	3.0	48.0
Program income and fees	49,825	46,791	41,917	6.5	11.6
Total operating revenues	732,662	709,557	535,107	3.3	32.6
Operating expenses	744,450	718,314	535,177	3.6	34.2
Nonoperating revenues, net	14,428	40,853	44,058	(64.7)	(7.3)
Change in net assets	$ 2,640	$ 32,096	$ 43,988	(91.8)	(27.0)

Financial Highlights for the Year Ended June 30, 2009

- During the year, the Agency purchased $302,575 of its own bonds reported as qualified tender bonds on the Balance Sheets. This action was in response to the recent credit market conditions that have disrupted the remarketing of certain variable rate demand bonds. The IRS provided a special temporary rule which allows governmental issuers to purchase their own bonds on a temporary basis without resulting in a reissuance or retirement, provided those bonds are not held past December 31, 2009, or otherwise in accordance with IRS guidance.

- The Agency increased its total net assets by 1% as a result of this year's operations to $746 million for the year ended June 30, 2009 from $744 million for the year ended June 30, 2008. The prior year experienced a 5% increase in total net assets.

- Mortgages loans receivable decreased to $4.2 billion for the year ended June 30, 2009 from $4.3 billion in the prior year. This was primarily due to favorable interest rates resulting in single family borrowers refinancing with other lenders which exceeded newly originated first-time homebuyer loans and the sale of certain mortgages to the Federal National Mortgage Association ("FNMA").

- During the year ended June 30, 2009, the Agency approved the funding of 43 Multifamily Housing developments that will contain 1,786 housing units. The Agency originated 4,064 new Single Family Mortgage loans. The Homeowner's Emergency Mortgage Assistance Program ("HEMAP") funded 1,793 emergency mortgage assistance loans to mortgagors facing foreclosure because of circumstances beyond their control.

- Bonds and notes outstanding remained a constant $4.2 billion for the years ended June 30, 2009 and 2008.

- Total operating revenues increased 4% to $733 million for the year ended June 30, 2009 from $710 million from the prior year. Those increases were primarily from strong interest earnings on mortgage loans which increased 3% over the prior year, despite a decrease in loan portfolio balances.

- The Agency experienced an increase in operating expenses of 4% to $744 million for the current year ended June 30, 2009 from $718 million in the prior year. The increase was mainly driven by the volatile interest rate environment that increased bond interest expense by 8% to $214 million for the year ended June 30, 2009 from $198 million during the prior year.

- Investment income decreased sharply due to the historically low interest rate environment. Investment income, reported as nonoperating revenue, fell 51% from the prior year.

Financial Highlights for the Year Ended June 30, 2008

- The Agency's total increase in net assets was $32 million as a result of operations for the year ended June 30, 2008, compared with a $44 million increase in net assets in the year ended June 30, 2007.

- Increases in interest paid for outstanding long-term debt exceeded the increase of interest receipts on mortgage loan repayments.

- The Agency implemented GASB 45 to recognize "Other Post Employment Benefits" ("OPEB") in 2007. The Agency recognized an expense of $3.8 million as of June 30, 2008.

- Increased provision for loan loss was influenced by the mortgage loan environment during 2008.

- During the year ended June 30, 2008, the Agency's total assets increased by $312 million over the year ended June 30, 2007 due primarily to increases in mortgage loan receivables and investments, which were made possible by the issuance of long-term debt. Total liabilities increased by $280 million due to increases in the related debt to finance mortgage loans.

Loan Portfolio Activity
Multifamily Housing Program and Single Family Mortgage Loan Program mortgage loan portfolios are the Agency's primary performing assets. The loan portfolio decrease was driven by the economy and the related declining demand for mortgage financing in the Commonwealth of Pennsylvania. The following are key highlights of loan related activities:

- The Multifamily Housing Program financed approximately $25 million of loans to provide construction and permanent loans for rental housing developments. However, the loan portfolio decreased by 4% or $20 million to $542 million at June 30, 2009 from $562 million at June 30, 2008 due to prepayments exceeding new construction or rehabilitation financing. During the prior year, the Multifamily Housing Program provided financing of approximately $71 million that increased the portfolio to $562 million as of June 30, 2009, from $550 million as of June 30, 2007.

- The Single Family Mortgage Loan Program purchased approximately $365 million of new mortgage loans during the year. However, the portfolio decreased 3% or $111 million to $3.6 billion as of June 30, 2009 from $3.7 billion at June 30, 2008 due to prepayments exceeding loans purchased. During the prior year, the Single Family Mortgage Loan Program disbursed approximately $642 million of new mortgage loans, increasing the portfolio by $400 million to $3.7 billion as of June 30, 2008, from $3.3 billion as of June 30, 2007.

- During the fiscal year ended June 30, 2009, the Agency sold Single Family Mortgage Loan Program loans with a principal balance of $221,582 to FNMA.

- HEMAP disbursed approximately $20 million of emergency mortgage assistance loans during the year. The total portfolio increased $1 million to $50 million as of June 30, 2009, from $49 million as of June 30, 2008, after adjustments for principal payments and loan losses. During the prior year, HEMAP disbursed approximately $20 million of emergency mortgage assistance loans, increasing the portfolio to $49 million as of June 30, 2008 from $48 million as of June 30, 2007.

Long-Term Debt Activity of the Multifamily Housing Program
The Multifamily Housing Program finances various developments throughout the Commonwealth of Pennsylvania relating to the construction or rehabilitation of multifamily rental housing developments generally designed for persons or families of low and moderate income or the elderly with multifamily development bond proceeds. During the year, the Multifamily Housing Program did not issue any bonds. As a result, the total outstanding bonds balance decreased by 16% or $53 million as a result of normal debt payments. The Multifamily Housing Program did not issue any bonds during the year ended June 30, 2008 and issued $13 million of Multifamily Development bonds during the year ended June 30, 2007.

Long-Term Debt Activity of the Single Family Mortgage Loan Program
The Agency provides residential mortgage financing programs that serve low to moderate and middle-income qualified homebuyers. During the year ended June 30, 2009, the Agency issued approximately $350 million of Single Family Housing Revenue Bonds Series 103 and Series 104. The Agency borrowed an additional $1 million of the PNC note purchase agreement to fund the Homeowners' Equity Recovery Opportunity Loan Program. Total debt outstanding of the Single Family Mortgage Loan Program increased by 1% or $37 million as a result of the issuance of the aforementioned debt, note purchase agreement borrowing and the adjustment of normal debt payments. During the years ended June 30, 2008 and 2007, the Agency issued Mortgage Revenue Bonds totaling $610 million and $917 million, respectively.

Economic Factors and Other Financial Information
The primary business activity of the Agency is providing a primary market for the purchase of single-family and multifamily mortgage loans. The Agency's mortgage financing activities are sensitive to changes in interest rates, the spread between the rate on the Agency's loans and those available in the conventional mortgage markets and the availability of affordable housing in the Commonwealth of Pennsylvania. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Agency to continue its mortgage financing activities.

The Agency's main sources of revenues include mortgage loan interest, investment interest income and externally funded grants and subsidies. Interest rates have an effect on both the mortgage programs and investment income revenues. If interest rates continue at current levels, the Agency expects mortgage and investment income to remain relatively stable. If interest rates rise, mortgage and investment income should increase as new loans are originated and new investments are purchased at the higher rates. If interest rates fall, mortgage and investment income will decrease as new loans are originated and new investments are purchased at the lower rates. Any decrease in interest rates may also cause an increase in prepayments on higher rate mortgages. The Agency uses many of these prepayments to call from certain bond series, which lowers the interest expense incurred on the Agency's overall bonds outstanding, or to recycle mortgages to obtain the maximum allowable spread. Changes in programs or funding levels could have a negative impact on externally funded program revenues.

PENNSYLVANIA HOUSING FINANCE AGENCY

Balance Sheets

June 30, 2009 and 2008

(In thousands of dollars)

2009							
ASSETS	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Current Assets:							
Cash and cash equivalents	$ 36,254	$ 235,675	$ 294,646	$ 25,308	$ 591,883	$ 28	$ 591,911
Investments	6,631	234	-	2,029	8,894	-	8,894
Accrued interest receivable	46	258	1,596	66	1,966	-	1,966
Mortgage loans receivable, net	-	31,719	65,997	-	97,716	6,594	104,310
Qualified tender bonds	-	-	302,575	-	302,575	-	302,575
Deferred financing costs and other assets	3,286	1,654	2,369	-	7,309	2,482	9,791
Operating advances to other funds	35,845	-	-	-	35,845	-	35,845
Total current assets	82,062	269,540	667,183	27,403	1,046,188	9,104	1,055,292
Noncurrent assets:							
Restricted cash and investments	-	5,279	203,079	-	208,358	-	208,358
Investments	37,661	1,739	31,324	9,748	80,472	-	80,472
Mortgage loans receivable, net	-	510,078	3,492,858	-	4,002,936	43,553	4,046,489
Capital assets, net	34,129	-	-	-	34,129	13	34,142
Deferred financing costs and other assets	2,028	2,480	4,553	-	9,061	6	9,067
Total noncurrent assets	73,818	519,576	3,731,814	9,748	4,334,956	43,572	4,378,528
Total assets	$ 155,880	$ 789,116	$ 4,398,997	$ 37,151	$ 5,381,144	$ 52,676	$ 5,433,820
LIABILITIES							
Current liabilities:							
Bonds and notes payable, net	$ -	$ 40,133	$ 112,015	$ -	$ 152,148	$ -	$ 152,148
Accrued interest payable	390	5,167	44,878	-	50,435	-	50,435
Accounts payable and accrued expenses	2,304	131	1,188	-	3,623	922	4,545
Escrow deposits and other liabilities	511	17,283	43,120	301	61,215	-	61,215
Operating advances from other funds	-	394	31,099	-	31,493	4,352	35,845
Total current liabilities	3,205	63,108	232,300	301	298,914	5,274	304,188
Noncurrent liabilities:							
Bonds and notes payable, net	19,927	230,262	3,822,450	-	4,072,639	-	4,072,639
Escrow deposits and other liabilities	9,715	264,381	31,509	1,445	307,050	3,470	310,520
Total noncurrent liabilities	29,642	494,643	3,853,959	1,445	4,379,689	3,470	4,383,159
Total liabilities	32,847	557,751	4,086,259	1,746	4,678,603	8,744	4,687,347
NET ASSETS							
Invested in capital assets, net of related debt	14,202	-	-	-	14,202	13	14,215
Restricted by bond resolutions or legislation	-	5,279	203,079	-	208,358	43,919	252,277
Unrestricted	108,831	226,086	109,659	35,405	479,981	-	479,981
Total net assets	123,033	231,365	312,738	35,405	702,541	43,932	746,473
Total liabilities and net assets	$ 155,880	$ 789,116	$ 4,398,997	$ 37,151	$ 5,381,144	$ 52,676	$ 5,433,820

2008							
ASSETS	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Current Assets:							
Cash and cash equivalents	$ 39,279	$ 199,021	$ 374,682	$ 25,778	$ 638,760	$ 205	$ 638,965
Investments	4,086	4,135	1,999	-	10,220	-	10,220
Accrued interest receivable	263	973	1,527	218	2,981	-	2,981
Mortgage loans receivable, net	-	28,496	64,270	-	92,766	6,404	99,170
Qualified tender bonds	-	-	-	-	-	-	-
Deferred financing costs and other assets	1,637	3,065	2,797	-	7,499	-	7,499
Operating advances to other funds	14,512	-	-	-	14,512	-	14,512
Total current assets	59,777	235,690	445,275	25,996	766,738	6,609	773,347
Noncurrent assets:							
Restricted cash and investments	-	3,838	80,347	-	84,185	-	84,185
Investments	39,112	65,480	185,773	23,640	314,005	-	314,005
Mortgage loans receivable, net	-	533,797	3,605,821	-	4,139,618	42,290	4,181,908
Capital assets, net	34,815	-	-	-	34,815	23	34,838
Deferred financing costs and other assets	2,456	4,597	4,196	-	11,249	5	11,254
Total noncurrent assets	76,383	607,712	3,876,137	23,640	4,583,872	42,318	4,626,190
Total assets	$ 136,160	$ 843,402	$ 4,321,412	$ 49,636	$ 5,350,610	$ 48,927	$ 5,399,537
LIABILITIES							
Current liabilities:							
Bonds and notes payable, net	$ -	$ 27,850	$ 88,390	$ -	$ 116,240	$ -	$ 116,240
Accrued interest payable	387	5,936	41,550	-	47,873	-	47,873
Accounts payable and accrued expenses	3,321	79	1,014	-	4,414	501	4,915
Escrow deposits and other liabilities	1,260	56,205	52,191	301	109,957	-	109,957
Operating advances from other funds	-	206	11,500	-	11,706	2,806	14,512
Total current liabilities	4,968	90,276	194,645	301	290,190	3,307	293,497
Noncurrent liabilities:							
Bonds and notes payable, net	19,924	295,703	3,809,363	-	4,124,990	-	4,124,990
Escrow deposits and other liabilities	2,903	215,635	14,575	1,037	234,150	3,067	237,217
Total noncurrent liabilities	22,827	511,338	3,823,938	1,037	4,359,140	3,067	4,362,207
Total liabilities	27,795	601,614	4,018,583	1,338	4,649,330	6,374	4,655,704
NET ASSETS							
Invested in capital assets, net of related debt	14,891	-	-	-	14,891	23	14,914
Restricted by bond resolutions or legislation	-	3,838	80,347	-	84,185	42,530	126,715
Unrestricted	93,474	237,950	222,482	48,298	602,204	-	602,204
Total net assets	108,365	241,788	302,829	48,298	701,280	42,553	743,833
Total liabilities and net assets	$ 136,160	$ 843,402	$ 4,321,412	$ 49,636	$ 5,350,610	$ 48,927	$ 5,399,537

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

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2009 and 2008

(In thousands of dollars)

	2009						
	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Operating revenues:							
Interest on mortgage loans	$ -	$ 31,026	$ 176,104	$ -	$ 207,130	$ 860	$ 207,990
Program income and fees	30,564	1,389	3,541	411	35,905	13,920	49,825
Federal program awards	-	454,784	20,063	-	474,847	-	474,847
Total operating revenues	30,564	487,199	199,708	411	717,882	14,780	732,662
Operating expenses:							
Interest on bonds	822	13,887	199,081	-	213,790	-	213,790
Salaries and related benefits	19,876	-	-	-	19,876	2,488	22,364
OPEB liability expense	2,559	-	-	-	2,559	349	2,908
General and administrative	4,700	3,473	6,044	600	14,817	1,579	16,396
Provision for loan loss	-	3,000	2,100	-	5,100	9,045	14,145
Federal program expense	-	454,784	20,063	-	474,847	-	474,847
Total operating expenses	27,957	475,144	227,288	600	730,989	13,461	744,450
Operating income (loss)	2,607	12,055	(27,580)	(189)	(13,107)	1,319	(11,788)
Nonoperating revenues (expenses):							
Investment income	1,790	1,123	13,432	1,520	17,865	60	17,925
Net increase (decrease) in fair value of investments	5,509	(3,117)	(1,453)	(4,224)	(3,285)	-	(3,285)
Loss on early extinguishment of debt	-	(9)	(203)	-	(212)	-	(212)
Total nonoperating revenue (expense), net	7,299	(2,003)	11,776	(2,704)	14,368	60	14,428
Income (loss) before transfers	9,906	10,052	(15,804)	(2,893)	1,261	1,379	2,640
Transfers	4,762	(20,475)	25,713	(10,000)	-	-	-
Change in net assets	14,668	(10,423)	9,909	(12,893)	1,261	1,379	2,640
Total net assets - beginning of year	108,365	241,788	302,829	48,298	701,280	42,553	743,833
Total net assets - end of year	$ 123,033	$ 231,365	$ 312,738	$ 35,405	$ 702,541	$ 43,932	$ 746,473

	2008						
	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Operating revenues:							
Interest on mortgage loans	$ -	$ 33,445	$ 167,213	$ -	$ 200,658	$ 877	$ 201,535
Program income and fees	30,103	1,473	3,436	313	35,325	11,466	46,791
Federal program awards	-	459,687	1,544	-	461,231	-	461,231
Total operating revenues	30,103	494,605	172,193	313	697,214	12,343	709,557
Operating expenses:							
Interest on bonds	788	17,079	180,595	-	198,462	-	198,462
Salaries and related benefits	19,478	-	-	-	19,478	2,507	21,985
OPEB liability expense	2,677	-	-	-	2,677	364	3,041
General and administrative	5,288	2,359	5,076	600	13,323	2,065	15,388
Provision for loan loss	-	8,042	1,400	-	9,442	8,765	18,207
Federal program expense	-	459,687	1,544	-	461,231	-	461,231
Total operating expenses	28,231	487,167	188,615	600	704,613	13,701	718,314
Operating income (loss)	1,872	7,438	(16,422)	(287)	(7,399)	(1,358)	(8,757)
Nonoperating revenues (expenses):							
Investment income	1,343	6,471	26,827	1,989	36,630	151	36,781
Net increase (decrease) in fair value of investments	3,271	(2,177)	1,620	1,587	4,301	-	4,301
Loss on early extinguishment of debt	-	(31)	(198)	-	(229)	-	(229)
Total nonoperating revenue (expense), net	4,614	4,263	28,249	3,576	40,702	151	40,853
Income (loss) before transfers	6,486	11,701	11,827	3,289	33,303	(1,207)	32,096
Transfers	(22,267)	(33,343)	55,610	-	-	-	-
Change in net assets	(15,781)	(21,642)	67,437	3,289	33,303	(1,207)	32,096
Total net assets - beginning of year	124,146	263,430	235,392	45,009	667,977	43,760	711,737
Total net assets - end of year	$ 108,365	$ 241,788	$ 302,829	$ 48,298	$ 701,280	$ 42,553	$ 743,833

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

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

(In thousands of dollars)

2009

	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Cash Flows From Operating Activities							
Receipts of mortgage loan payments	$ -	$ 45,344	$ 476,682	$ -	$ 522,026	$ 8,048	$ 530,074
Receipts from fees and other income	30,564	1,389	3,541	411	35,905	13,920	49,825
Receipts from interest on mortgages	-	31,741	176,035	-	207,776	860	208,636
Receipt of escrow deposits and other receipts	6,063	9,824	7,863	-	23,750	403	24,153
Payment for qualified tender bonds	-	-	(302,575)	-	(302,575)	-	(302,575)
Payments for mortgages purchased	-	(24,848)	(365,446)	-	(390,294)	(18,546)	(408,840)
Payments to employees and suppliers	(27,829)	(2,893)	(7,899)	(40)	(38,661)	(6,468)	(45,129)
Net cash provided by (used in) operating activities	8,798	60,557	(11,799)	371	57,927	(1,783)	56,144
Cash Flows From Noncapital Financing Activities							
Proceeds from the sale of bonds and notes	-	-	351,340	-	351,340	-	351,340
Payments for retirement of bonds and notes	-	(53,167)	(314,831)	-	(367,998)	-	(367,998)
Payments of bond interest	-	(14,656)	(195,753)	-	(210,409)	-	(210,409)
Transfers (to) other funds	(16,571)	(20,287)	45,312	(10,000)	(1,546)	1,546	-
Net cash provided by (used in) noncapital financing activities	(16,571)	(88,110)	(113,932)	(10,000)	(228,613)	1,546	(227,067)
Cash Flows From Capital Financing Activities							
Purchases of capital assets	(641)	-	-	-	(641)	-	(641)
Interest paid on capital debt	(816)	-	-	-	(816)	-	(816)
Net cash used in capital financing activities	(1,457)	-	-	-	(1,457)	-	(1,457)
Cash Flows From Investing Activities							
Proceeds from sales of and maturities of investments	15,433	96,575	663,455	7,639	783,102	-	783,102
Interest and dividends	1,790	1,123	13,432	1,520	17,865	60	17,925
Purchases of investments	(11,018)	(32,050)	(508,460)	-	(551,528)	-	(551,528)
Net cash provided by (used in) investing activities	6,205	65,648	168,427	9,159	249,439	60	249,499
Net increase (decrease) in cash and cash equivalents	(3,025)	38,095	42,696	(470)	77,296	(177)	77,119
Cash and cash equivalents, beginning of year	39,279	202,859	455,029	25,778	722,945	205	723,150
Cash and cash equivalents, end of year	$ 36,254	$ 240,954	$ 497,725	$ 25,308	$ 800,241	$ 28	$ 800,269

2008

	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Cash Flows From Operating Activities							
Receipts of mortgage loan payments	$ -	$ 58,870	$ 233,115	$ -	$ 291,985	$ 10,750	$ 302,735
Receipts from fees and other income	30,025	-	3,436	313	33,774	11,466	45,240
Receipts from interest on mortgages	-	33,127	169,043	-	202,170	948	203,118
Receipt of escrow deposits and other receipts	2,450	9,838	9,726	-	22,014	-	22,014
Payment for qualified tender bonds	-	-	-	-	-	-	-
Payments for mortgages purchased	-	(71,223)	(642,216)	-	(713,439)	(19,907)	(733,346)
Payments to employees and suppliers	(27,600)	(7,904)	(7,888)	(217)	(43,609)	(4,698)	(48,307)
Net cash provided by (used in) operating activities	4,875	22,708	(234,784)	96	(207,105)	(1,441)	(208,546)
Cash Flows From Noncapital Financing Activities							
Proceeds from the sale of bonds and notes	-	180,790	609,625	-	790,415	-	790,415
Payments for retirement of bonds and notes	-	(208,713)	(317,260)	-	(525,973)	-	(525,973)
Payments of bond interest	-	(17,396)	(176,693)	-	(194,089)	-	(194,089)
Transfers (to) other funds	(12,706)	(35,503)	46,712	-	(1,497)	1,497	-
Net cash provided by (used in) noncapital financing activities	(12,706)	(80,822)	162,384	-	68,856	1,497	70,353
Cash Flows From Capital Financing Activities							
Purchases of capital assets	(755)	-	-	-	(755)	(2)	(757)
Interest paid on capital debt	(790)	-	-	-	(790)	-	(790)
Net cash used in capital financing activities	(1,545)	-	-	-	(1,545)	(2)	(1,547)
Cash Flows From Investing Activities							
Proceeds from sales of and maturities of investments	91,412	82,955	996,371	-	1,170,738	-	1,170,738
Interest and dividends	1,343	6,471	26,827	1,990	36,631	151	36,782
Purchases of investments	(59,065)	(104,400)	(1,004,395)	(9,000)	(1,176,860)	-	(1,176,860)
Net cash provided by (used in) investing activities	33,690	(14,974)	18,803	(7,010)	30,509	151	30,660
Net increase (decrease) in cash and cash equivalents	24,314	(73,088)	(53,597)	(6,914)	(109,285)	205	(109,080)
Cash and cash equivalents, beginning of year	14,965	275,947	508,626	32,692	832,230	-	832,230
Cash and cash equivalents, end of year	$ 39,279	$ 202,859	$ 455,029	$ 25,778	$ 722,945	$ 205	$ 723,150

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

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Cash Flows (continued)

Years Ended June 30, 2009 and 2008

(In thousands of dollars)

	2009							2008						
	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:														
Operating income (loss)	$ 2,607	$ 12,055	$ (27,580)	$ (189)	$ (13,107)	$ 1,319	$ (11,788)	$ 1,872	$ 7,438	$ (16,422)	$ (287)	$ (7,399)	$ (1,358)	$ (8,757)
Interest expense on bonds	822	13,887	199,081	-	213,790	-	213,790	788	17,079	180,595	-	198,462	-	198,462
Provision for loan loss	-	3,000	2,100	-	5,100	9,045	14,145	-	8,042	1,400	-	9,442	8,765	18,207
Depreciation	1,327	-	-	-	1,327	10	1,337	1,317	-	-	-	1,317	13	1,330
Changes in assets and liabilities:														
Mortgage loans receivable, net	-	17,496	109,136	-	126,632	(10,498)	116,134	-	(20,395)	(410,501)	-	(430,896)	(9,175)	(440,071)
Accrued interest receivable	217	715	(69)	152	1,015	-	1,015	240	(318)	1,830	(87)	1,665	-	1,665
Deferred and qualified tender bond assets	(1,221)	3,528	(302,504)	-	(300,197)	(2,483)	(302,680)	(1,813)	2,429	(1,527)	-	(911)	1	(910)
Accounts payable and accrued expenses	(1,017)	52	174	408	(383)	421	38	99	68	115	43	325	(279)	46
Escrow deposits and other liabilities	6,063	9,824	7,863	-	23,750	403	24,153	2,372	8,365	9,726	427	20,890	592	21,482
Net cash provided by (used in) operating activities	$ 8,798	$ 60,557	$ (11,799)	$ 371	$ 57,927	$ (1,783)	$ 56,144	$ 4,875	$ 22,708	$ (234,784)	$ 96	$ (207,105)	$ (1,441)	$ (208,546)

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

1. Description of the Agency

The Pennsylvania Housing Finance Agency (the "Agency") is a corporate and political body created by the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688 ("Act"), as amended. Pursuant to the Act, the Agency is authorized and empowered, among other things, to finance the construction and rehabilitation of housing units for persons and families of low and moderate income or the elderly. The Act was amended to authorize the Agency to make or purchase loans to finance the purchase, construction, improvement or rehabilitation of owner-occupied single family residences, and to finance the construction and rehabilitation of housing units without requiring the housing units to be subsidized or assisted by a federal government program.

Debt obligations issued under the provisions of the Act are not a debt or liability of the Commonwealth of Pennsylvania or any of its political subdivisions or a pledge of the faith and credit of the Commonwealth of Pennsylvania or of any of its political subdivisions.

The Agency is a component unit of the Commonwealth of Pennsylvania as described in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Agency is included in the Commonwealth of Pennsylvania's Comprehensive Annual Financial Report as a discretely presented component unit.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Agency are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Expenses are charged as incurred, except those directly related to mortgage loan or program originations, which are deferred, netted against fee income for mortgage loans originated, and amortized over the contractual life of the related mortgage loan or program.

The Agency is required to follow all statements of GASB. GASB Statement No. 20*, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, was issued to give guidance in determining generally accepted accounting principles ("GAAP") for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards Board ("FASB") Statements issued prior to November 30, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements after that date. The Agency has elected not to follow FASB pronouncements issued after November 30, 1989.

Recently Adopted Accounting Standards
GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expenses and related liabilities, note disclosures, and, if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers. The Agency adopted GASB Statement No. 45 during the prior year. See Note 15.

GASB Statement No. 50*, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits ("OPEB") and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI by pension plans and by employers that provide pension benefits. The Agency adopted GASB Statement No. 50 during the prior year. See Note 14.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement incorporates the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles. During the year, the Agency adopted GASB Statement No. 55, which had no effect on its financial statements.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants ("AICPA") auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The Statement 56 guidance addresses three issues from the AICPA's literature – related party transactions, going-concern considerations and subsequent events. During the year, the Agency adopted GASB Statement No. 56, which had no effect on its financial statements.

Accounting Standards Issued but Not yet Adopted
In June 2009, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. Derivatives are often complex financial arrangements used by the Agency to manage specific risks. By entering into these arrangements, the Agency receives or makes payment based on market prices without actually entering into the related financial transactions. Derivatives associated with changing financial prices result in changing cash flows and fair values that can be used as effective risk management tools. Derivatives, however, can also expose the Agency to significant risks and liabilities. The Agency is required to adopt GASB Statement No. 53 for its 2010 financial statements and is currently evaluating the impact of implementing this Statement.

Description of Funds

The accounts of the Agency are organized based on separate enterprise funds. Each fund represents a separate accounting entity. Agency resources are allocated to these funds based on legal responsibility, fiscal accountability and management designation, summarized as follows:

General Fund – The General Fund is utilized to record transactions that are not directly related to a specific bond resolution. All Agency expenses are recorded in this fund except for specific program expenses that are charged to the loan-related funds.

Multifamily Housing Program – Multifamily Housing Program activity relates to the financing of construction or rehabilitation of multifamily rental housing developments generally designed for persons or families of low and moderate income or the elderly.

Single Family Mortgage Loan Program – Single Family Mortgage Loan Program transactions relate to the purchase of mortgage loans for owner-occupied single family residences for persons or families of low and moderate income.

Insurance Fund – The Agency provides primary mortgage insurance coverage through the Insurance Fund for single family borrowers that are unable to obtain insurance from other sources.

Homeowner's Emergency Mortgage Assistance Program ("HEMAP") – HEMAP was created by Act 91 of the General Assembly to provide emergency mortgage assistance loans to mortgagors facing foreclosure because of circumstances beyond their control.

Cash and Cash Equivalents

Cash includes cash on hand and cash deposits. Cash equivalents are investments with a maturity of three months or less when purchased and include short-term highly liquid money market funds, which are readily convertible to known amounts of cash.

Investments

Investments are accounted for at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires certain investments to be reported at fair value in the Balance Sheets. The Agency reports all investments at fair value in the Balance Sheets.

Mortgage Loans Receivable

Mortgage loans receivable are carried at amounts disbursed or advanced plus accrued interest and fees, less collections, mortgage loan discounts and allowance for loan losses, if any. The current portion of loans receivable represents the contractual amount due within the next fiscal year.

Allowance for Potential Loan Losses
The allowance for loan losses is determined based upon management's evaluation of mortgage loans receivable and construction advances. Factors considered by management include the estimated fair values of the properties that represent collateral, mortgage insurance coverage on the collateral, the financial condition of the borrower and the economy as a whole. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions.

Real Estate Owned
During the normal course of business, the Agency acquires single family real estate as a result of nonperforming loans. The outstanding mortgage balances attributable to these properties, stated at cost, are included in mortgage loans receivable on the Balance Sheets. In addition to potential recoveries from mortgagors, these nonperforming loans include amounts recoverable through both Housing and Urban Development and private mortgage insurance.

Capital Assets
Building, furniture and equipment are capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful lives, which are thirty years for the building and from three to ten years for furniture and equipment. The capitalization floor is $1 for all categories of capital assets. Maintenance and repairs are charged to operating expense.

Debt Issuance Costs, Bond Discounts and Other Bond Related Costs
The Agency issues bonds to provide capital for its mortgage programs and other uses consistent with its mission. Bonds are recorded at cost plus accreted interest and premiums, less discounts and deferred debt refunding losses. Discounts and premiums are amortized using the effective interest method. Deferred debt refunding losses are amortized over the shorter of the remaining life of the old debt, or the remaining life of the new debt. The Agency capitalizes costs related to bond issuances to deferred assets and amortizes these costs to interest expense over the contractual life of the bonds using the effective interest method.

Derivative Financial Instruments
The Agency enters into various interest rate swap agreements in order to manage risk associated with interest on its bond portfolio. As currently allowed under GAAP, the Agency does not record the fair value or changes in the fair value of interest rate swaps in its financial statements.

Advances to and from Other Funds and Interfund Transfers
To meet liquidity requirements of individual funds, the Agency transfers funds to and from the separate enterprise funds. The Agency makes interfund transfers to the extent that such transfers are not required to meet the Agency's debt obligations and if such transfers are not in violation of the terms of bond resolutions or indentures.

(In thousands of dollars)

Operating and Nonoperating Revenues and Expenses
The Agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Agency into mortgage loans to qualified housing sponsors and to individuals. The Agency's primary purpose is to borrow funds in the bond market and to use those funds to make multifamily and single-family mortgages. The Agency's primary operating revenue is derived from the mortgage interest income and fees from mortgage transactions. Additionally, the Agency passes through federal financial assistance programs for rental subsidies to tenants of various housing developments. The Agency records all revenues from mortgages and rental subsidies as operating revenues. The costs of providing these programs are recorded as operating expenses. The Agency's income on the invested proceeds from the bond issues is not considered part of the Agency's primary purpose. Consequently, income from investment activity, changes in the fair values of investments and early extinguishment of debt are considered nonoperating revenues or expenses.

Interest Income
Interest income is recognized over the remaining time to maturity of investment securities, mortgage loans receivable and construction advances based upon the constant yield method. Multifamily Housing and Single Family Mortgage Loan Program loans more than 180 days delinquent in scheduled payments are considered nonperforming loans which result in the cessation of recognition of additional interest on such loans.

Pass-through Grants
The Agency follows GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Statement No. 24 requires that all cash pass-through grants received by a governmental entity be reported in its financial statements. The effect of applying these provisions is to increase both operating income and expense when eligible expenses occur.

Pension Plan and Other Postemployment Benefits
GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 27*, Accounting for Pensions by State and Local Governmental Employers*, amended by GASB Statement No. 50, require the Agency to measure and disclose amounts for annual pension cost and net pension obligations. The funding policy is to pay actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due.

GASB Statement No. 45 requires the Agency to establish standards for the measurement, recognition and disclosure of OPEB expenses and related liabilities (assets) and note disclosures in the financial reports. The Agency does not fund its OPEB liability; rather, the Agency maintains health insurance for its retirees on a pay-as-you-go basis.

Compensated Absences
Agency employees are granted vacation and illness pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused compensated absence pay earned and upon retirement, termination or death, may be compensated for certain amounts at their current rate of pay. Compensated absence pay is recognized as an expense in the amount earned each year.

Net Assets
Net assets are classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets – Consists of net assets with constraints placed on their use by (1) external groups, such as creditors or (2) law through enabling legislation.

Unrestricted – Consists of net assets that do not meet the definition of invested in capital assets or restricted. This component includes net assets designated for specific purposes by the Members of the Board.

When both restricted and unrestricted resources are available in a fund, it is the Agency's policy to spend restricted resources to the extent allowed and only spend unrestricted resources when needed.

Reclassifications
Certain reclassifications have been made in the June 30, 2008 financial statements to conform to the June 30, 2009 presentation.

3. Deposits and Investments

Deposits
The Agency has a policy that cash and cash equivalents must be held in insured depositories satisfactory to the Agency and must be fully collateralized. Cash and cash equivalents consist of demand deposits, time deposits, cash held in trust and Money Market Funds.

(In thousands of dollars)

A summary of the Agency's cash and cash equivalents is shown below:

	June 30, 2009	June 30, 2008
Restricted cash and cash equivalents	$ 208,358	$ 84,185
Unrestricted cash and cash equivalents	591,911	638,965
Carrying amount of cash and cash equivalents	$ 800,269	$ 723,150
Bank balance of cash and cash equivalents	$ 804,172	$ 722,897

Note: Restricted cash and cash equivalents represent cash deposits restricted by bond resolutions.

Custodial Credit Risk
The Agency assumes levels of custodial credit risk for its cash and cash equivalents with financial institutions. Custodial credit risk is the risk that, in the event of a bank failure, the Agency's cash and cash equivalents may not be returned. The Agency has not established a formal custodial credit risk policy for its cash and cash equivalents.

At June 30, 2009, the carrying value of the Agency's cash deposits equaled $37,099 and the bank balance equaled $45,557, of which $44,699 was uninsured and collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania, with securities held by the pledging financial institution, its trust department or agent, but not in the Agency's name.

The difference between total cash and cash equivalents and total deposits represents Money Market Funds equaling $763,170, with a bank balance of $758,615 that does not expose the Agency to custodial credit risk.

Investments
The investment policies of the Agency are governed by Commonwealth of Pennsylvania statutes and contractual provisions contained in the bond trust indentures. The primary objectives of the Agency's investment activities are to provide suitable returns, preserve principal, meet liquidity needs and to further the purposes of the Agency.

Interest Rate Risk
The Agency's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk.

(In thousands of dollars)

As of June 30, 2009, the Agency held the following investments with the listed maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Government Agency Mortgage-Backed Securities	$ 26,544	$ 4,058	$ 20,282	$ -	$ 2,204
U.S. Government Agency Securities	30,879	280	936	245	29,418
U.S. Treasury Securities	18,023	-	8,966	9,057	-
Corporate Bonds	13,920	4,556	7,615	1,749	-
	$ 89,366	$ 8,894	$ 37,799	$ 11,051	$ 31,622

Investments in Mortgage-Backed Securities are sensitive to interest rate changes because, for example, borrowers have the option to prepay their mortgages.

In addition to the amounts listed above, the Agency held investments in Money Market Funds with a fair value of $763,170, reported as cash equivalents, all with maturities of less than 90 days.

Concentration of Credit Risk
Concentration risk is the risk of loss attributed to the magnitude of the Agency's investment in a single investment issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. As of June 30, 2009, no single issuer exceeded 5% or more of the Agency's total investment portfolio.

Credit Risk
The Agency mitigates its credit risk by limiting investments to those permitted in the deposit and investment policies, diversifying the investment portfolio and prequalifying firms with which the Agency administers its investment activities.

(In thousands of dollars)

As of June 30, 2009, the Agency's exposure to credit risk was as follows (rating provided by Moody's Investors Service):

Investment Type	Fair Value	Quality Ratings Aaa	A	Ba	Unrated*
U.S. Government Agency Mortgage-Backed Securities	$ 26,544	$ 24,340	$ -	$ -	$ 2,204
U.S. Government Agency Securities	30,879	-	-	-	30,879
U.S. Treasury Securities	18,023	-	-	-	18,023
Corporate Bonds	13,920	-	5,873	7,037	1,010
	$ 89,366	$ 24,340	$ 5,873	$ 7,037	$ 52,116

*Unrated investments represent securities that are not rated by a nationally recognized statistical rating organization.

Of the $763,170 fair value in Money Market Funds, reported as cash equivalents, $755,993 is rated Aaa by Moody's Investors Service and $7,177 is not rated.

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, the Agency will not be able to recover the value of the investment. The Agency has not established a formal custodial credit risk policy for its investments. All of the Agency's $89,366 investment balance at June 30, 2009 is held by bank trust departments, acting as the counterparty, in book entry only form in the Agency's name and accordingly was subject to custodial credit risk. The total investment in Money Market Funds equaling $763,170, reported as cash equivalents, does not expose the Agency to custodial credit risk.

(In thousands of dollars)

4. Mortgage Loans Receivable

Mortgage loans receivable at June 30, 2009 and 2008 consisted of the following:

	June 30, 2009	June 30, 2008
Multifamily Housing Program	$ 711,993	$ 732,889
Single Family Mortgage Loan Program	3,537,612	3,646,407
HEMAP	91,495	89,275
	4,341,100	4,468,571
Add:		
Loan discounts	23,793	25,072
Less:		
Allowance for potential loan losses	214,094	212,565
Mortgage loans receivable, net	4,150,799	4,281,078
Less current portion	104,310	99,170
Long-term portion	$ 4,046,489	$ 4,181,908

Multifamily Housing Program mortgage loans receivable are collateralized by first mortgages on the related properties. The federal government provides insurance to certain developments included in the Multifamily Housing Program, as well as subsidizes certain developments through its Section 8 Program. Construction advances are recorded as mortgage loans receivable. Amortization of the advances commences upon substantial completion and occupancy of the development.

Mortgage loans held by the Single Family Mortgage Loan Program have stated interest rates and are secured by first liens on the related real property. Insurance for the single family mortgage loans is provided by commercial companies, certain federal programs, or self-insurance through the Agency's Insurance Fund. Primary insurance is required on all single family mortgage loans where the loan principal amount exceeds 80% of the lesser of the purchase price or the initial appraised value of the property. It is the eligible borrowers' responsibility to bear the cost of primary insurance.

The Agency provides primary mortgage insurance coverage for certain Single Family Mortgage Loan Program loans through the Insurance Fund, which ranges from 20% to 30% (depending on the loan-to-value ratio at origination) of the unpaid principal balance. At June 30, 2009 and 2008, the total loans covered under this program were $73,083 and $52,518, respectively.

GASB requires that the basis for estimating the liability for unpaid claims include the effects of specific incremental claim adjustment expenses and estimated recoveries. Also, it requires disclosure of whether other allocated or unallocated claim adjustment expenses are included. The Agency establishes the estimated claims payable liability for both reported and unreported insured events, which include estimates of both future payments of losses and related loss adjustment expenses, based on the Agency's past claim experience. Claims are not discounted and are net of any estimated recoveries, if any.

(In thousands of dollars)

Changes in the Insurance Fund's claim liability amounts were as follows:

	June 30, 2009	June 30, 2008
Beginning balance	$ 1,338	$ 868
Current year estimated claims payable	600	600
Claim payments	(192)	(130)
Total claim liability	1,746	1,338
Less current portion	301	301
Long-term portion	$ 1,445	$ 1,037

Changes in the allowance for potential loan losses for the Multifamily Housing Program, Single Family Mortgage Loan Program and HEMAP were as follows at June 30, 2009 and 2008:

	Multifamily Housing Program		Single Family Mortgage Loan Program		HEMAP		Totals	
	2009	2008	2009	2008	2009	2008	2009	2008
Beginning balance	$167,818	$161,818	$ 4,166	$ 4,265	$ 40,581	$ 38,704	$212,565	$204,787
Loss provision	3,000	8,042	2,100	1,400	9,045	8,765	14,145	18,207
Net charge-offs	(3,399)	(2,042)	(939)	(1,499)	(8,278)	(6,888)	(12,616)	(10,429)
Ending balance	$167,419	$167,818	$ 5,327	$ 4,166	$ 41,348	$ 40,581	$214,094	$212,565

5. Mortgage Loan Sales

During the fiscal year ended June 30, 2009, the Agency sold Single Family Mortgage Loan Program loans with a principal balance of $221,582 to the Federal National Mortgage Association ("FNMA"). The Agency also entered into an administration agreement with FNMA, whereby the Agency receives a fee for servicing those loans on behalf of the new owner. The amounts earned are included in program income and fees on the Statement of Revenues, Expenses and Changes in Net Assets.

6. Servicing Portfolio

The Agency receives fee income for servicing mortgage loans for other governmental agencies. The loans are not reported on the Balance Sheets of the Agency, since there is no exposure of loss relating to these loans. The total amount of loans serviced for others under servicing agreements is $309,222 and $121,734 at June 30, 2009 and 2008, respectively.

(In thousands of dollars)

7. Qualified Tender Bonds

In response to the recent credit market conditions that have disrupted the remarketing of certain variable rate demand bonds, the Internal Revenue Service ("IRS") issued Notice 2008-41, amended and supplemented by Notice 2008-88 which provides a special temporary rule that allows governmental issuers to purchase their own qualified tender bonds on a temporary basis without resulting in a reissuance or retirement, provided those bonds are not held past December 31, 2009. In response to credit and liquidity constraints in the variable rate bond sector of the bond markets, the Agency purchased approximately $302,575 of its own bonds during the fiscal year. Those bonds are reported as qualified tender bonds. The Agency will continue to hold those bonds until the market stabilizes or until the bonds are redeemed, remarketed or refunded with fixed rate issues prior to December 31, 2009, or otherwise in accordance with IRS guidance.

8. Capital Assets

Capital assets activity and summary balances for the years ended June 30, 2009 and 2008 are as follows:

	Beginning Balance July 1, 2008	Additions	Deletions	Ending Balance June 30, 2009
Nondepreciable capital assets:				
Land	$ 2,454	$ -	$ -	$ 2,454
Total nondepreciable capital assets	2,454	-	-	2,454
Depreciable capital assets:				
Building and improvements	29,741	206	12	29,935
Computers and equipment	6,034	254	749	5,539
Furniture and fixtures	4,349	193	41	4,501
Automobiles	112	-	-	112
Total depreciable capital assets	40,236	653	802	40,087
Less accumulated depreciation:				
Building and improvements	3,135	597	-	3,732
Computers and equipment	3,627	483	749	3,361
Furniture and fixtures	1,044	243	41	1,246
Automobiles	46	14	-	60
Total accumulated depreciation	7,852	1,337	790	8,399
Total depreciable capital assets, net	32,384	(684)	12	31,688
Capital assets, net	$ 34,838	$ (684)	$ 12	$ 34,142

(In thousands of dollars)

	Beginning Balance July 1, 2007	Additions	Deletions	Ending Balance June 30, 2008
Nondepreciable capital assets:				
Land	$ 2,454	$ -	$ -	$ 2,454
Total nondepreciable capital assets	2,454	-	-	2,454
Depreciable capital assets:				
Building and improvements	29,647	100	6	29,741
Computers and equipment	5,452	582	-	6,034
Furniture and fixtures	4,276	79	6	4,349
Automobiles	126	-	14	112
Total depreciable capital assets	39,501	761	26	40,236
Less accumulated depreciation:				
Building and improvements	2,523	612	-	3,135
Computers and equipment	3,174	453	-	3,627
Furniture and fixtures	802	247	5	1,044
Automobiles	45	16	15	46
Total accumulated depreciation	6,544	1,328	20	7,852
Total depreciable capital assets, net	32,957	(567)	6	32,384
Capital assets, net	$ 35,411	$ (567)	$ 6	$ 34,838

Depreciation expense for the years ended June 30, 2009 and 2008 totaled $1,337 and $1,328, respectively.

9. Bonds and Note Payable

Bonds issued to provide capital for mortgage programs have the full faith and credit of the Agency pledged for repayment. The bonds are secured by the revenues, investments, mortgage loans and others assets in the fund and accounts established by the respective security agreements.

(In thousands of dollars)

Bonds payable for the General Fund are as follows:

Description of Bonds as Issued	Final Maturity Date	Amounts Outstanding June 30, 2009	June 30, 2008
Variable Rate Building Development Bonds	2034	$ 20,000	$ 20,000
Unamortized bond discount		(73)	(76)
Total bonds payable		19,927	19,924
Less current portion		-	-
Long-term portion		$ 19,927	$ 19,924

(In thousands of dollars)

Bonds payable for the Multifamily Housing Program are as follows:

Description of Bonds as Issued	Final Maturity Date	Amounts Outstanding June 30, 2009	June 30, 2008
Multifamily Development Bonds			
Issue 1990A, 7.5%	2023	$ -	$ 1,595
Subordinate Limited Obligation Bonds			
Issue 1995, 5.50-6.15%	2021	2,225	3,228
Rental Housing Refunding Bonds			
Series 2008A/B, variable rate	2021	62,990	73,740
Series 2008C/D, variable rate	2020	95,590	107,050
Residential Development Bonds			
Issue 2002 (refunding), 1.80%-5.25%	2024	25,970	29,535
Multifamily Development Bonds			
Issue 1989B, 8.25%	2019	345	365
Issue 1993A (refunding), 5.38%	2022	8,640	10,560
Issue 1993F, 6.53%	2019	4,055	5,020
Issue 1997G, 7.36%	2027	9,110	9,340
Issue 1998H, 6.3%	2028	14,960	15,345
Issue 2003 (refunding), 3.25-4.80%	2019	12,495	13,875
Issue 2005A, 4.00-5.00%	2026	-	20,615
Issue 2005K, variable rate	2036	25,785	26,350
Issue 2007L, 4.20%	2009	12,600	12,600
		274,765	329,218
Unamortized bond discount		(206)	(226)
Unamortized deferred loss of refundings		(4,164)	(5,439)
Total bonds payable		270,395	323,553
Less current portion		40,133	27,850
Long-term portion		$ 230,262	$ 295,703

(In thousands of dollars)

Bonds and note payable for the Single Family Mortgage Loan Program are as follows:

Description of Bonds as Issued	Final Maturity Date	Amounts Outstanding June 30, 2009	June 30, 2008
Single Family Mortgage Revenue Bonds			
Series 1996 - 47, 4.20-6.75%	2027	$ 2,820	$ 4,100
Series 1997 - 54, 5.37-7.22%	2028	-	870
Series 1997 - 58, 4.30-7.81%	2028	390	1,795
Series 1997 - 59, 4.00-5.15%	2029	180	1,360
Series 1997 - 60, 4.00-7.69%	2028	315	1,900
Series 1997 - 61, 4.00-6.80%	2029	37,655	39,540
Series 1998 - 62, 4.25-6.40%	2029	48,370	50,385
Series 1998 - 63, 3.95-5.50%	2030	48,799	50,178
Series 1998 - 64, 3.65-5.25%	2030	49,365	51,767
Series 1999 - 65, 3.25-5.25%	2030	46,320	50,270
Series 1999 - 66, 4.05-6.95%	2031	26,600	29,040
Series 1999 - 67, 4.05-7.51%	2030	30,805	37,380
Series 1999 - 68, 4.30-7.02%	2031	18,230	21,910
Series 2000 - 69, 4.35-6.25%	2031	34,670	36,125
Series 2000 - 70, 4.30-5.90%	2032	33,555	35,165
Series 2001 - 72, 3.25-5.35%	2032	152,225	157,970
Series 2002 - 73, 1.75-5.45%	2033	118,400	127,515
Series 2002 - 74, variable rate	2032	98,120	98,530
Series 2002 - 75, variable rate	2033	88,510	90,555
Series 2003 - 77, variable rate	2033	77,150	82,405
Series 2003 - 78, variable rate	2025	57,390	59,885
Series 2003 - 79, variable rate	2034	77,225	81,765
Series 2004 - 81, variable rate	2034	85,135	87,610
Series 2004 - 82, variable rate	2034	80,175	85,835
Series 2004 - 83, variable rate	2035	82,275	85,540
Series 2004 - 84, variable rate	2034	84,420	88,650
Series 2004 - 85, variable rate	2035	86,975	88,860
Series 2004 - 86, variable rate	2035	94,440	96,185
Series 2005 - 87, variable rate	2035	92,175	93,020
Series 2005 - 88, variable rate	2037	86,875	91,170
Series 2005 - 89, variable rate	2035	115,780	115,780
Series 2005 - 90, variable rate	2036	117,205	120,320
Series 2005 - 91, variable rate	2036	121,025	122,805

(In thousands of dollars)

Description of Bonds and Note as Issued	Final Maturity Date	Amounts Outstanding June 30, 2009	June 30, 2008
Series 2006 - 92, variable rate	2036	$ 122,255	$ 123,635
Series 2006 - 93, variable rate	2037	110,380	117,700
Series 2006 - 94, variable rate	2037	112,435	117,850
Series 2006 - 95, variable rate	2037	175,045	187,570
Series 2006 - 96, 3.60-5.72%	2037	179,400	188,870
Series 2007 - 97, 3.50-5.50%	2037	154,260	197,510
Series 2007 - 98, variable rate	2037	188,230	196,855
Series 2007 - 99, 3.70-5.30%	2038	128,360	198,950
Series 2007 - 100, 3.40-5.35%	2038	140,180	199,975
Series 2007 - 101, variable rate	2038	56,905	59,625
Series 2007 - 102, variable rate	2038	148,885	150,000
Series 2008 - 103, 2.00-5.70%	2038	182,400	-
Series 2008 - 104, variable rate	2038	167,250	-
Note Purchase Agreement - 2.5%	2017	3,500	2,500
		3,963,059	3,927,225
Unamortized bond discount		(11,690)	(11,823)
Unamortized deferred loss of refundings		(16,904)	(17,649)
Total bonds and note payable		3,934,465	3,897,753
Less current portion		112,015	88,390
Long-term portion		$ 3,822,450	$ 3,809,363

Interest paid on variable-rate tax-exempt bonds is closely correlated with the Securities Industry and Financial Markets Association Municipal Swap ("SIFMA") rate. Generally, interest rate resets occur quarterly, monthly or weekly.

(In thousands of dollars)

The approximate principal and interest payments required on outstanding bonds and note over the next five years and thereafter are as follows:

Fiscal Year	General Fund		Multifamily Housing Program		Single Family Mortgage Loan Program		
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	$ -	$ 60	$ 40,133	$ 4,645	$ 112,015	$ 124,152	$ 281,005
2011	-	60	28,619	4,042	113,920	120,100	266,741
2012	-	60	27,151	3,680	118,470	115,892	265,253
2013	-	60	26,083	3,309	115,255	111,466	256,173
2014	-	60	21,547	2,853	112,980	107,121	244,561
2015-2019	1,910	289	84,267	10,389	654,890	469,230	1,220,975
2020-2024	2,355	258	24,800	5,014	724,220	354,155	1,110,802
2025-2029	2,915	219	13,095	1,531	829,485	238,410	1,085,655
2030-2034	12,820	172	6,905	171	762,049	117,332	899,449
2035-2039	-	-	2,165	12	419,775	24,171	446,123
	$ 20,000	$ 1,238	$ 274,765	$ 35,646	$ 3,963,059	$ 1,782,029	$ 6,076,737

Early Extinguishment of Debt
During the years ended June 30, 2009 and 2008, because of the prepayment of certain mortgages, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, totaling approximately $22,480 and $51,781, respectively. Net losses of $212 and $229 on early extinguishments have been recorded as a nonoperating expense for the years ended June 30, 2009 and 2008, respectively. Losses arise because of immediate recognition of deferred bond issuance costs and discounts that would have been amortized over the life of the applicable bond issues had they not been retired.

Current Refunding
During the year ended June 30, 2009, because of new debt proceeds, the Agency refunded the principal amount of certain Single Family Mortgage Loan Program bonds, totaling approximately $1,800. The Agency realized an economic loss (difference between the present value of the old debt and new debt service payments) of $17. The Agency recognized a deferred loss of $1,085. The Agency increased its aggregate debt service payments by $54 over the next 30 years by the current year's refunding activity.

During the year ended June 30, 2008, because of new debt proceeds, the Agency refunded the principal amount of certain Single Family Mortgage Loan Program bonds, totaling approximately $160,959. Although the current refunding resulted in the recognition of a deferred loss of $484 for the year ended June 30, 2008, the Agency in effect reduced its aggregate debt service payments by $12,398 over the next 30 years and obtained an economic gain (difference between the present value of the old debt and new debt service payments) of $7,076 for the year ended June 30, 2008.

Advance Refunding
The Agency effected an advanced refunding where the proceeds of issued bonds were used to defease outstanding debt of the Agency. The result is an in-substance defeasance whereby the Agency purchased securities, which were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. The Agency defeased Multifamily Residential Development Bonds, Issue H in prior years. The defeased principal outstanding is $2,725 for both years ended June 30, 2009 and 2008.

Conduit Debt Obligations
The Agency issued series 2003J Limited Obligation Multifamily Development Bonds, series 2008M Limited Obligation Multifamily Housing Revenue Bonds, series 2008P Special Limited Obligation Housing Development Bonds and series 2008O Special Limited Obligation Housing Development Bonds to provide for the financing of new construction or preservation of affordable housing stock in the Commonwealth of Pennsylvania. The bonds are secured solely by the properties and related revenues.

The Agency issued series 2005A Capital Fund Securitization Revenue Bonds to provide for the financial assistance of a local public housing authority. The bonds are secured solely by the properties financed and related revenues or appropriations to be paid by the United States Department of Housing and Urban Development.

These bonds, which are considered conduit debt obligations under GASB rules, do not constitute a debt or pledge of the faith and credit of the Agency and, accordingly, have not been reported in the accompanying financial statements. At June 30, 2009 and 2008, conduit debt outstanding aggregated $97,002 and $10,621, respectively.

Bond Covenants
Minimum capital reserves have been established by the Agency to meet the requirements of bond covenants. The capital reserve requirement for certain Multifamily Housing Program bonds requires that a one-year debt service minimum balance be maintained at all times. The capital reserve requirement for Single Family Mortgage Loan Program bonds must be equal to at least 3% of the aggregate principal amount of all Single Family Mortgage Loan Program bonds outstanding plus one million dollars. Bond covenant requirements regarding restricted cash and net assets were met at year-end.

(In thousands of dollars)

10. Interest Rate Swaps

In order to both reduce the Agency's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, the Agency entered into pay-fixed, receive-variable interest rate swap agreements at a cost less than what the Agency would have paid to issue conventional fixed-rate debt.

Swap Payments

At June 30, 2009, debt service requirements of the Agency's outstanding variable-rate debt and net swap payments, assuming current interest rates remain constant, are displayed in the following schedule. As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Fiscal Year Ending June 30	Variable Rate Bond Principal	Variable Rate Bond Interest	Interest Rate Swap, Net	Total
2010	$ 31,360	$ 9,901	$ 59,358	$ 100,619
2011	31,190	9,773	54,221	95,184
2012	29,665	9,648	52,088	91,401
2013	24,875	9,532	49,202	83,609
2014	24,005	9,432	54,414	87,851
2015-2019	231,550	44,384	199,319	475,253
2020-2024	282,580	36,895	148,916	468,391
2025-2029	400,500	26,895	103,906	531,301
2030-2034	389,960	13,900	50,492	454,352
2035-2039	179,735	2,410	6,062	188,207
Totals	$ 1,625,420	$ 172,770	$ 777,978	$ 2,576,168

(In thousands of dollars)

Significant Terms

The terms, fair value and credit ratings of the Agency's outstanding swaps as of June 30, 2009, are included in the following schedule (credit ratings supplied by Standard and Poor's/Moody's):

Counter-Party and Ratings	Related Bond Issue	Notional Amount	Effective Date	Maturity Date	Fixed Rate Paid	Variable Rate Received	Fair Values of Contract
JP Morgan	RHR2008C*	$ 49,935	6/2003	7/2020	3.457%	70% of 1-month LIBOR	$ (2,857)
AA-/Aa1	RHR2008D*	49,935	6/2003	7/2020	3.547	70% of 1-month LIBOR	(2,788)
PNC Bank A+/A1	VRDB2004	20,000	2/2004	1/2034	3.945	65% of 1-month LIBOR+25bps	(920)
Merrill	2004-82B	42,905	5/2004	10/2030	3.643	61% of 1-month LIBOR+39bps	(2,221)
Lynch	2004-82C*	35,220	5/2004	10/2034	4.164	61% of 1-month LIBOR+39bps	(1,767)
A/A2	2005-88B	49,575	5/2005	10/2035	3.500	61% of 1-month LIBOR+39bps	(2,422)
	2005-88C*	31,930	5/2005	10/2035	3.975	61% of 1-month LIBOR+39bps	(846)
	2006-93B	37,185	5/2006	4/2037	4.266	61% of 1-month LIBOR+39bps	(3,418)
	2007-98C*	41,955	5/2007	10/2037	4.105	61% of 1-month LIBOR+39bps	(2,442)
RBC Capital AA-/Aaa	MF2005-K*	30,045	3/2005	1/2036	5.183	1-month LIBOR	(4,642)
UBS AG	2000-70B	3,155	4/2001	4/2011	6.927	1-month LIBOR	(163)
A+/Aa2	2002-73C	2,505	3/2002	4/2010	5.017	1-month LIBOR	(65)
	2002-75A	30,000	12/2002	10/2032	3.957	70% of 1-month LIBOR	(1,482)
	2003-79B*	75,800	12/2003	10/2033	3.997	65% of 1-month LIBOR+25bps	(6,203)
	2004-83B	23,365	8/2004	10/2019	3.410	65% of 1-month LIBOR+25bps	(1,211)
	2004-83C*	54,185	8/2004	10/2035	4.060	65% of 1-month LIBOR+25bps	(3,934)
	2004-85B	22,990	11/2004	4/2019	3.168	65% of 1-month LIBOR+25bps	(599)
	2004-85C*	58,860	11/2004	10/2035	3.879	65% of 1-month LIBOR+25bps	(3,525)
	2005-87B	36,485	3/2005	10/2023	3.460	65% of 1-month LIBOR+25bps	(1,953)
	2005-87C*	60,425	3/2005	10/2035	3.882	65% of 1-month LIBOR+25bps	(3,545)
	2005-90C*	62,465	9/2005	4/2036	3.692	65% of 1-month LIBOR+25bps	(2,783)
	2006-92B	43,745	3/2006	10/2036	3.996	65% of 1-month LIBOR+25bps	(3,245)
	2006-95C*	46,910	9/2006	4/2026	4.115	65% of 1-month LIBOR+25bps	(3,040)
	2007-97D1	23,185	3/2007	10/2014	4.922	1-month LIBOR	(1,773)
	2007-97D2	10,130	3/2007	4/2012	4.862	1-month LIBOR	(580)
	2007-100C	44,395	12/2007	4/2038	4.136	65% of 1-month LIBOR+25bps	(3,309)
	2007-100D	54,220	12/2007	10/2013	4.471	1-month LIBOR	(3,830)

(In thousands of dollars)

Counter-Party and Ratings	Related Bond Issue	Notional Amount	Effective Date	Maturity Date	Fixed Rate Paid	Variable Rate Received	Fair Values of Contract
Goldman	1999-67B	$ 18,795	8/2002	4/2029	5.950%	1-month LIBOR + 50bps	$ (3,427)
Sachs	2001-72C	16,390	9/2001	10/2023	5.695	1-month LIBOR	(1,953)
AAA/Aa1	RHR2002A*	63,460	7/2002	1/2021	3.575	67% of 1-week LIBOR	(4,026)
	2002-74A	30,000	8/2002	10/2032	4.285	67% of 1-month LIBOR	(1,972)
	2003-77B*	59,900	9/2003	10/2033	4.060	67% of 1-month LIBOR	(2,824)
	2003-77C	9,280	9/2003	4/2012	2.690	67% of 1-month LIBOR	(269)
	2004-81B	6,285	4/2004	4/2013	2.365	67% of 1-month LIBOR	(159)
	2004-81C*	62,740	4/2004	10/2034	3.557	67% of 1-month LIBOR	(2,355)
	2004-84C	13,230	9/2004	4/2018	3.115	67% of 1-month LIBOR	(604)
	2004-84D*	58,335	9/2004	10/2034	3.879	67% of 1-month LIBOR	(2,938)
	2004-86B*	62,785	11/2004	10/2033	3.417	67% of 1-month LIBOR	(3,501)
	2005-89*	109,870	6/2005	10/2035	3.605	67% of 1-month LIBOR	(4,506)
	2005-91B	70,000	12/2005	10/2036	3.953	67% of 1-month LIBOR	(5,310)
	2006-94B	35,165	7/2006	4/2027	4.152	69% of 1-month LIBOR	(3,996)
	2007-99C	15,000	9/2007	10/2023	3.885	69% of 1-month LIBOR	(1,709)
	2007-99D	62,990	9/2007	4/2015	5.149	1-mth LIBOR rounded up .001%	(5,503)

*Indicates an embedded option to reduce the notional amount without a payment to the counterparty.

Fair Value

Because interest rates have changed since the agreements became effective, all of the Agency's interest rate swaps have a negative fair value as of June 30, 2009. Changes in fair values are countered by reductions or increases in total interest payments required under variable-rate bonds. Given that payments on the Agency's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value.

Termination Risk

The Agency or the counterparty may terminate any of the swaps if either party fails to perform under the terms of the swap agreements. Furthermore, the Agency maintains the option to terminate swap agreements anytime. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value. Lehman Brothers, counterparty to one of the Agency's swaps, filed for bankruptcy, which triggered an interest rate swap termination event on September 16, 2008. As a result, the fair value of the swap agreement of $283 at the time of the termination was due to the Agency during the year ended June 30, 2009.

(In thousands of dollars)

Basis and Interest Rate Risks
Basis risk exists to the extent the Agency's variable-rate bond payments do not exactly equal the index of the swap. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Agency would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap.

Credit Risk
All of the Agency's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result, the Agency is exposed to credit risk – i.e., the risk that a swap counterparty fails to perform according to contractual obligations. The appropriate measurement of the risk at the reporting date is the positive fair values of the outstanding swaps, as shown in the column labeled "Fair value of contract" in the table above. As of June 30, 2009, the Agency was not exposed to credit risk on the outstanding swaps because all swaps had negative fair values.

Rollover Risk
Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt. When the swap terminates, the associated debt will no longer have the benefit of the swap. The Agency is exposed to rollover risk on the following debt:

Associated Bond Issue	Debt Maturity Dates	Swap Termination Dates
2000-70B	10/2028	04/2011
2001-72C	10/2032	10/2023
2002-73C	04/2032	04/2010
2004-81B*	10/2034	04/2013
2004-82B*	04/2034	10/2030
2004-83B	04/2035	10/2019
2004-85B	04/2035	04/2019
2004-86B	10/2035	10/2033
2005-87B	04/2035	10/2023
2005-88B	10/2036	10/2035
2005-88C*	04/2037	10/2035
2008-104	10/2037	10/2014
2008-104	10/2037	04/2012
2008-104	04/2038	04/2015
2008-104	04/2038	10/2013

*While the maturity dates for these tax-exempt bond issues differ from the associated interest rate swap termination dates, the principal amount of these bond issues outstanding equals the notional value of the associated interest rate swaps.

(In thousands of dollars)

11. Long-Term Liabilities

The changes in long-term liabilities for the year ended June 30, 2009 were as follows:

	July 1, 2008	Additions	Reductions	June 30, 2009	Due Within One Year
Bonds and notes payable	$4,276,443	$ 351,340	$ 369,959	$4,257,824	$ 152,148
Net bond premium (discount)	(12,125)	(1,279)	(1,435)	(11,969)	-
Deferred refunding loss	(23,088)	(1,085)	(3,105)	(21,068)	-
Bonds and notes payable, net	4,241,230	348,976	365,419	4,224,787	152,148
Net OPEB obligation	3,041	3,316	408	5,949	-
Escrow deposits	168,901	212,397	215,801	165,497	60,520
Other liabilities	175,232	390,199	365,142	200,289	695
Escrow and other liabilities	347,174	605,912	581,351	371,735	61,215
Total net long-term liabilities	$4,588,404	$ 954,888	$ 946,770	$4,596,522	$ 213,363

The changes in long-term liabilities for the year ended June 30, 2008 were as follows:

	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Bonds and notes payable	$4,010,676	$1,056,211	$ 790,444	$4,276,443	$ 116,240
Net bond premium (discount)	(9,631)	(3,353)	(859)	(12,125)	-
Deferred refunding loss	(24,489)	(2,108)	(3,509)	(23,088)	-
Bonds and notes payable, net	3,976,556	1,050,750	786,076	4,241,230	116,240
Net OPEB obligation	-	3,041	-	3,041	-
Escrow deposits	164,143	205,139	200,381	168,901	61,132
Other liabilities	161,248	349,499	335,515	175,232	48,825
Escrow and other liabilities	325,391	557,679	535,896	347,174	109,957
Total net long-term liabilities	$4,301,947	$1,608,429	$1,321,972	$4,588,404	$ 226,197

12. Restricted Net Assets

Multifamily Housing Program and Single Family Mortgage Loan Program net assets of $5,279 and $203,079, respectively, are restricted by bond resolutions required under certain bond indentures whose proceeds are used to fund loan programs, including the Self-Insurance Fund, which has been established at not less than 1% of anticipated mortgages to be originated on Series I through Series 2006-96 and held by a trustee.

(In thousands of dollars)

HEMAP's net assets of $43,919 have been restricted in accordance with GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Net assets have been restricted by the Commonwealth of Pennsylvania, which requires that net assets shall be used in providing assistance loans to mortgagors facing foreclosure because of circumstances beyond their control.

13. Designated Net Assets

Unrestricted net assets have been designated by the Members of the Board for the following purposes at June 30, 2009 and 2008:

	June 30, 2009	June 30, 2008
General Fund:		
Single Family Insurance to fund special hazard losses by homeowners	$ 16,500	$ 16,500
Multifamily Insurance for Agency insured or coinsured developments	10,000	10,000
Housing Initiatives provide below market rate financing to developments	11,850	11,850
Home Buyer Counseling for education of first time homebuyers	6,500	6,500
Home Choice Program to fund the development of homes in urban areas	47,150	47,031
Homeless Auxiliary Initiative to provide assistance to homeless shelters	1,593	1,593
Total	$ 93,593	$ 93,474
Multifamily Housing Program:		
PennHOMES Program to lower development costs for certain apartments	$ 137,000	$ 137,000
Senior Housing with Supportive Services to fund elderly resident services	4,000	4,000
Supportive Services to fund multifamily resident services	2,300	2,300
Preservation manages physical deterioration, financial or social distress	3,000	3,000
Total	$ 146,300	$ 146,300
Single Family Mortgage Loan Program:		
Closing Cost Subsidy Program to assist borrowers with closing costs	$ 14,750	$ 14,750
Additional Single Family Insurance to reduce the risk of default on loans	2,455	2,455
Total	$ 17,205	$ 17,205
Insurance Fund:		
Risk Retention Program to provide single family mortgage insurance	$ 35,405	$ 48,298

14. Pension Plans

Plan Description

As of June 30, 2009, substantially all eligible full-time employees are participants in the Pennsylvania Housing Finance Agency Employees' Retirement Plan ("Plan") or Government Excess Benefit Plan ("Excess Plan"), which are both noncontributory defined benefit, single employer plans. Pension plan assets and liabilities are not included in the basic financial statements of the Agency. The Plans do not issue stand-alone financial statements.

(In thousands of dollars)

Full-time employees become eligible for participation in the Plan after completion of one year of service. A participant's benefits vest upon the completion of five years of service. Under the provisions of the Plan, participants with prior military service may receive credit for their time of service providing they contribute funds equivalent to the cost of their pension benefits accumulated during their military service. A participant is eligible for normal retirement after attainment of age 65, or age 55 and completion of 30 years of service, or at any age after completion of 35 years of service. The Plan also provides early and late retirement provisions and death and disability benefits. The normal retirement pension is payable monthly during the participant's lifetime with payments ceasing upon the participant's death.

All participants in the Plan who will receive retirement benefits in an amount that is less than the benefits otherwise payable under the terms of the Plan due to limitations on benefits imposed by Internal Revenue Code ("IRC") Section 415 shall automatically participate in the Excess Plan. Participation in the Excess Plan will cease for any year in which the retirement benefits from the Plan do not exceed the limitation imposed by IRC Section 415. Pension payments under the Excess Plan are paid in the same form as the pension benefits payable under the Plan.

Funding Policy
The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. Contribution requirements and benefit provisions of the Plan and Excess Plan are established and may be amended by the Members of the Board.

Annual Pension Cost and Net Pension Asset
The Agency's annual pension costs and net pension assets of the Plan are as follows:

	June 30, 2009	June 30, 2008
Annual required contribution (ARC)	$ 2,348	$ 2,364
Interest on net pension asset	(67)	-
Adjustment to ARC	102	-
Annual pension cost	2,383	2,364
Contributions made	(2,700)	(2,600)
Increase in net pension asset	(317)	(236)
Net pension asset beginning of year	(1,135)	(899)
Net pension asset end of year	$ (1,452)	$ (1,135)

(In thousands of dollars)

Three-Year Trend Information for the Plan:

Calendar Year Ended	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension (Asset)
December 31, 2008	$ 2,383	113%	$ (1,452)
December 31, 2007	2,364	110	(1,135)
December 31, 2006	2,335	103	(899)

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the Plan was 67.1% funded. The actuarial accrued liability for benefits was $52,204, and the actuarial value of assets was $35,042, resulting in an unfunded actuarial accrued liability ("UAAL") of $17,162. The covered payroll (annual payroll of active employees covered by the Plan) was $13,447 and the ratio of the UAAL to the covered payroll was 127.6%. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2009
Actuarial cost method	Aggregate
Amortization method	*
Remaining amortization period	*
Amortization period open or closed	*
Asset valuation method	Market Value for 1/1/2007 and 1/1/2008 and Five-Year Smoothed Value for 1/1/2009.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5%
Includes inflation at:	Moderate rate based on historical averages
Post-retirement benefit increases	None

*Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose. The information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

The schedule of retirement plan funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

15. Postemployment Benefits Other than Pensions

Plan Description

The Agency sponsors a single-employer defined benefit plan ("Plan") to provide certain postretirement healthcare benefits ("OPEB") to all former employees who are members of the Employee Pension Plan currently receiving retirement income. Such benefits are available to members' spouses during the life of the retiree. Specific details of the Plan include the provision of certain hospitalization, major medical insurance, physician services and prescription drug coverage. These benefits are provided through insurance companies. The Agency is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Plan assets and liabilities are included in the basic financial statements of the Agency. Because the Plan consists solely of the Agency's commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated for the Plan.

Funding Policy

Premiums under the Plan for post-employment healthcare benefits are partially funded by retirees desiring such coverage via co-pays paid to the Agency in accordance with rates established by the Agency. For the year ended June 30, 2009, contribution rates for Plan members equaled 2.5% of the insurance premium per participant per month. For the year ended June 30, 2009, Plan members receiving benefits paid $10, which was used to offset the Agency's total outlays to insurance carriers equaling $408 for current year premiums due. The net outlay from the Agency, which equaled $398, represents the Agency's net cost paid for current year premiums due.

The Agency currently funds postemployment health care benefits on a pay-as-you-go basis. Although the Agency is studying the establishment of trusts that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Because 2007 was the transition year for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the OPEB liability balance was zero upon implementation.

Contribution requirements and benefit provisions of the Plan are established and may be amended by the Members of the Board.

Annual OPEB Cost and Net OPEB Obligation

The Agency's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the Agency, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

(In thousands of dollars)

The following table illustrates the components of the Agency's annual OPEB costs, the amount actually contributed to the Plan, and changes in the Agency's net OPEB obligation:

	June 30, 2009	June 30, 2008
Annual required contribution (ARC)	$ 3,363	$ 3,363
Interest on net OPEB obligation	131	-
Adjustment to ARC	(178)	-
Annual OPEB expense	3,316	3,363
Contributions made	(408)	(322)
Increase in net OPEB obligation	2,908	3,041
Net OPEB obligation beginning of year	3,041	-
Net OPEB obligation end of year	$ 5,949	$ 3,041

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation at June 30, 2009 and 2008 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 3,316	12%	$ 5,949
June 30, 2008	3,363	10	3,041

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled $28,072, resulting in a UAAL of $28,072. The covered payroll (annual payroll of active employees covered by the Plan) equaled $13,382, and the ratio of the UAAL to the covered payroll equaled 209.8%. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress for the postemployment healthcare plan, presented as RSI following the notes to the financial statements presents multiyear trend information, when available, about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purpose are based on the substantive Plan (the Plan as understood by the Agency and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the

(In thousands of dollars)

Agency and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated July 1, 2007, the entry age normal cost method was used. Because the Agency funds its OPEB on a pay-as-you-go basis, the Plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 4.5% discount rate, which approximates the expected rate of return on non-pension investments held by the Agency. Actuarial assumptions also included annual healthcare cost trend rates of 9%, initially, reduced by decrements to an ultimate rate of 5% for healthcare costs after eight years and later. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

16. Advances Receivable, Payable and Transfers

Advances to and from other funds is summarized below for the year ended June 30, 2009:

Advance payable fund:		
Multifamily Housing Program	$	394
Single Family Mortgage Loan Program		31,099
HEMAP		4,352
Total	$	35,845
Advance receivable fund:		
General Fund	$	35,845
Interfund transfers in:		
General Fund	$	4,762
Single Family Mortgage Loan Program		25,713
	$	30,475
Interfund transfers out:		
Insurance Fund	$	10,000
Multifamily Housing Program		20,475
	$	30,475

17. Contingencies and Commitments

Contingent Liabilities

The Agency participates in several federally assisted programs. Those programs are subject to program audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of the Agency. In management's opinion, disallowance, if any, will be immaterial.

Risk Management

The Agency is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses or decreases in insurance coverage over the last three years.

Litigation

In the normal course of business, there are various claims or suits pending against the Agency. In the opinion of Agency management and counsel, the amount of such losses that might result from these claims or suits, if any, would not materially affect the Agency's financial position.

Commitments

Outstanding commitments by the Agency to make or acquire Multifamily Housing and Single Family Mortgage loans were approximately $8,540 and $5,655, respectively, at June 30, 2009.

18. Subsequent Events

On September 25, 2009, as a result of credit and liquidity constraints in the variable rate bond sector of the bond markets, the Agency purchased $71,987 of its own qualified tender bonds. As temporarily allowed by the IRS, the bonds purchased will be recorded as an asset on the Agency's Balance Sheets as qualified tender bonds. The Agency will hold those bonds awaiting remarketing when the market stabilizes or until those bonds are redeemed, remarketed or refunded with fixed rate issues prior to December 31, 2009, or otherwise in accordance with IRS guidance.

On September 30, 2009, the Agency issued $193,670 of Single Family Mortgage Revenue Bonds, Series 105A through 105C. These bonds are general obligations of the Agency that bear interest at fixed rates payable on each April 1 and October 1, with a final maturity date of October 1, 2039. The bonds will be primarily secured by program obligations consisting of qualifying single family mortgage loans purchased from bond proceeds.

Required Supplementary Information

(In thousands of dollars)

SCHEDULE OF RETIREMENT PLAN FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
01/01/2009	$ 35,042	$ 52,204	$ 17,162	67.1%	$ 13,447	127.6%
01/01/2008	37,040	46,470	9,430	79.7	12,652	74.5
01/01/2007	31,939	41,823	9,884	76.4	12,464	79.3

(In thousands of dollars)

SCHEDULE OF FUNDING PROGRESS FOR THE POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/(c)
07/01/2007	$ -	$ 28,072	$ 28,072	0.0%	$ 13,382	209.8%

Because 2007 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the above schedule does not reflect similar information respective of the two preceding years.

APPENDIX F

UNAUDITED FINANCIALS

PHFA

PENNSYLVANIA HOUSING FINANCE AGENCY

Unaudited Basic Financial Statements

Six Months Ended December 31, 2009 and 2008

PENNSYLVANIA HOUSING FINANCE AGENCY
Basic Financial Statements
Six Months Ended December 31, 2009 and 2008

Contents

Introduction

This discussion and analysis of the financial performance of the Pennsylvania Housing Finance Agency ("Agency") provides the financial highlights and assessments that, in management's view, significantly affected the Agency's overall financial position for the six months ended December 31, 2009 and 2008. The numbers in this discussion and analysis are rounded to facilitate easy reading.

Managements' Discussion and Analysis of the Significant Changes in the Balance Sheets

Assets

Mortgage Loans Receivable

Loan portfolios of the Multifamily Housing Program, Single Family Mortgage Loan Program and the Homeowner's Emergency Mortgage Assistance Program ("HEMAP") are the Agency's primary performing assets that equaled 68% of the total assets at December 2009 and 78% at December 2008. Loan portfolios remained constant at $4.3 billion at December 2009 and 2008.

Multifamily Housing Program Activity

During the six month period ended December 31, 2009, the Multifamily Housing Program funded approximately $15 million of mortgage loans providing financing for affordable housing developments. The Multifamily loan portfolio decreased by 7% to $523 million at December 2009 from $564 million at December 2008, after adjustments of the provision for loan loss, prepayments and normal principal payments.

Single Family Mortgage Loan Program Activity

During the six month period ended December 31, 2009, the Single Family Mortgage Loan Program purchased approximately $373 million of new single-family mortgage loans. The Single Family loan portfolio remained constant at $3.7 billion at December 2009 and 2008, after adjustments of the provision for loan loss, prepayments and normal principal payments.

HEMAP Loan Activity

During the six month period ended December 31, 2009, HEMAP disbursed approximately $11 million of emergency mortgage assistance loans. The total portfolio of HEMAP increased 8% to $53 million at December 2009 from $49 million at December 2008, after adjustments for the provision for loan loss, prepayments, and normal principal payments. Action by HEMAP, to help as many citizens as possible, increased lending of emergency mortgage assistance loans during the poor financial climate happening throughout the Commonwealth.

Liabilities

Bonds and Note Payable

Bonds and note payable equaled 91% of the total liabilities at December 2009 and 2008. Total outstanding bonds increased 17% to $5 billion at December 2009 from $4.3 billion at December 2008 resulting from issuance of new debt, adjusted by normal debt payments.

Long-Term Debt Activity of the Single Family Mortgage Loan Program

The Agency issued approximately $1 billion of new debt during the six months ended December 31, 2009 in three series of Single Family Mortgage Revenue Bonds. This can be compared with the issuance of $350 million of debt at December 2008. Those bond issues are general obligations of the Agency that bear interest at fixed rates payable on each April 1 and October 1, with final maturity dates of October 1, 2039 through April 1, 2041. The bonds will be primarily secured by program obligations consisting of qualifying single-family mortgage loans purchased from bond proceeds.

Total Net Assets

The total net assets of the Agency decreased 2% to $748 million at December 2009 from $765 million at December 2008.

Management's Discussion and Analysis of the Significant Changes in the Statement of Revenues, Expenses and Changes in Net Assets

Operating Income

The Agency's total operating income was $2 million at December 2009, compared with an operating loss of $2 million at December 2008. The increase is the result of various events or transactions that positively or negatively affected both operating and nonoperating income and expenses as described below:

Operating Revenues

Interest Income on Mortgage Loans

Total revenue from interest earned on mortgage loans decreased 7% to $99 million at December 2009 from $106 million at December 2008. Interest income decreased proportionately to loan portfolios balances due to downturn in the demand for mortgage financing combined with prepayments by borrowers who refinanced to lower rate loans.

Program Income and Fees

Program income increased 2% to $30 million at December 2009, from $29 million at December 2008. The increase is due to additional appropriations to HEMAP from the Commonwealth and federal governments to help assist Pennsylvania citizens facing foreclosure.

Federal Program Awards

Federal Program awards increased 30% to $291 million at December 2009 from $224 million at

December 2008. The Agency participated in new Homebuyer Counseling programs with funding made available by the federal government to help relieve housing difficulties throughout the Commonwealth. In addition, the Agency received federal assistance from the American Recovery and Reinvestment Act (ARRA) designed to assist with housing needs throughout the Commonwealth. Expenses are recorded evenly when eligible funds are disbursed.

Operating Expenses

Interest on Bonds and Note
The Agency experienced a decrease in interest expense of 12% to $96 million at December 2009 from $109 million at December 2008. The Agency is participating in the Housing and Economic Recovery Act of 2008. Under this program, Agency bonds are sold to FannieMae and FreddieMac. The U.S. Treasury purchases corresponding securities from FannieMae and FreddieMac at below market interest rates.

Provision of Potential Loan Loss
The provision for potential loan loss remained constant at $7 million at December 2009 and 2008. Management believes the provision properly represents potential loan losses based on the Agency's strong underwriting standards, insurance provided by the Department of Housing and Urban Development and private insurers, low delinquency rates and the quality of the properties collateralized by the mortgage loan agreements.

Nonoperating Revenue
Investment income, netted against the changes in the fair value of investments decreased 104% to ($1) million at December 2009, from $24 million at December 2008. Market conditions resulted in lower interest earnings and decreases in the fair market values of investments.

PENNSYLVANIA HOUSING FINANCE AGENCY

Balance Sheets

December 31, 2009 and 2008

(In thousands of dollars)

2009

	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
ASSETS							
Current Assets:							
Cash and cash equivalents	$ 9,053	$ 178,051	$ 1,279,970	$ 27,611	$ 1,494,685	$ 1,168	$ 1,495,853
Investments	3,041	5,916	2,000	-	10,957	-	10,957
Accrued interest receivable	3,707	1,836	2,015	1,618	9,176	-	9,176
Mortgage loans receivable, net	-	31,387	222,376	-	253,763	3,168	256,931
Deferred financing costs and other assets	2,108	1,618	3,124	-	6,850	16	6,866
Operating advances to other funds	74,914	42,817	-	-	117,731	-	117,731
Total current assets	92,823	261,625	1,509,485	29,229	1,893,162	4,352	1,897,514
Noncurrent assets:							
Investments	27,191	1,729	127,690	8,203	164,813	-	164,813
Restricted cash and investments	-	5,279	189,717	-	194,996	-	194,996
Mortgage loans receivable, net	-	491,732	3,483,893	-	3,975,625	49,638	4,025,263
Capital assets, net	33,705	-	-	-	33,705	8	33,713
Deferred financing costs and other assets	4,280	2,428	4,684	-	11,392	2	11,394
Total noncurrent assets	65,176	501,168	3,805,984	8,203	4,380,531	49,648	4,430,179
Total assets	$ 157,999	$ 762,793	$ 5,315,469	$ 37,432	$ 6,273,693	$ 54,000	$ 6,327,693
LIABILITIES							
Current liabilities:							
Bonds and note payable, net	$ -	$ 14,562	$ 286,898	$ -	$ 301,460	$ -	$ 301,460
Accrued interest payable	391	4,628	41,864	-	46,883	-	46,883
Accounts payable and accrued expenses	5,118	123	1,462	-	6,703	233	6,936
Escrow deposits and other liabilities	426	13,971	3,520	97	18,014	286	18,300
Operating advances from other funds	-	-	116,986	-	116,986	745	117,731
Total current liabilities	5,935	33,284	450,730	97	490,046	1,264	491,310
Noncurrent liabilities:							
Bonds and note payable, net	19,928	228,146	4,494,731	-	4,742,805	-	4,742,805
Escrow deposits and other liabilities	8,085	265,452	66,876	1,840	342,253	3,744	345,997
Total noncurrent liabilities	28,013	493,598	4,561,607	1,840	5,085,058	3,744	5,088,802
Total liabilities	33,948	526,882	5,012,337	1,937	5,575,104	5,008	5,580,112
NET ASSETS							
Invested in capital assets, net of related debt	13,777	-	-	-	13,777	8	13,785
Restricted by bond resolutions or legislation	-	5,279	189,717	-	194,996	48,984	243,980
Unrestricted	110,274	230,632	113,415	35,495	489,816	-	489,816
Total net assets	124,051	235,911	303,132	35,495	698,589	48,992	747,581
Total liabilities and net assets	$ 157,999	$ 762,793	$ 5,315,469	$ 37,432	$ 6,273,693	$ 54,000	$ 6,327,693

2008

	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
ASSETS							
Current Assets:							
Cash and cash equivalents	$ 34,558	$ 196,686	$ 524,971	$ 31,576	$ 787,791	$ 2,793	$ 790,584
Investments	3,582	3,455	33,221	1,545	41,803	-	41,803
Accrued interest receivable	1,074	9,364	24,448	1,030	35,916	-	35,916
Mortgage loans receivable, net	-	37,598	242,795	-	280,393	4,651	285,044
Deferred financing costs and other assets	319	246	2,556	-	3,121	-	3,121
Operating advances to other funds	32,692	-	-	-	32,692	-	32,692
Total current assets	72,225	247,349	827,991	34,151	1,181,716	7,444	1,189,160
Noncurrent assets:							
Investments	39,096	43,390	100,564	12,095	195,145	-	195,145
Restricted cash and investments	-	1,960	84,658	-	86,618	-	86,618
Mortgage loans receivable, net	-	526,923	3,435,913	-	3,962,836	44,193	4,007,029
Capital assets, net	34,824	-	-	-	34,824	17	34,841
Deferred financing costs and other assets	4,479	5,909	3,833	-	14,221	6	14,227
Total noncurrent assets	78,399	578,182	3,624,968	12,095	4,293,644	44,216	4,337,860
Total assets	$ 150,624	$ 825,531	$ 4,452,959	$ 46,246	$ 5,475,360	$ 51,660	$ 5,527,020
LIABILITIES							
Current liabilities:							
Bonds and note payable, net	$ -	$ 18,182	$ 240,339	$ -	$ 258,521	$ -	$ 258,521
Accrued interest payable	393	5,581	45,466	-	51,440	-	51,440
Accounts payable and accrued expenses	3,859	138	1,291	-	5,288	267	5,555
Escrow deposits and other liabilities	329	16,208	15,685	-	32,222	-	32,222
Operating advances from other funds	-	208	31,145	-	31,353	1,339	32,692
Total current liabilities	4,581	40,317	333,926	-	378,824	1,606	380,430
Noncurrent liabilities:							
Bonds and note payable, net	19,925	284,859	3,765,312	-	4,070,096	-	4,070,096
Escrow deposits and other liabilities	6,252	253,920	47,053	1,604	308,829	2,986	311,815
Total noncurrent liabilities	26,177	538,779	3,812,365	1,604	4,378,925	2,986	4,381,911
Total liabilities	30,758	579,096	4,146,291	1,604	4,757,749	4,592	4,762,341
NET ASSETS							
Invested in capital assets, net of related debt	14,899	-	-	-	14,899	17	14,916
Restricted by bond resolutions or legislation	-	1,960	84,658	-	86,618	47,051	133,669
Unrestricted	104,967	244,475	222,010	44,642	616,094	-	616,094
Total net assets	119,866	246,435	306,668	44,642	717,611	47,068	764,679
Total liabilities and net assets	$ 150,624	$ 825,531	$ 4,452,959	$ 46,246	$ 5,475,360	$ 51,660	$ 5,527,020

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

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Revenues, Expenses and Changes in Net Assets

Six Months Ended December 31, 2009 and 2008

(In thousands of dollars)

2009

	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Operating revenues:							
Interest on mortgage loans	$ -	$ 13,997	$ 84,303	$ -	$ 98,300	$ 411	$ 98,711
Program income and fees	16,002	685	1,413	321	18,421	11,553	29,974
Federal program awards	-	272,075	19,359	-	291,434	-	291,434
Total operating revenues	16,002	286,757	105,075	321	408,155	11,964	420,119
Operating expenses:							
Interest on bonds	381	5,837	89,684	-	95,902	-	95,902
Salaries and related benefits	11,487	-	-	-	11,487	1,289	12,776
OPEB liability expense	900	-	-	-	900	155	1,055
General and administrative	2,528	1,847	4,699	300	9,374	686	10,060
Provision for loan loss	-	1,050	900	-	1,950	4,776	6,726
Federal program expense	-	272,075	19,359	-	291,434	-	291,434
Total operating expenses	15,296	280,809	114,642	300	411,047	6,906	417,953
Operating income (loss)	706	5,948	(9,567)	21	(2,892)	5,058	2,166
Nonoperating revenues (expenses):							
Investment income	1,244	341	4,261	282	6,128	2	6,130
Net increase (decrease) in fair value of investments	(8,884)	302	1,803	(213)	(6,992)	-	(6,992)
Loss on early extinguishment of debt	-	(2)	(194)	-	(196)	-	(196)
Income (loss) before transfers	(6,934)	6,589	(3,697)	90	(3,952)	5,060	1,108
Transfers	7,952	(2,043)	(5,909)	-	-	-	-
Change in net assets	1,018	4,546	(9,606)	90	(3,952)	5,060	1,108
Total net assets - beginning of year	123,033	231,365	312,738	35,405	702,541	43,932	746,473
Total net assets - end of year	$ 124,051	$ 235,911	$ 303,132	$ 35,495	$ 698,589	$ 48,992	$ 747,581

2008

	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Operating revenues:							
Interest on mortgage loans	$ -	$ 15,743	$ 90,338	$ -	$ 106,081	$ 402	$ 106,483
Program income and fees	15,691	512	1,824	179	18,206	11,100	29,306
Federal program awards	-	223,559	762	-	224,321	-	224,321
Total operating revenues	15,691	239,814	92,924	179	348,608	11,502	360,110
Operating expenses:							
Interest on bonds	432	7,314	101,291	-	109,037	-	109,037
Salaries and related benefits	11,788	-	-	-	11,788	1,245	13,033
OPEB liability expense	750	-	-	-	750	155	905
General and administrative	1,772	2,035	3,127	300	7,234	573	7,807
Provision for loan loss	-	1,500	900	-	2,400	5,067	7,467
Federal program expense	-	223,559	762	-	224,321	-	224,321
Total operating expenses	14,742	234,408	106,080	300	355,530	7,040	362,570
Operating income (loss)	949	5,406	(13,156)	(121)	(6,922)	4,462	(2,460)
Nonoperating revenues (expenses):							
Investment income	1,224	3,647	8,790	983	14,644	53	14,697
Net increase (decrease) in fair value of investments	16,791	(2,880)	(697)	(4,518)	8,696	-	8,696
Loss on early extinguishment of debt	-	(6)	(81)	-	(87)	-	(87)
Income (loss) before transfers	18,964	6,167	(5,144)	(3,656)	16,331	4,515	20,846
Transfers	(7,463)	(1,520)	8,983	-	-	-	-
Change in net assets	11,501	4,647	3,839	(3,656)	16,331	4,515	20,846
Total net assets - beginning of year	108,365	241,788	302,829	48,298	701,280	42,553	743,833
Total net assets - end of year	$ 119,866	$ 246,435	$ 306,668	$ 44,642	$ 717,611	$ 47,068	$ 764,679

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

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Cash Flows

Six Months Ended December 31, 2009 and 2008

(In thousands of dollars)

2009	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Cash Flows From Operating Activities							
Receipts of mortgage loan payments	$ -	$ 32,940	$ 224,951	$ -	$ 257,891	$ 3,566	$ 261,457
Receipts from fees and other income	16,002	685	1,413	321	18,421	11,553	29,974
Receipts from interest on mortgages	-	12,419	83,884	-	96,303	411	96,714
Receipt of escrow deposits and other receipts	(1,715)	(2,241)	298,342	-	294,386	274	294,660
Payments for mortgages purchased	-	(15,312)	(373,265)	-	(388,577)	(11,001)	(399,578)
Payments to employees and suppliers	(16,176)	(44,584)	(5,311)	(1,661)	(67,732)	(58)	(67,790)
Net cash provided by (used in) operating activities	(1,889)	(16,093)	230,014	(1,340)	210,692	4,745	215,437
Cash Flows From Noncapital Financing Activities							
Proceeds from the sale of bonds and note	-	-	1,051,476	-	1,051,476	-	1,051,476
Payments for retirement of bonds and note	-	(27,685)	(204,506)	-	(232,191)	-	(232,191)
Payments of bonds and note interest	-	(6,376)	(92,698)	-	(99,074)	-	(99,074)
Transfers (to) from other funds	(31,217)	(2,437)	37,261	-	3,607	(3,607)	-
Net cash provided by (used in) noncapital financing activities	(31,217)	(36,498)	791,533	-	723,818	(3,607)	720,211
Cash Flows From Capital Financing Activities							
Purchases of capital assets	(135)	-	-	-	(135)	-	(135)
Interest paid on capital debt	(380)	-	-	-	(380)	-	(380)
Net cash used in capital financing activities	(515)	-	-	-	(515)	-	(515)
Cash Flows From Investing Activities							
Proceeds from sales of and maturities of investments	7,192	-	183,828	-	191,020	-	191,020
Interest and dividends	1,244	341	4,261	282	6,128	2	6,130
Purchases of investments	(2,016)	(5,374)	(237,674)	3,361	(241,703)	-	(241,703)
Net cash provided by (used in) investing activities	6,420	(5,033)	(49,585)	3,643	(44,555)	2	(44,553)
Net increase (decrease) in cash and cash equivalents	(27,201)	(57,624)	971,962	2,303	889,440	1,140	890,580
Cash and cash equivalents, beginning of year	36,254	240,954	497,725	25,308	800,241	28	800,269
Cash and cash equivalents, end of year	$ 9,053	$ 183,330	$ 1,469,687	$ 27,611	$ 1,689,681	$ 1,168	$ 1,690,849

2008	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Cash Flows From Operating Activities							
Receipts of mortgage loan payments	$ -	$ 32,000	$ 67,200	$ -	$ 99,200	$ 4,400	$ 103,600
Receipts from fees and other income	15,637	-	1,824	179	17,640	11,100	28,740
Receipts from interest on mortgages	-	7,352	67,417	-	74,769	321	75,090
Receipt of escrow deposits and other receipts	2,472	(1,200)	(4,028)	-	(2,756)	-	(2,756)
Payments for mortgages purchased	-	(34,228)	(75,817)	-	(110,045)	(9,611)	(119,656)
Payments to employees and suppliers	(15,287)	(1,969)	(3,146)	(846)	(21,248)	(2,208)	(23,456)
Net cash provided by (used in) operating activities	2,822	1,955	53,450	(667)	57,560	4,002	61,562
Cash Flows From Noncapital Financing Activities							
Proceeds from the sale of bonds and note	-	-	350,340	-	350,340	-	350,340
Payments for retirement of bonds and note	-	(20,518)	(242,523)	-	(263,041)	-	(263,041)
Payments of bonds and note interest	-	(7,669)	(97,375)	-	(105,044)	-	(105,044)
Transfers (to) from other funds	(25,643)	(1,518)	28,628	-	1,467	(1,467)	-
Net cash provided by (used in) noncapital financing activities	(25,643)	(29,705)	39,070	-	(16,278)	(1,467)	(17,745)
Cash Flows From Capital Financing Activities							
Purchases of capital assets	(9)	-	-	-	(9)	-	(9)
Interest paid on capital debt	(426)	-	-	-	(426)	-	(426)
Net cash used in capital financing activities	(435)	-	-	-	(435)	-	(435)
Cash Flows From Investing Activities							
Proceeds from sales of and maturities of investments	29,786	21,890	122,461	5,482	179,619	-	179,619
Interest and dividends	1,224	3,647	8,790	983	14,644	53	14,697
Purchases of investments	(12,475)	(2,000)	(69,171)	-	(83,646)	-	(83,646)
Net cash provided by (used in) investing activities	18,535	23,537	62,080	6,465	110,617	53	110,670
Net increase (decrease) in cash and cash equivalents	(4,721)	(4,213)	154,600	5,798	151,464	2,588	154,052
Cash and cash equivalents, beginning of year	39,279	202,859	455,029	25,778	722,945	205	723,150
Cash and cash equivalents, end of year	$ 34,558	$ 198,646	$ 609,629	$ 31,576	$ 874,409	$ 2,793	$ 877,202

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

PENNSYLVANIA HOUSING FINANCE AGENCY

Statements of Cash Flows

Six Months Ended December 31, 2009 and 2008

(In thousands of dollars)

	2009							2008						
	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total	General Fund	Multifamily Housing Program	Single Family Mortgage Loan Program	Insurance Fund	Subtotal	HEMAP	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:														
Operating income (loss)	$ 706	$ 5,948	$ (9,567)	$ 21	$ (2,892)	$ 5,058	$ 2,166	$ 949	$ 5,406	$ (13,156)	$ (121)	$ (6,922)	$ 4,462	$ (2,460)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:														
Interest expense on bonds	381	5,837	89,684	-	95,902	-	95,902	432	7,314	101,291	-	109,037	-	109,037
Depreciation	660	-	-	-	660	5	665	1	-	-	-	1	6	7
Changes in assets and liabilities:														
Mortgage loans receivable	-	18,678	(147,414)	-	(128,736)	(2,659)	(131,395)	-	(2,228)	(8,617)	-	(10,845)	(150)	(10,995)
Accrued interest receivable	(3,661)	(1,578)	(419)	(1,552)	(7,210)	-	(7,210)	(811)	(8,391)	(22,921)	(812)	(32,935)	-	(32,935)
Deferred financing costs and other assets	(1,074)	(42,729)	301,689	-	257,886	2,470	260,356	(705)	1,507	604	-	1,406	(1)	1,405
Accounts payable and accrued expenses	2,814	(8)	274	191	3,271	(403)	2,868	538	59	277	266	1,140	(234)	906
Escrow deposits and other liabilities	(1,715)	(2,241)	(4,233)	-	(8,189)	274	(7,915)	2,418	(1,712)	(4,028)	-	(3,322)	(81)	(3,403)
Net cash provided by (used in) operating activities	$ (1,889)	$ (16,093)	$ 230,014	$ (1,340)	$ 210,692	$ 4,745	$ 215,437	$ 2,822	$ 1,955	$ 53,450	$ (667)	$ 57,560	$ 4,002	$ 61,562

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

1. Description of the Agency

The Pennsylvania Housing Finance Agency ("Agency") was created by the General Assembly in 1972 to provide affordable housing for older adults, persons and families of modest means and persons with disabilities. Pursuant to the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688 ("Act"), as amended, the Agency is authorized and empowered, among other things, to finance the construction and rehabilitation of housing units for persons and families of low and moderate income or the elderly. The Act was amended to authorize the Agency to make or purchase mortgage loans to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences and to finance the construction and rehabilitation of housing units without requiring the housing units to be subsidized or assisted by a federal government program.

The initial legislation and subsequent amendments grant the Agency the power to issue debt to finance its operations. Debt obligations issued under the provisions of the Act is not debt or liability of the Commonwealth of Pennsylvania or any of its political subdivisions or a pledge of the faith and credit of the Commonwealth of Pennsylvania or of any of its political subdivisions.

The Agency is a component unit of the Commonwealth of Pennsylvania as described in Government Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining whether Certain Organizations are Component Units*. The Agency is included in the Commonwealth of Pennsylvania's Comprehensive Annual Financial Report as a discretely presented component unit.

Fourteen members govern the Agency: The Secretary of Banking, the Secretary of Community and Economic Development, the Secretary of Public Welfare and the State Treasurer serve by virtue of their offices. The majority and minority leaders of the State Senate and House of Representatives name four members to the Board. Six private citizen members are appointed by the Governor and confirmed by the State Senate.

Description of Funds

The accounts of the Agency are organized based on separate enterprise funds. Each fund represents a separate accounting entity. Agency resources are allocated to these funds based on legal responsibility, fiscal accountability and management designation, summarized as follows:

General Fund – The General Fund is utilized to record transactions that are not directly related to a specific bond resolution. All Agency expenses are recorded in this fund except for specific program expenses, such as long-term debt expenses and loan loss provisions that are charged to the housing and mortgage programs.

Multifamily Housing Program – Multifamily Housing Program activity relates to the financing of construction or rehabilitation of multifamily rental housing developments generally designed for persons or families of low and moderate income or the elderly.

Single Family Mortgage Loan Program – Single Family Mortgage Loan Program transactions relate to the purchase of mortgage loans for owner-occupied single-family residences for persons or families of low and moderate income.

Insurance Fund – The Agency provides primary mortgage insurance coverage through the Insurance Fund for single-family borrowers who are unable to obtain insurance from other sources.

Homeowner's Emergency Mortgage Assistance Program ("HEMAP") – HEMAP was created by Act 91 of the General Assembly to provide emergency mortgage assistance loans to mortgagors facing foreclosure because of circumstances beyond their control.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Agency are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Expenses are charged as incurred, except those directly related to mortgage loan or program originations, which are deferred, netted against fee income for mortgage loans originated, and amortized over the contractual life of the related mortgage loan or program.

The Agency is required to follow all GASB statements. GASB Statement No. 20*, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, was issued to give guidance in determining generally accepted accounting principles ("GAAP") for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards Board ("FASB") Statements issued prior to November 31, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements after that date. The Agency has elected not to follow FASB pronouncements after November 31, 1989.

Accounting Standards Issued But Not Yet Adopted

In June 2009, the GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*." This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The Agency is required to adopt this Statement for its financial statements beginning after June 15, 2009. The Agency is currently evaluating the impact of implementing this statement. The effects of GASB 53 have not been applied to the financial statements.

Cash, Cash Equivalents and Investments

Cash includes cash on hand and cash deposits. Cash equivalents are investments with a maturity of six months or less when purchased and include money market funds, which are readily convertible to known amounts of cash. Cash and investments classified as restricted on the balance sheet are restricted for the Agency's debt service payments and bond calls. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* investments are reported at fair market value on the Balance Sheets. Changes in the fair market values are recognized separately in the Statement of Revenues, Expenses and Changes in Net Assets as net increase (decrease) in fair value of investments. Fair market value is determined by reference to published market prices and quotations, where available, at the closing of each reporting period.

Mortgage Loans Receivable
Mortgage loans receivable are carried at amounts disbursed or advanced plus accrued interest and fees, less collections, mortgage loan discounts and allowance for loan losses, if any. The current portion of mortgage loans receivable represents the contractual amount due within the next fiscal year.

Allowance for Potential Loan Losses
The allowance for loan losses is determined based upon management's evaluation of mortgage loans receivable and construction advances. Factors considered by management include the estimated fair values of the properties that represent collateral, mortgage insurance coverage on the collateral, the financial condition of the borrower and the economy as a whole. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions.

Real Estate Owned
During the normal course of business, the Agency acquires single-family real estate because of foreclosure or other defaults of nonperforming mortgage loans. The outstanding mortgage loan balances attributable to these properties, stated at cost, are included as mortgage loans receivable on the Balance Sheets. The gain or loss on the disposition of the property and insurance claims recoverable through the Department of Housing and Urban Development, Rural Development and private mortgage insurance are reflected in the Statement of Revenues, Expenses and Changes in Net Assets in the year incurred or realized.

Capital Assets
Building, furniture and equipment are capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful lives, which are thirty years for the building and from six to ten years for furniture and equipment. The capitalization floor is $1 for all categories of capital assets. Maintenance and repairs are charged to operating expense.

Bonds and Note Payable
The Agency issues bonds and notes to provide capital for its mortgage programs and other uses consistent with its mission. Outstanding bonds and note are stated at their unpaid balance less any unamortized discounts and unamortized deferred loss of refunding. Discounts and premiums are amortized using the effective interest method. Deferred debt refunding expenses are amortized over the shorter of the remaining life of the old debt or the remaining life of the new debt. The current portion of bonds and note payable represents the amounts payable within the next fiscal year.

Net Assets
Net assets are classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets – Consists of net assets with constraints placed on their use by (1) external groups, such as creditors or (2) law through enabling legislation.

Unrestricted – Consists of net assets that do not meet the definition of invested in capital assets or restricted. This component includes net assets designated for specific purposes by the Members of the Board.

When both restricted and unrestricted resources are available in a fund, it is the Agency's policy to spend restricted resources to the extent allowed and spend unrestricted resources when needed.

Operating Revenues and Expenses
The Agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Agency to make single-family and multifamily mortgage loans. Primary operating revenue is derived from interest on mortgage loan, fees from those mortgages loans and on the invested proceeds from the bond issues. Additionally, the Agency's purpose includes administering externally funded financial assistance programs. The Agency records revenues from mortgage loans, program fees and externally funded assistance program awards as operating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets. The primary costs of providing these programs are recorded as operating expenses in the Statement of Revenues, Expenses, and Changes in Net Assets. Consequently, income from investment activity, changes in the fair values of investments and early extinguishment of debt are considered nonoperating revenues or expenses.

Interest Income
Interest on mortgage loans and net investment income is an important measure of performance under the Agency's primary operation. Interest recorded for mortgage loans receivable and construction advances is based upon the constant yield method. Multifamily Housing and Single Family Mortgage Loan Program mortgage loans more than 180 days delinquent in scheduled payments are considered nonperforming mortgage loans, which result in the cessation of recognition of additional interest on such mortgage loans. Investment interest income is recognized over the remaining time to maturity of investment securities. The Agency records changes to the fair market value of investments determined by reference to published market prices and quotations, where available, at the closing of each reporting period.

Federal Program Pass-through Awards and Expenses
The Agency follows GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. GASB Statement No. 24 requires that all cash pass-through grants received by a governmental entity be reported in its financial statements. The Agency receives program grants and other federal financial assistance to transfer to various

recipients in the Commonwealth. The effect of applying these provisions is to increase both operating income and expense when eligible funds are disbursed to the subrecipients. The Agency receives administrative fees for the oversight of award distribution, monitoring of subrecipients, reporting to federal agencies and costs for required independent annual audits of the federal awards, which are reported as program income and fees.

Advances to and from Other Funds and Interfund Transfers

To meet liquidity requirements of individual funds, the Agency transfers funds to and from the separate enterprise funds. The Agency makes interfund transfers to the extent that such transfers are not required to meet the Agency's debt obligations and are not in violation of the terms of bond resolutions or indentures.

3. Cash, Cash Equivalents and Investments

The Agency has a policy that cash and cash equivalents must be held in insured depositories satisfactory to the Agency and must be fully collateralized. Cash and cash equivalents consist of demand deposits, time deposits, cash held in trust and money market funds. The investment policies of the Agency are governed by Commonwealth of Pennsylvania statutes and contractual provisions contained in the bond trust indentures. The objectives of the Agency's investment activities are to provide suitable returns, preserve principal, meet liquidity needs and to further the purposes of the Agency. Cash, cash equivalents and investments consisted of the following:

	December 31, 2009	December 31, 2008
Unrestricted cash and cash equivalents	$ 1,495,853	$ 790,584
Restricted cash and cash equivalents	99,277	44,068
Unrestricted investments	175,770	236,948
Restricted investments	95,719	42,550
	1,866,619	1,114,150

4. Mortgage Loans Receivable

Mortgage loans receivable at December 31, 2009 and 2008 consisted of the following:

	December 31, 2009	December 31, 2008
Multifamily Housing Program	$ 689,419	$ 730,263
Single Family Mortgage Loan Program	3,710,747	3,682,531
HEMAP	96,013	91,134
	4,496,179	4,503,928
Less:		
Allowance for potential loan losses	213,985	211,855
Mortgage loans receivable, net	$ 4,282,194	$ 4,292,073

5. Bonds and Note Payable

The Agency issues bonds to provide capital for mortgage programs. The bonds are secured by the revenues, investments, mortgage loans and others assets in the fund or accounts established by the respective security agreements. Bonds outstanding for the General Fund are as follows:

Description of Bonds as Issued	Final Maturity	December 31, 2009	December 31, 2008
Variable Rate Building Development Bonds	2034	$ 20,000	$ 20,000
Unamortized bond discount		(72)	(75)
Total bonds payable		$ 19,928	$ 19,925

Bonds outstanding for the Multifamily Housing Program are as follows:

Description of Bonds as Issued	Final Maturity	December 31, 2009	December 31, 2008
Subordinate Limited Obligation Bonds			
Issue 1995, 5.50-6.15%	2021	$ 2,225	$ 2,358
Rental Housing Refunding Bonds			
Series 2008A/B, variable rate	2021	57,460	68,420
Series 2008C/D, variable rate	2020	91,150	100,170
Residential Development Bonds			
Issue 2002 A/B (refunding) 1.8%-5.25%	2024	22,270	25,970
Multifamily Development Bonds			
Issue 1989B, 8.25%	2019	-	355
Issue 1993A (refunding), 5.38%	2022	8,370	10,270
Issue 1993F, 6.53%	2019	4,055	4,380
Issue 1997G, 7.36%	2027	8,990	9,225
Issue 1998H, 6.3%	2028	14,760	15,155
Issue 2003 (refunding), 3.25-4.80%	2019	11,785	13,190
Issue 2005A, 4.00-5.00%	2026	-	19,845
Issue 2005K, variable rate	2036	25,490	26,070
Issue 2007L, 4.20%	2009	-	12,600
		246,555	308,008
Unamortized deferred loss of refunding		(3,653)	(4,751)
Unamortized bond discount		(194)	(215)
Total bonds payable		$ 242,708	$ 303,042

Bonds and note outstanding for the Single Family Mortgage Loan Program are as follows:

Description of Bonds as Issued	Final Maturity	December 31, 2009	December 31, 2008
Single Family Mortgage Revenue Bonds			
Series 1996 - 47, 4.20-6.75%	2027	$ 1,455	$ 2,820
Series 1997 - 54, 5.37-7.22%	2028	-	75
Series 1997 - 58, 4.30-7.81%	2028	-	770
Series 1997 - 59, 4.00-5.15%	2029	-	710
Series 1997 - 60, 4.00-7.69%	2028	-	540
Series 1997 - 61, 4.00-6.80%	2029	36,460	38,650
Series 1998 - 62, 4.25-6.40%	2029	46,485	48,675
Series 1998 - 63, 3.95-5.50%	2030	47,857	49,493
Series 1998 - 64, 3.65-5.25%	2030	47,185	49,740
Series 1999 - 65, 3.25-5.25%	2030	44,415	48,050
Series 1999 - 66, 4.05-6.95%	2031	24,250	26,600
Series 1999 - 67, 4.05-7.51%	2030	26,525	33,880
Series 1999 - 68, 4.30-7.02%	2031	17,020	20,970
Series 2000 - 69, 4.35-6.25%	2031	34,235	35,750
Series 2000 - 70, 4.30-5.90%	2032	32,670	34,295
Series 2001 - 72, 3.25-5.35%	2032	146,725	155,090
Series 2002 - 73, 1.75-5.45%	2033	109,250	122,905
Series 2002 - 74, variable rate	2032	97,860	98,325
Series 2002 - 75, variable rate	2033	87,465	89,540
Series 2003 - 77, variable rate	2033	74,615	79,750
Series 2003 - 78, variable rate	2025	56,090	58,660
Series 2003 - 79, variable rate	2034	74,385	80,070
Series 2004 - 81, variable rate	2034	83,700	86,340
Series 2004 - 82, variable rate	2034	77,240	82,665
Series 2004 - 83, variable rate	2035	80,560	83,865
Series 2004 - 84, variable rate	2034	82,340	86,520
Series 2004 - 85, variable rate	2035	86,010	87,925
Series 2004 - 86, variable rate	2035	93,885	95,015
Series 2005 - 87, variable rate	2035	91,305	92,390
Series 2005 - 88, variable rate	2037	83,845	88,770
Series 2005 - 89, variable rate	2035	63,485	115,780
Series 2005 - 90, variable rate	2036	114,240	119,125
Series 2005 - 91, variable rate	2036	118,540	121,870

Description of Bonds and Note as Issued	Final Maturity	December 31, 2009	December, 31 2008
Series 2006 - 92, variable rate	2036	$ 120,780	$ 123,125
Series 2006 - 93, variable rate	2037	104,825	114,115
Series 2006 - 94, variable rate	2037	106,615	115,625
Series 2006 - 95, variable rate	2037	166,120	182,850
Series 2006 - 96, 3.60-5.72%	2037	172,545	185,045
Series 2007 - 97, 3.50-5.50%	2037	149,030	154,405
Series 2007 - 98, variable rate	2037	181,000	193,465
Series 2007 - 99, 3.70-5.30%	2038	125,195	129,215
Series 2007 - 100, 3.40-5.35%	2038	139,275	140,520
Series 2007 - 101, variable rate	2038	27,110	58,720
Series 2007 - 102, variable rate	2038	147,285	150,000
Series 2008 - 103, 2.00-5.70%	2038	181,290	183,090
Series 2008 - 104, variable rate	2038	156,330	167,250
Series 2009 - 105, 0.80-5.00%	2039	193,670	-
Series 2009 - 106, 0.50-4.80%	2040	250,000	-
Series 2009 - 107, variable rate	2041	604,260	-
Note Purchase Agreement - 2.5%	2017	6,046	2,500
		4,811,473	4,035,548
Unamortized deferred loss of refundings		(16,360)	(17,849)
Unamortized bond discount		(13,484)	(12,048)
Total bonds and note payable		$ 4,781,629	$ 4,005,651

Interest paid on variable-rate tax-exempt bonds is closely correlated with the Securities Industry and Financial Markets Association Municipal Swap ("SIFMA") rate. Generally, interest rates resets occur quarterly, monthly or weekly.

6. Federal Awards and Expenses

The Agency receives federal financial assistance for transfer to various secondary recipients, predominately from the Department of Housing and Urban Development ("HUD.") As a designated State Housing Finance Agency for HUD Section 8 Programs, the Agency requisitions and passes through program funding to eligible multifamily housing developments. The Agency is designated as a participating entity under grant agreements with HUD for the HOME Program that provides funding for developing affordable housing for persons of low and very low income. For the six months ended December 31, 2009 and 2008, approximately $286,439 and $220,059 was received from HUD funding sources. The Agency earned fees of approximately $6,286 for administering HUD and other federal programs for the six months ended December 31, 2009. Administration fees are recorded as program income and fees.

7. Restricted Net Assets

Multifamily Housing Program and Single Family Mortgage Loan Program net assets of $5,279 and $189,717, respectively, are restricted by bond resolutions required under certain bond indentures whose proceeds are used to fund loan programs, including the Self-Insurance Fund, which has been established at not less than 1% of anticipated mortgages to be originated on Series I through Series 2006-96 and held by a trustee.

HEMAP's net assets of $48,984 have been restricted in accordance with GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Net assets have been restricted by statute, which requires that net assets shall be used in providing mortgage assistance loans to mortgagors facing foreclosure because of circumstances beyond their control.

8. Designated Net Assets

The Members of the Board have designated unrestricted net assets for the following purposes at December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
General Fund:		
Single Family Insurance to fund special hazard losses by homeowners	$ 16,500	$ 16,500
Multifamily Insurance for Agency insured or coinsured developments	10,000	10,000
Housing Initiatives that provide below market rate financing	11,850	11,850
Home Buyer Counseling for education of first time homebuyers	6,500	6,500
Home Choice Program to fund housing opportunity in urban areas	47,150	47,031
Homeless Auxiliary Initiative to provide assistance to homeless shelters	1,593	1,593
Total	$ 93,593	$ 93,474
Multifamily Housing Program:		
PennHOMES Program to lower development costs for apartments	$ 137,000	$ 137,000
Senior Housing Supportive Services to fund elderly resident services	4,000	4,000
Supportive Services to fund multifamily resident services	2,300	2,300
Preservation to address physical, financial or restructuring needs	3,000	3,000
Total	$ 146,300	$ 146,300
Single Family Mortgage Loan Program:		
Closing Cost Subsidy Program to assist borrowers with closing costs	$ 14,750	$ 14,750
Additional Single Family Insurance to reduce the risk of loan default	2,455	2,455
Total	$ 17,205	$ 17,205
Insurance Fund:		
Risk Retention Program to provide single family mortgage insurance	$ 48,886	$ 48,298

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PENNSYLVANIA HOUSING FINANCE AGENCY • SINGLE FAMILY MORTGAGE REVENUE BONDS, SERIES 2010-108A, SERIES 2010-108B AND SERIES 2009-107A

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